

United States Senate

WASHINGTON, DC 20510-2202

March 5, 2010

The Honorable John Kerry
Chairman
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510

Dear John:

I am writing to reiterate some of the points I made at the March 2 meeting on climate legislation:

- A binding national standard for greenhouse gas emissions from mobile sources is needed, with clear pre-emption of states adopting a different standard. The rules for greenhouse gas emissions from stationary sources should be set by Congress, superseding EPA's existing statutory authority under the Clean Air Act.
- A realistic and firm "price collar" is needed to ensure that businesses and consumers do not face excessive costs and to provide more certainty for businesses to invest in the new clean energy economy.
- A delay of at least 10 years in regulation of industrial sources is needed, with a further delay provided for if important trade provisions to assure a level playing field are not included and fully implemented. Sufficient allowances for industrial sources are needed to cover both direct and indirect emissions. This is critical for ensuring that cost disparities relative to greenhouse gas controls do not erode our international competitiveness.
- Any approach for reducing greenhouse gas emissions needs to take into account the differences in the source of electricity generation across the country, in order to avoid regional disparities. An allocation formula based 50 percent on emissions and 50 percent on sales would result in some states bearing an unfair and disproportionate share of the costs. As can be seen in the attached table, a 50-50 allocation would result in a wide disparity in the extent to which emission allowance needs are met, with a difference across states of 47%. A 100% emissions-based distribution formula is a more equitable approach (but there still is a difference across states of 22%). An adequate total number of allowances to the electricity sector is also needed to ensure a realistic and smooth transition to lower carbon-intensive electricity production.

Thanks.

Sincerely,



Carl Levin