

HENRY A. WAXMAN, CALIFORNIA  
CHAIRMAN

JOHN D. DINGELL, MICHIGAN  
CHAIRMAN EMERITUS  
EDWARD J. MARKEY, MASSACHUSETTS  
RICK BOUCHER, VIRGINIA  
FRANK PALLONE, Jr., NEW JERSEY  
BART GORDON, TENNESSEE  
BOBBY L. RUSH, ILLINOIS  
ANNA G. ESHOO, CALIFORNIA  
BART STUPAK, MICHIGAN  
ELIOT L. ENGEL, NEW YORK  
GENE GREEN, TEXAS  
DIANA DEGETTE, COLORADO  
VICE CHAIRMAN  
LOIS CAPPS, CALIFORNIA  
MIKE DOYLE, PENNSYLVANIA  
JANE HARMAN, CALIFORNIA  
JAN SCHAKOWSKY, ILLINOIS  
CHARLES A. GONZALEZ, TEXAS  
JAY INSLEE, WASHINGTON  
TAMMY BALDWIN, WISCONSIN  
MIKE ROSS, ARKANSAS  
ANTHONY D. WEINER, NEW YORK  
JIM MATHESON, UTAH  
G.K. BUTTERFIELD, NORTH CAROLINA  
CHARLIE MELANCON, LOUISIANA  
JOHN BARROW, GEORGIA  
BARON P. HILL, INDIANA  
DORIS O. MATSUI, CALIFORNIA  
DONNA CHRISTENSEN, VIRGIN ISLANDS  
KATHY CASTOR, FLORIDA  
JOHN SARBANES, MARYLAND  
CHRISTOPHER MURPHY, CONNECTICUT  
ZACHARY T. SPACE, OHIO  
JERRY McNERNEY, CALIFORNIA  
BETTY SUTTON, OHIO  
BRUCE BRALEY, IOWA  
PETER WELCH, VERMONT

ONE HUNDRED ELEVENTH CONGRESS

# Congress of the United States

## House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

2125 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6115

MAJORITY (202) 225-2927  
FACSIMILE (202) 225-2525  
MINORITY (202) 225-3641

[energycommerce.house.gov](http://energycommerce.house.gov)

September 10, 2009

JOE BARTON, TEXAS  
RANKING MEMBER

RALPH M. HALL, TEXAS  
FRED UPTON, MICHIGAN  
CLIFF STEARNS, FLORIDA  
NATHAN DEAL, GEORGIA  
ED WHITFIELD, KENTUCKY  
JOHN SHIMKUS, ILLINOIS  
JOHN B. SHADEGG, ARIZONA  
ROY BLUNT, MISSOURI  
STEVE BUYER, INDIANA  
GEORGE RADANOVICH, CALIFORNIA  
JOSEPH R. PITTS, PENNSYLVANIA  
MARY BONO MACK, CALIFORNIA  
GREG WALDEN, OREGON  
LEE TERRY, NEBRASKA  
MIKE ROGERS, MICHIGAN  
SUE WILKINS MYRICK, NORTH CAROLINA  
JOHN SULLIVAN, OKLAHOMA  
TIM MURPHY, PENNSYLVANIA  
MICHAEL C. BURGESS, TEXAS  
MARSHA BLACKBURN, TENNESSEE  
PHIL GINGREY, GEORGIA  
STEVE SCALISE, LOUISIANA

The Honorable Lisa Jackson  
Administrator  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, N.W.  
Washington, DC 20460

Dear Administrator Jackson:

The Waxman-Markey “cap and trade” legislation (H.R. 2454) contains strict emissions reduction requirements that, if enacted, will impose significant costs on the U.S. businesses and households. EPA’s economic modeling and cost estimates of this legislation have been widely cited. The Congressional Budget Office has also used EPA’s model results in preparing its own analysis and cost estimates of the bill.

Given the reliance upon EPA’s analysis of the economic impacts of the bill, Congress and the public must be assured that EPA adhered to the highest standards of objectivity in carrying out its modeling. Accordingly, the agency should fully and completely evaluate and explain its modeling results. EPA’s recent analysis of the Waxman-Markey legislation, published June 23, 2009, generated information that apparently has not been fully explained and that suggests EPA’s carbon price projections are not valid. Such apparent problems deserve close scrutiny.

In the agency analysis, EPA based its carbon price estimates (and projected economic impacts) on computable general equilibrium (CGE) models. Yet EPA reported at page 22 and elsewhere that these models are not well suited for the near-term economic impacts (*i.e.*, through 2025) of the Waxman-Markey legislation. Because the electricity sector provides the bulk of emissions reductions under the legislation, EPA says it employed the so-called Integrated Planning Model (IPM) to “supplement” the CGE results with a more detailed picture of electricity sector response to higher carbon prices through 2025. We note the results EPA reported for this model run, at page 25 of the analysis, substantially fail to produce the emissions

reductions necessary to meet the goals of the legislation at EPA's estimated carbon prices. In fact, EPA's own data suggest carbon prices under this detailed modeling produce only about half the emissions cuts in the electricity sector required under the legislation, suggesting prices may have to be almost double what EPA reported to Congress and the public to achieve the bill's aims.

We are concerned that these inconsistent model results have not been sufficiently disclosed and fully explained. It is not evident in the published analysis or the accompanying appendix that these results were ever used actually to "supplement" or otherwise adjust EPA's estimates of the cost of the Waxman-Markey legislation to households. A reader has to refer to the appendix and then wade through EPA's complex data-annex tables to find the substantial discrepancy in emissions reductions. We see no explicit discussion of the results. In fact, it appears that EPA either failed to evaluate the implications of the IPM results about the validity of cost estimates or ignored them while seeking to report the relatively low cost estimates featured in the analysis.

Given that the validity of cost estimates EPA reported to Congress and the public has been called into question by its own internal modeling, we write to seek clarification about EPA's analysis and to learn whether EPA fully evaluated the validity of its models and fully disclosed all material information relating to model validity before releasing its report to Congress and the public. Please respond within two weeks of the date of this letter to the following:

1. How did EPA validate CGE model results, particularly the ADAGE model results?
2. Can one conclude that EPA's CGE-based near-term cost impact estimates are not realistic until they are made more consistent with IPM model projections?
3. What specifically are the IPM model results, including the electricity sector emissions reductions, from the analysis of H.R. 2454 and for the discussion draft of the Waxman-Markey legislation, as reported in April 2009?
4. What specifically are the CGE model results, including the electricity sector emissions reductions, from the analysis of H.R. 2454 and for the discussion draft of the Waxman-Markey legislation?
5. How much would the ADAGE model's predicted price rise if ADAGE had been calibrated to match IPM model results at least through 2025?
6. What would the carbon price level in the IPM model need to be in order for that model to predict the same emissions reductions as the ADAGE modeling?
7. Please provide all documents relating to EPA's estimated emissions reductions in the electricity sector, including data, staff and peer review analysis, and any communications concerning the validity of these results.

8. Did EPA attempt to reconcile the IPM electric sector emissions reductions with the CGE emissions reductions at the carbon prices the agency estimated for H.R. 2454 and for the discussion draft of the Waxman-Markey legislation?
  - a. If so, what were the results?
  - b. If so, where in the public report is this discussed?
  - c. If not, why not?
9. Please explain how EPA reconciles the IPM electric sector emissions reductions with the CGE emissions reduction at the carbon prices the agency estimated for H.R. 2454 and for the draft Waxman-Markey legislation.
10. EPA reports in the appendix of its analysis of H.R. 2454 that the analysis “has undergone extensive internal EPA peer review and external inter-agency review by economists and other experts with the federal government.” Please describe this peer review process, including who performed the reviews, and provide what criticisms or comments they made about EPA’s analysis.
  - a. What did peer reviewers communicate about IPM’s results showing smaller emissions reductions than the CGE modeling featured by EPA?
  - b. Please provide all documents relating to any peer review of EPA analysis of H.R. 2454 the draft Waxman-Markey legislation.
11. Was the economic analysis of H.R. 2454 or the discussion draft of the Waxman-Markey legislation reviewed by other agency staff or any person(s) in the EPA Administrator’s office prior to public release?
  - a. If so, who reviewed the documents and what did they find?
  - b. Please provide all records concerning the public release of H.R. 2454 and for the draft Waxman-Markey legislation.
12. Have any external reviews been conducted of this analysis? And, if so, who has conducted those reviews and what did they find?
13. Has EPA published any materials about its ADAGE model or model results in peer-reviewed academic journals and, if so, what did it publish?
14. What are EPA policies with regard to agency disclosure of material information concerning the integrity of data or study results produced by the EPA?
  - a. Did EPA assess whether its analysis of H.R. 2454 or of the draft Waxman-Markey legislation met these requirements and, if so, what did it find?

b. Did any EPA staff or contractors suggest changes in the analysis or reports to take into account the inconsistency between ADAGE and IPM results and, if so, what were the changes?

15. If the EPA withholds any documents or information in response to this letter, please provide a Vaughn Index or log of the withheld items. The index should list the applicable question number, a description of the withheld item (including date of the item), the nature of the privilege or legal basis for the withholding, and a legal citation for the withholding claim.


Please provide the written responses and documents requested by no later than two weeks from the date of this letter. Should you have any questions, please contact the Minority Committee staff at (202) 225-3641.

Sincerely,



---

Joe Barton  
Ranking Member



---

Greg Walden  
Ranking Member  
Subcommittee on Oversight and Investigations