United States Senate

WASHINGTON, DC 20510

June 6, 2008

The Honorable Harry Reid
Majority Leader
United States Senate
S-221, the Capitol
Washington, D.C. 20510

The Honorable Barbara Boxer
Chairman, Committee on Environment and Public Works
456 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Leader and Chairman Boxer:

As Democrats from regions of the country that will be most immediately affected by climate legislation, we want to share our concerns with the bill that is currently before the Senate. We commend your leadership in attempting to address one of the most significant threats to this and future generations; however, we cannot support final passage of the Boxer Substitute in its current form.

We believe a federal cap and trade program must not only significantly reduce greenhouse gas emissions but also ensure that consumers and workers in all regions of the U.S. are protected from undue hardship. A federal cap and trade program is perhaps the most significant endeavor undertaken by Congress in over 70 years and must be done with great care. To that point we have laid out the following principles and concerns that must be considered and fully addressed in any final legislation.

- **Contain Costs and Prevent Harm to the U.S. Economy:** We hope that you recognize, as we do, the inherent uncertainty in predicting the costs of achieving the emission caps set forth in this or any climate legislation. While placing a cost on carbon is important, we believe that there must be a balance and a short-term cushion when new technologies may not be available as hoped for or are more expensive than assumed. There are many options to deal with the issue and all should be up for discussion in order to meet our environmental and economic goals. Ultimately, we must strive to form a partnership with regulated industries to help them reduce emissions as they transition from an old energy economy to a new energy economy which will protect both our environment and our economy.

- **Invest Aggressively in New Technologies and Deployment of Existing Technologies:** There is no doubt that we need a technological revolution to enter into a low carbon

economy. It is critical that we design effective mechanisms to augment and accelerate government-sponsored technology R&D programs and incentives that will motivate rapid deployment of those technologies without picking winners and losers. We also want to include proposals to provide funding for carbon capture and storage and other critical low carbon technologies in advance of resources being available through the auction of emission allowances. We also need to aggressively deploy existing energy efficiency technologies now to retrofit millions of homes, buildings and manufacturing facilities to reduce electricity costs for everyone.

- **Treat States Equitably:** Just as some groups of consumers will be more severely affected by the cost of compliance, so too will our states. The allocation structure of a cap-and-trade bill must be designed to balance these burdens across states and regions and be sufficiently transparent to be understood.

- **Protect America's Working Families:** Any legislation must recognize that working families are going to be significantly affected by any cap and trade legislation. Price relief for these families must be included in any federal cap and trade program. For instance, one way to provide some relief would be to provide additional allowances to utilities whose electricity prices are regulated, which would help to keep electricity prices low.

- **Protect U.S. Manufacturing Jobs and Strengthen International Competitiveness:** The Lieberman-Warner bill contains a mechanism to protect U.S. manufacturers from international competitors that do not face the same carbon constraints. If this mechanism does not work, or is found to be noncompliant with the World Trade Organization, then the program needs to be modified or suspended. The final bill must include enhanced safeguards to ensure a truly equitable and effective global effort that minimizes harm to the U.S. economy and protects American jobs. Furthermore, we must adequately help manufacturers transition to a low carbon economy to maintain domestic jobs and production.

- **Fully Recognize Agriculture and Forestry's Role:** Agriculture and forestry are not regulated under the bill but they can contribute to reducing emissions by over 20% domestically. Furthermore, international deforestation contributes to 20% of global greenhouse gas emissions. Strong, aggressive and verifiable offset policies can fully utilize the capabilities of our farmers and forests. A strong offset policy can also reduce the costs of a cap and trade program while maintaining our strong environmental goals.

- **Clarify Federal/State Authority:** Congress should adopt a mandatory federal cap-and-trade program that will be the single regulatory regime for controlling greenhouse gas emissions. Existing state laws and initiatives should be integrated into the federal cap-and-trade program where the policies do not conflict. Federal uniformity in this area should be made clear in the statutory language to prevent conflict in regulation, preserve overall efficiency, and ensure harmonization of regulations. Where a conflict exists, federal law needs to clearly prevail.

- **Provide Accountability for Consumer Dollars:** The cap and trade program developed in the Lieberman-Warner bill has the potential to raise over $7 trillion. Much of these funds will be indirectly paid for by consumers through increased energy prices. The federal government has a fundamental obligation to ensure these funds are being spent in a responsible and wise manner. The development of any cap and trade program must recognize the sensitivity of this obligation and eliminate all possibility of waste, fraud or abuse.

We look forward to working with you to ensure that any final bill will address the problems of climate change without imposing undue hardship on our states, key industrial sectors and consumers.

Sincerely,

Debbie Stabenow

John D. Rockefeller IV

Carl Levin

Blanche Lincoln

Mark Pryor

Jim Webb

Evan Bayh

Claire McCaskill

Sherrod Brown

Ben Nelson