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Dear Senator:

The Pew Center on Global Climate Change believes the Boxer-Lieberman-Warner substitute amendment to the Climate Security Act of 2008 presents a solid framework for a U.S. greenhouse gas (GHG) cap-and-trade program, and therefore would encourage the Senate to move the bill forward.

We believe the substitute amendment is right on the major issues for climate legislation. In particular, the bill would:

- Substantially reduce U.S. GHG emissions to levels consistent with the imperative of avoiding the most dangerous impacts of climate change.
- Allow the U.S. to be a full participant in the effort to develop an effective and equitable international climate framework. Serious participation by the U.S. is a necessary condition for the major emitting developing nations to commit to binding GHG mitigation actions.
- Send a price signal on GHG emissions throughout the economy, spurring invention and deployment of climate-friendly technologies.
- Maximize both the program's environmental effectiveness and its cost-effectiveness by taking an economy-wide approach, rather than focusing on any one sector alone; and by addressing all GHGs, rather than carbon dioxide alone.
- Allow continued robust growth of the US economy, according to all economic modeling. The models project only a small reduction in future expected growth of GDP, and never an absolute reduction. According to the Energy Information Administration (EIA), the overall US GDP is expected to roughly double by 2030 – with growth expected to be 183% under the bill, rather than 184% without climate policy. In other words, by 2030, the bill is projected to put the economy's growth about 2 months behind the "business as usual" level.
- Give strong incentives to deploy geological carbon capture and sequestration as soon as possible.
- Control costs, while guaranteeing the program's cumulative emission reductions through the use of allowance borrowing, allowance banking, offsets and a limited "cost containment" auction.

- Provide free allowances to energy-intensive, trade-exposed manufacturers to protect them from competitive disadvantage.
- Provide incentives for developing countries to deploy clean technologies and protect forests, and significant support for adaptation efforts in the poor countries most vulnerable to climate change.
- Minimize energy price increases for consumers through the use of tax cuts, allowance auction revenues, and free allocations to local gas and electric distribution companies.
- Help consumers increase their energy efficiency.
- Provide support for human and ecological adaptation to the physical impacts of climate change in the US.

Building on this solid foundation, the Pew Center would recommend further improvements to the bill as it continues through the legislative process. In particular, the bill should:

- Rely on allowance allocation, rather than on trade measures, to protect energy-intensive, trade-exposed manufacturers from unfair competitive disadvantage.
- Cover the process GHG emissions of any facility which produces more than 10,000 tons per year of GHG emissions, especially given the bill's generous free allocation of allowances to energy-intensive manufacturers.
- Cover emissions from the use of natural gas downstream, at the point of emission from large users, rather than upstream. To reduce natural gas-related emissions from homes and small businesses, the bill should (1) rely on its energy efficiency incentives, appliance standards, and building code improvement incentives; (2) require local gas distribution companies to meet an energy efficiency performance standard; and (3) transition over time to full coverage of residential and commercial combustion through these local gas distribution companies.
- Remove the limits on the use of real, additional, verified domestic and international offsets. If a limit is nevertheless imposed, it should be applied at the firm level, rather than to the overall supply of offsets.
- Increase the support for the deployment of climate friendly technology in developing countries.

Thank you for your attention to this critical issue. Please have your staff contact Nikki Roy (703-516-0633; royn@pewclimate.org) with any questions, or if the Pew Center can be of any assistance.

Sincerely,



Eileen Claussen
President