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RECORD TYPE: FEDERAL (NOTES MAIL)

CREATOR: "Card, Robert" <Robert.Card@hq.doe.gov> ("Card, Robert" <Robert.Card@hq.doe

CREATION DATE/TIME: 29-JAN-2003 07:08:05.00

SUBJECT: FW: CEI's Fred Smith and Marlo Lewis Send Coalition Letter To President B

TO: Phil Cooney (CN=Phil Cooney/OU=CEQ/O=EOP@EOP [CEQ]) .

READ: UNKNOWN

TO: "Anderson, Margot" <Margot.Anderson@hq.doe.gov> ("Anderson, Margot" <Margot.Ande

READ: UNKNOWN

TEXT:

In case your are not on their list

-----Original Message-----

From: Marlo Lewis [mailto:mlewis@cei.org]

Sent: Tuesday, January 28, 2003 2:27 PM

To: Marlo Lewis

Subject: CEI's Fred Smith and Marlo Lewis Send Coalition Letter To President Bush On The Proposed Greenhouse Gas Credit Plan

January 27, 2003

The Honorable George W. Bush

The White House

1600 Pennsylvania Avenue NW

Washington, DC 20500

Dear Mr. President:

We are writing to reiterate our concerns about the Administration's plan to award regulatory offsets ("transferable credits") to companies that reduce emissions of carbon dioxide (CO2) and other greenhouse gases.

Three significant events have occurred since our earlier (October 2, 2002) letter - events that make the case against carbon credits even more compelling. Those events are: (1) introduction of the McCain-Lieberman bill to establish a Kyoto-style cap-and-trade program for the United States; (2) publication of a major study in Science demonstrating the futility of regulatory "solutions" to climate change; and (3) your advocacy of expensing

as part of the administration's growth and jobs policy.

As noted in our previous letter, transferable carbon credits attain full market value only under a mandatory emissions reduction target or "cap," like those proposed in the McCain-Lieberman bill. Thus, companies that earn carbon credits for "early reductions" will gain incentives to lobby for the bill. If enacted, McCain-Lieberman will have the same effects on consumers as an energy tax. The carbon caps will increase the prices households must pay for electricity, gasoline, and home heating oil, and the impacts will be

regressive, imposing proportionately larger burdens on those, like seniors and the poor, who are on fixed or low incomes.

Clearly, McCain-Lieberman is antithetical both to your National Energy Policy, which seeks to secure affordable energy for the American people, and

your growth and jobs policy, which seeks to stimulate the economy via tax cuts. The administration's crediting plan will build support for McCain-Lieberman and similar energy rationing schemes.

We share your view that climate policy should emphasize long-term technology

change, not short-term regulation. As a study in the November 1, 2002 issue

of Science magazine explains, world energy demand could triple by 2050. However, according to the study, "Energy sources that can produce 100 to 300

percent of present world power consumption without greenhouse emissions do not exist operationally or as pilot plants." Major technological breakthroughs and decades of market evolution must occur before nations could stabilize atmospheric CO2 levels while meeting global energy needs. Any serious attempt to stabilize CO2 levels via regulation would be both futile and economically devastating.

But, if regulatory strategies are unsustainable, then no good purpose is served by providing a pre-regulatory ramp-up to such policies. An early start on a journey one cannot complete and does not want to take is not progress; it is wasted effort.

As an alternative to Kyoto's mandatory tonnage reduction targets, which are anti-growth, you have proposed a voluntary carbon intensity reduction goal, which can accommodate growth. The administration views early credits as a way to motivate companies to invest in newer, less carbon intensive, technologies. However, there is a better way to speed up carbon intensity decline, and it comes straight out of your economic policy playbook: expensing.

Your growth and jobs plan calls for increasing the small business expensing option from \$25,000 to \$75,000. This is a good first step, but we think the limits on expensing should be expanded even further, and extended to all capital investment.

A study sponsored by the American Council for Capital Formation found that, as of December 2001, the United States lagged behind several of its trade partners in terms of capital cost recovery for electric power generation, pollution control technology, and other energy assets. For example, after five years, a company that builds a combined heat and power plant in the United States recovers only 29 percent of its investment compared to 51 percent in Germany, 53 percent in Japan, 100 percent in the Netherlands, and 105 percent in China.

By removing the tax penalty on capital investment, expensing would encourage more rapid turnover of plant and equipment. In general, state-of-the-art facilities are more productive than older units, delivering more output per unit of input, including energy inputs. Expensing would thus accelerate carbon intensity decline - yet without building political support for energy rationing.

Because expensing enhances productivity and boosts wages, it makes good economic sense whatever science ultimately tells us about global warming. Expensing is a true "no regrets" policy.

We would be pleased to help the Administration develop a climate policy that employs expensing rather than transferable credits to reduce U.S. energy and carbon intensity.

Sincerely,
Fred L. Smith, Jr., President
Marlo Lewis, Jr., Senior Fellow
Competitive Enterprise Institute

Paul Beckner
President
Citizens for a Sound Economy

John Berthoud
President

National Taxpayers Union

L. Patricia Callahan
President

American Association of Small Property Owners

David Keene
Chairman
American Conservative Union

Karen Kerrigan
Chairman
Small Business Survival Committee

James Martin
President
60 Plus Association

Grover Norquist
President
Americans for Tax Reform

Duane Parde
Executive Director
American Legislative Exchange Council

John Powell
Senior Vice President & Chief Operating Officer
The Seniors Coalition

Alex-St. James
Chairman
African American Republican
Leadership Council

Tom Schatz
President
Citizens Against Government Waste

Fran Smith
Executive Director
Consumer Alert

Benjamin C. Works
Executive Director
Strategic Issues Research Institute

- att1.htm===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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Bush On The Proposed Greenhouse Gas Credit Plan</TITLE>

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===== END ATTACHMENT 1 =====