



GLOBAL CLIMATE COALITION

July 8, 1993

Mr. Abe Haspel
Deputy Assistant Secretary
Economic & Environmental Policy
Department of Energy
EP-6, Room 7C-034
1000 Independence Ave. SW
Washington, D.C. 20585

Dear Abe:

Our members enjoyed meeting with you last week and we all appreciate the enormity of your task as DOE develops the National Action Plan baseline assumptions and data. The U.S. National Action Plan can be a leadership document if it is developed in a rational and considered fashion, taking into full account economic and other consequences, including uncertainties. It should demonstrate that the U.S. is willing to fully explain all of its evaluations and conclusions and expects others to do the same.

The Global Climate Coalition believes that the analysis for the U.S. National Action Plan should meet three specific objectives:

- The Plan must be *scientifically objective* in describing both the U.S. current situation and the consequences of its actions and the degree of uncertainty regarding the outcome of those actions;
- The Plan must be completely *transparent* with respect to assumptions, methodology, and the results. This will enhance the credibility of the plan among all interested parties, regardless of their views on the elements of the Plan; and
- The Plan must contain a *comprehensive analysis of the economic impacts* of the proposed actions, especially the impacts on capital and other costs, employment impacts, and impacts on international economic competitiveness.

We feel that there are specific areas that need full analysis as you develop a solid basis for decision making. They are:

Baseline Economic and Energy Price Assumptions: The economic growth rates and energy prices assumed in the analysis should be fully documented. Unrealistically low economic growth rates may imply that achievement of 1990 emission levels in the year 2000 will be easy to achieve. Unrealistically low natural gas prices would suggest that significant emissions reductions could be achieved through fuel switching.

Energy Policy Act of 1992: A detailed and comprehensive analysis of the impacts of the Energy Policy Act of 1992 is necessary. The Act contains over 100 provisions that affect greenhouse gas emissions. These provisions should form a cornerstone of the National Action Plan.

Baseline Emissions Projections: Detailed documentation of the baseline emission projections for 2000 and for various "out-years" (such as 2010), by greenhouse gas and by source sector, is necessary in order to assess the degree of difficulty or ease in achieving emissions reductions. Such information can help identify relative gaps in mitigation efforts and potential opportunities for additional actions. The detailed assumptions supporting the emissions projections, such as the assumed relative roles of different fuels and the assumed diffusion of technologies and accumulated market penetration, can help to identify promising additional opportunities.

Economic Impacts and Cost Effectiveness: It is essential that the analysis contain a comprehensive assessment of the economic impacts of proposed actions; especially on U.S. industrial production, capital requirements, jobs, and international competitiveness. Some potential actions could have very substantial effects on U.S. production, jobs, and competitiveness. A comparison of the cost effectiveness of proposed actions is also required. The options under consideration within the working groups can have a significant variance in cost per unit of emissions reduced.

Voluntary Actions: Voluntary actions should be a significant component of the National Action Plan. The Plan should incorporate a comprehensive list of voluntary actions. Estimates of the impacts of voluntary actions should be developed in close cooperation with industry, including changes in projected greenhouse gas emissions within and between different economic sectors.

International Effects: Actions taken domestically could have significant international impacts. For example, stringent domestic controls on energy intensive industries could result in the transfer of production offshore with no net reduction in global emissions. Actions that would prematurely commit U.S. industry to deployment of particular technologies, when superior technologies are still in the R&D process, could penalize the competitive position of U.S. industry over the longer term.

Carbon Sinks and Joint Implementation: In addition to controls on U.S. emissions, the analysis should also provide for alternatives to mitigate emissions through enhancement of carbon sinks in the U.S. and through joint implementation actions with developing countries. Enhanced sinks and joint implementation actions can be in many cases the most cost-effective alternatives, and can be undertaken by industry on a voluntary basis without the need for a new regulatory program of emissions caps.

As we discussed we also have developed key questions which we feel the U.S. National Action Plan for Climate Change should address. They are:

Economic Growth Rate Assumptions

- What are the economic growth rates assumed for the most likely economic growth scenario?
- What are the economic growth rates assumed for the lower growth scenario?
- What are the economic growth rates assumed for the higher growth scenario?
- How does each of these rates compare to past U.S. economic growth and what is the basis for selecting these rates as the most representative for the baseline scenarios?
- How reliable are economic growth rate assumptions in years beyond 2000?

Energy Price Assumptions

- What are the energy price assumptions for the different economic growth scenarios?
- How reliable are energy price assumptions in years beyond 2000?
- What is the sensitivity of projected emission levels to energy price assumptions? (i.e.: given the combinations of economic growth rates and energy price assumptions that are considered consistent with such rates, how likely is it that alternative energy prices would significantly increase the range of emission outcomes?)

Baseline Energy Efficiency and Other Assumptions

- What future energy efficiency increases and emissions reductions are assumed in the absence of new policy initiatives?

- What are the additional opportunities provided by these Acts for emissions reductions that are not in the baseline?

Effects of 1992 National Action Plan

- What are the funding levels (both public and private), emissions reductions, and other relevant effects from actions in the 1992 National Action Plan that are included in the baseline?
- What are the additional potential opportunities for emissions reductions from these actions that could be achieved by increasing funding or by other modifications?

Baseline Emissions

- What are the year 2000 and year 2010 baseline emissions for each greenhouse gas for each baseline scenario?
- What are the sectoral sources for each greenhouse gas in each baseline scenario?
- How do each of the baseline scenarios compare to 1990 emissions by greenhouse gas and sectoral source?
- What are the carbon equivalents of greenhouse gas emissions in each of the baseline scenarios? What greenhouse warming potentials (GWPs) are used and what are the uncertainties in the GWPs and carbon equivalents?

Proposed Actions, Costs, Emission Reductions, and Other Effects

- What are the proposed actions, their costs (both public and private), their emissions reductions, and other relevant effects?
- What effects would the proposed actions have on U.S. levels of production, U.S. jobs, U.S. inflation, U.S. competitiveness vis-a-vis both industrial country and developing country competitors?
- What effects would the proposed actions have on global as distinguished from U.S. greenhouse gas emissions? To what extent would the proposed actions reduce U.S. production of emissions-intensive goods and increase production abroad for import into the U.S.?
- What effects, if any, would the proposed actions have in reducing U.S. flexibility to take later actions that may be more environmentally and economically effective? Would any of the proposed actions force premature investments which would lock

As to each major type of energy-efficiency technology and practice:

- What levels of investment and of effectiveness of utility-sponsored demand-side management (DSM) programs are assumed in the baseline? What levels of investment and of effectiveness of government information programs and voluntary programs related to utility-supplied energy are in the baseline? What degree of market penetration, compared to the total market potential, is assumed?
- What levels of investment and resulting changes in level of transportation energy efficiency are assumed in the baseline?
- What levels of investment and of effectiveness in increasing energy efficiency use, other than that supplied by utilities or used in transportation, is assumed in the baseline?
- How do the baseline energy efficiency increases by industry, transportation, commercial, and residential sectors compare with the recent history of energy efficiency increases in those sectors? What is the empirical basis for selecting these baseline rates as the most likely in the absence of further government actions?
- Where are the major opportunities for increases in energy efficiency and associated emissions reductions that are not exploited in the baseline projections?
- What non-energy-related emissions reductions are assumed in the absence of new policy initiatives (e.g., reductions of methane, nitrous oxide and other greenhouse gases from landfills, agriculture, or industrial activities)?

Effects of Recent Major Legislation

- What is assumed in the baseline regarding the effects of the Clean Air Act Amendments on relevant economic variables and on emissions? To what degree are the provisions of this Act fully funded and fully implemented in the baseline scenarios?
- What is assumed in the baseline regarding the effects of the Energy Policy Act of 1992 on relevant economic variables and on emissions? To what degree are the provisions of this Act fully funded and fully implemented in the baseline scenarios?
- What is assumed in the baseline scenarios regarding the effects of the Intermodal Surface Transportation Efficiency Act (ISTEA) on relevant economic variables and on emissions? To what degree are the provisions of this Act fully funded and fully implemented in the baseline scenarios?


the U.S. into technologies that are likely to become environmentally and economically inferior in the relatively short time frame?

Diffusion of Specific Technologies

- Where diffusion of specific technologies are involved, what are the rates of diffusion, accumulated market penetration, and emissions reductions in the baseline estimates, and in the proposed actions?
- Are there actions or modifications not proposed -- additional government funding, tax system changes, other actions, etc. -- which could increase the rates of diffusion and market penetration of new technologies, and achieve additional emissions reductions?

The members of the Global Climate Coalition look forward to a continuing discussion on these and other relevant issues related to your work.

Sincerely,


John Shlaes
Executive Director