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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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March 20, 2007

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Mr. Paul N. Cicio
President
Industrial Energy Consumers of America
1155 15th Street, NW, Suite 500
Washington, DC 20005

Dear Mr. Cicio:

As the Committee on Energy and Commerce debates the merits of regulating greenhouse gas emissions, we need to understand the implications for those who generate and consume energy. The simple fact of the matter is anthropogenic greenhouse gasses are produced by the generation of electricity, the transportation of goods and services, and industrial activity. In short, economic development is the major factor that lies behind human contributions to climate change.

We need to understand what impact the cost of energy today has upon your business. Please share with us a detailed explanation of what your industry (or your company) already does to meet mandatory emission or fuel efficiency standards. What is the overall cost? What impact would changes triggered by a cap on greenhouse gas emissions have upon your business in the future?

We also invite your broader ideas and perspectives on what Congress should pursue in this area and what pitfalls Congress should avoid.

Your answers to the following questions will be very helpful in beginning our process of analyzing all these factors.

For the electric power industry:

- What is your forecast for electricity demand growth over the next 5, 10, 20, and 30 years? Does it vary significantly by region?
- Do you see the proportions in today's electric energy source mix (half coal, 20% nuclear, etc.) changing as overall production increases?

- What would a carbon dioxide price of \$10 per ton, \$30 per ton, and \$50 per ton mean for your fuel cost, and in turn, your total energy price? Will any of those carbon prices influence the fuel mix?
- At what price for carbon will decisions be made to switch from one fuel (i.e. coal) to another (i.e. natural gas)? What fuel is the most likely substitute for coal in this scenario?
- What assumptions do you make about the impact of the above carbon price ranges, directly and indirectly, on the price of natural gas? This includes the prices paid by electric generators, factories, and residences. Direct impact would be a cap on natural gas carbon emissions, indirect would be the impact on gas demand from an increase in the total cost (with a carbon cap) of coal.
- Do you think federal legislation, if any is needed, should pre-empt individual state actions (i.e. California's AB 32)?
- Should federal legislation pre-empt state efforts to place burden of compliance with a carbon cap or tax on ratepayers?

For energy consuming industries:

- What has been your industry's experience over the past five years with energy costs? Please describe electricity and natural gas separately.
- What has been the industry response to those price changes? Have they been a factor in decisions whether or not to site, or continue operating any plants in the U.S.?
- Do you think that pricing carbon at \$10 dollars per ton will affect your industry's cost of energy? How about \$30 per ton? \$50 per ton? Would your industry anticipate avoiding such cost increases by shifting future operations off-shore?
- Does your industry anticipate adding new production capacity? How much in the U.S. and how much outside the U.S.?
- Some cap and trade or carbon tax proposals have the potential to increase the cost of maintaining operations in the United States. Is your industry faced with strong international competition that is not affected by similar climate policy constraints? If so, would a cap and trade or carbon tax proposal adversely impact your ability to remain competitive? Would it impact your US workforce? Would it impact local communities?

For all respondents:

The United States is the world leader in technology including, for example, advanced manufacturing processes, microprocessors, and innovative transportation and distribution systems. Dealing with environmental concerns that accompany economic development is a function of technology. For example, U.S. industry developed and deployed the catalytic converter to reduce auto emissions and the flue-gas desulfurization technology to reduce power plant emissions.

Thus, the actual goal for any policy in this area should be to develop technologies that (1) have a demonstrable positive impact on the environment; (2) allow for the electricity generation and fuel needs of today and the future; and (3) facilitate continued economic growth.

Please provide detailed answers to the following questions:

- Please give examples of energy efficiency measures your industry currently employs and explain their impact on your fuel use and costs. Do they all pay for themselves in fuel savings? If not, what would cause them to recover their costs: higher energy prices, tax incentives, or both?
- What technologies are commercially available today to reduce the greenhouse gases your facilities emit?
- What technologies will be commercially available and deployable in 5, 10, 20 or 30 years that will reduce greenhouse gas emissions from your facilities and what will be their cost profile?
- What can Congress do to facilitate actual commercial deployment of these technologies?
- What can Congress do to advance the development of commercially available technologies to reduce greenhouse gas emissions in both the near and long term? Fund basic research? Fund the construction of demonstration sites for technologies? Loan guarantees? Tax incentives?
- Carbon sequestration technology is often promoted as a means to burn coal without emitting CO₂ into the atmosphere. Do you believe that sequestration is, or soon will be, affordable? Does your industry have any concern, directly or indirectly about non-technological issues with sequestration such as property or tort liability?
- Should steps to abate climate change also address energy security (i.e. access to affordable and secure sources of energy)? Which is more important to your industry or firm, energy security or climate change abatement?

- What role should international cooperation programs such as the Asia-Pacific Partnership (APP) play in the U.S. response to climate change? Is APP a worthwhile program for Congress to fund? Should it be expanded to include other countries?
- What role should forestry management and land-use practices play here in the United States and around the world? Should the U.S. increase its efforts here? Around the world?
- Has your industry discussed the prospect of increased energy costs triggered by a price on carbon affecting employment opportunities in the U.S., particularly in heavy manufacturing and energy production? Should Congress set a job-loss price ceiling on any legislation to cap CO₂ emissions?
- Should the U.S. act unilaterally to cap greenhouse gas emissions or should U.S. action be contingent on independently verifiable and equivalent reductions by other countries, especially the non-OECD countries such as China and India?
- What are the best ways to promote global participation, including by developing nations, in order to address global climate change issues?

Please provide your detailed responses by April 16, 2007. They will be very helpful to us in deepening our understanding of the issue, and of your perspective on it.

Thank you for your help and cooperation in this matter.

Sincerely,



Joe Barton
Ranking Member
Committee on Energy and Commerce



J. Dennis Hastert
Ranking Member
Subcommittee on Energy and
Air Quality

cc: The Honorable John D. Dingell, Chairman
Committee on Energy and Commerce

The Honorable Rick Boucher, Chairman
Subcommittee on Energy and Air Quality