

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D. C. 20426

5-11-09  
Archive-FERC  
Alan  
Kelly

May 11, 2009

The Honorable Joe Barton  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515-6115

Dear Representative Barton:

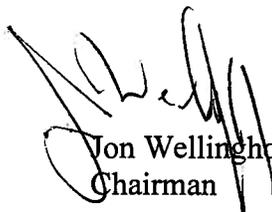
Thank you for your April 23, 2009 letter asking for each Commissioner's individual view of whether the private sector would make large-scale investments in carbon capture and storage (CCS) technologies in the absence of further federal legislation. Because we are in agreement on the issue you raise, we are sending this letter jointly.

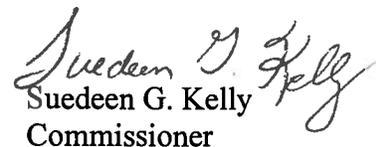
We do not have a basis to speculate as to the magnitude of investment that will be made in CCS technologies. We recognize, however, that as a general matter, risks associated with regulatory uncertainty may inhibit investment in CCS and other technologies. We believe that the most significant uncertainty affecting the development of CCS technologies is the uncertainty surrounding whether Congress will take steps to limit CO<sub>2</sub> emissions. Therefore, we believe that significant investment by the private sector in CCS technologies is unlikely until that uncertainty is resolved one way or the other.

In your letter, you specifically inquired about how the absence of federal law addressing siting, rate-making structure, and liability issues may affect investment in CCS technologies. While we do not have a basis to quantify such an effect on investment, we agree that greater clarity on those issues would also reduce risks associated with regulatory uncertainty and, therefore, would tend to promote investment in CCS technologies.

We hope that this information is helpful in your consideration of these issues. If we can be of any further assistance, please do not hesitate to contact us.

Sincerely,

  
Jon Wellinghoff  
Chairman

  
Sudeen G. Kelly  
Commissioner

cc: The Honorable Henry A. Waxman, Chairman  
The Honorable Bart Stupak, Chairman  
Subcommittee on Oversight and Investigations

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OFFICE OF THE COMMISSIONER

The Honorable Joe Barton  
Ranking Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515-6115

Dear Congressman Barton:

Thank you for your letter of April 23, 2009 asking for my views about the siting of carbon capture and sequestration (CCS) and carbon storage facilities. Specifically, you asked, "Based on your understanding and FERC's experience with energy markets, would the private sector make large-scale investments in CCS in the absence of any federal law addressing siting, rate-making structure, and liability issues?" My colleagues have written you and although I agree with their views, I wish to express some additional perspective.

I believe that reducing all types of risks is likely to lead to a more favorable investment climate. As such, any federal legislation that addresses siting, rate-making and liability issues surrounding CCS will lead to greater certainty and presumably increased investment.

It is worth noting that there is some investment occurring now in CCS technology. Over the past several months several companies have announced investments in pursuing CCS technology and research although it depends on one's views whether these investments constitute "large-scale investments" given the complexity of issues surrounding CCS development and deployment.

As you and your colleagues consider various policy options pertaining to CCS, I wish to make a more general observation. As you are aware, in some locations carbon dioxide has commercial applications where it is used for enhanced petroleum recovery. However, in most areas of the country a direct application of carbon dioxide could prove infeasible. Developing the pipeline infrastructure to move carbon dioxide long distances could be both economically inefficient and controversial. In such cases--assuming the eventual large-scale effectiveness of CCS technology--new or existing coal plants using CCS technology may need to be located in close proximity to the geologic formations that allow for injecting significant volumes of plant emissions. If this occurs the plants using CCS may be essentially "location-constrained," a term we use often to describe the

vast renewable resources that we have in this nation (largely wind, solar and geothermal) that are often located far from electric load centers.

This is by no means an insurmountable problem; rather my point is that transmission planning and deployment policy must be taken into account if it is accurate that future CCS plants are location-constrained, just as transmission policy is essential to sending the necessary signals that will allow for developing more of our nation's renewable resources. I believe that addressing transmission policy is critical to our nation's path forward on electricity policy, regardless of the types of resources that are part of our future supply or demand mix.

Again, I appreciate the opportunity to express my views on this issue and welcome the chance to do so on this or other matters in the future.

Sincerely,



Philip D. Moeller  
Commissioner

cc: The Honorable Henry A. Waxman, Chairman  
The Honorable Bart Stupak, Chairman  
Subcommittee on Oversight and Investigations

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The Honorable Joe Barton  
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Washington, D.C. 20515-6115

Dear Representative Barton:

Thank you for your April 23, 2009 letter asking for my view of whether the private sector would make large-scale investments in carbon capture and storage (CCS) technologies in the absence of further federal legislation.

I agree with Chairman Wellinghoff that the Federal Energy Regulatory Commission (FERC) does not have a basis to speculate as to the magnitude of investment that will be made in CCS technologies. I also want to stress that, as a general matter, risks associated with regulatory uncertainty may inhibit investment. Congress's decision whether, and if so how, to address siting, rate-making and liability issues surrounding CCS will have a significant impact on how the private sector evaluates the economic costs of its products and how it engages in long-term planning and risk assessment.

Regulatory uncertainty may result in increased volatility in markets and have the general effect of inhibiting deployment of existing energy resources. Moreover, regulatory uncertainty may inhibit research and development of new resources. Accordingly, I believe that significant investment by the private sector in CCS technologies is unlikely to occur until uncertainty regarding federal legislation is resolved one way or the other.

I hope that this information is helpful in your consideration of these issues. If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,



Marc Spitzer  
Commissioner