UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

MAY - 7 2009

OFFICE OF
AIR AND RADIATION

The Honorable F. James Sensenbrenner, Jr.
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Sensenbrenner:

Thank you for your letter dated April 24, 2009, to Administrator Jackson involving the issues concerning EPA's recent analysis of the Waxman-Markey American Clean Energy and Security (ACES) Act. The Administrator asked me to respond to your letter.

We have arranged a briefing with your staff for this Friday, May 8th. In addition, we have prepared responses to the questions in your letter in the attached document.

Again, thank you for your letter. If you have further questions, please contact me or your staff may call Cheryl Mackay, in EPA's Office of Congressional and Intergovernmental Relations, at (202) 564-2023.

Sincerely,

Elizabeth Craig

Elizabeth Craig
Acting Assistant Administrator

Attachment

**Responses to questions on EPA's analysis of the Waxman-Markey American Clean Energy and Security Act (ACES)**

**1. What was the basis for EPA's growth rate assumption? Why is it lower than the growth rate used in the President's budget proposal?**

EPA derives its economic growth assumptions from the Energy Information Administration's Annual Energy Outlook, because EPA also uses the AEO's projections of energy demand and use. In December 2008, EIA released its 2009 AEO projections, which EPA used in its April 20th analysis. EPA's understanding is that OMB does not rely as heavily on the AEO's economic growth assumptions in preparing the President's budget request, in part because the budget request does not focus as specifically on the energy sector as EPA's analysis of an energy-climate bill does.

**2. EPA's analysis does not consider the effects of the ACES renewable energy standard. Will this standard increase consumer costs?**

There would be a cost associated with implementing the ACES renewable energy standard. Due to time limitations, EPA did not estimate that cost.

**3. Why did EPA rely on incorrect offset levels? What effect would accurate offset levels have on compliance costs?**

EPA's analysis of ACES did not rely on incorrect offset levels. Staff of the authors of the discussion draft have confirmed that EPA's modeling inputs accurately reflect the ACES offsets provisions.

**4. Are the carbon capture and sequestration assumptions technologically feasible?**

Yes. CCS technology exists today and has been deployed in the United States and in other countries. There are about a dozen demonstration or larger-scale commercial CCS projects currently moving forward in the United States, utilizing various capture technologies. Other analysts in government, academia, and the private sector have also found that the technology is feasible and would be widely available and deployed in the long-term as a result of a national climate change policy with carbon prices. For example, EPRI's PRISM analysis[1] shows extensive deployment of coal plants with CCS after 2020, fully displacing uncontrolled coal by 2040.

In EPA's analysis, based on the CCS demonstration and early deployment provisions (about $1 billion per year for 10 years), modest amounts of carbon capture and sequestration (CCS) (3 gigawatts) would be built in the near-term. In the long-term, because of the CCS bonus allowances, EPA projects larger amounts of CCS capacity.

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[1] See page 4-5 of EPRI's 2007 paper, online at http://mydocs.epri.com/docs/public/DiscussionPaper2007.pdf

**5. If technological progress does not match EPA's assumption, what effect will this have on consumer costs?**

Due to time limitations, EPA did not analyze alternative scenarios reflecting different limits on technology penetration.

**6. Does EPA expect regional disparities in the consumer costs of the ACES Act?**

Appendix 5 of EPA's analysis of the Waxman-Markey discussion draft presents U.S. regional modeling results. Impacts across most regions are close to U.S. averages. The plains region appears to experience impacts that are above average.