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The Honorable Henry Waxman
Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Edward Markey
Chairman
Subcommittee on Energy and the Environment
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Waxman and Markey:

Thank you for speaking with the Republican Members of the Committee on April 1 regarding your energy and climate legislation discussion draft. You answered many of our questions, but we believe that there are several issues relevant to your discussion draft that warrant further consideration in subcommittee or full committee hearings before you proceed to the mark-up phase. We appreciate the eight hearings you have held on some of the energy and climate topics addressed by your bill, however we note that these hearings have provided only a general overview of the topic. Now that draft legislative language is available and it is possible to discuss the specific costs, benefits, advantages, and disadvantages of actual proposed measures, we respectfully request that additional hearings be held.

As an initial matter, we would note that your discussion draft lacks any decision on permit allocations versus auctions. The manner in which you will address this issue is the cornerstone of the legislation; without it the bill is simply not finished and not ripe to be marked up or accurately discussed in the context of a hearing.

Your ambitious schedule of nine separate panels during this week's three days of hearings is going to touch on many important topics, including the effect of mandatory cap and trade on the domestic economy, international trade competitiveness and participation of the developing world, green jobs and job market projections, and the oversight and trading of a \$2 trillion carbon derivative

market. Your discussion draft affects every element of our economy and certainly deserves greater hearing treatment than a mere three day marathon of topics. Because all of these issues will be greatly impacted by the allocation scheme you eventually propose with respect to auction versus free allocation of permits, we strongly suggest that additional hearings be held.

In addition, we respectfully recommend and request that, prior to any mark-up, you hold hearings that fully explore the following additional issues within the context of your discussion draft:

1. **Carbon Offsets:** What constitutes an allowable offset; who is overseeing these markets; where offsets can occur; how many offsets can be purchased by an individual; and the impact on the overall carbon reduction regime.
2. **Derivative Market Oversight and Trading:** Currently the details and potential of this \$2 trillion market is relegated to the last panel on April 24. We recommend a specific hearing at which we can hear from the Commodity Futures Trading Commission and others to give Members a more probative opportunity to learn about: who will regulate the markets and how; who can participate; what position and trading limits will be; how price discovery and transparency will work; fungibility of instruments between markets; operation and regulation of clearing; and anticipated profits volumes and profits.
3. **Transmission/Smart Grid:** You have "grid modernization" included as a topic for the third panel on April 23. We believe that a further hearing is warranted to specifically examine the transmission plans for accommodating the increase in renewable electricity, including what potential benefits exist and what the needed investment will be and by whom.
4. **The Role of Nuclear Power in Carbon Reduction:** We strongly believe that an expansion of nuclear power production in the United States must be part of any legislative package to address carbon dioxide reductions, but this issue has yet to be included in any hearing thus far.
5. **The Environmental Protection Agency's (EPA) Endangerment Finding:** We note that EPA Administrator Jackson is testifying about your discussion draft on the first panel on April 22 and you have the Clean Air Act listed as a topic for the last panel on April 24. However, given the nationwide economic significance of EPA's just-released endangerment finding, we respectfully request a specific hearing solely on this finding. The potential economic impact of this agency action certainly warrants more attention by this Committee.

Thank you for your consideration of our request. We look forward to learning more about these issues in public hearings as we move forward.

Sincerely,



Joe Barton
Ranking Member



Fred Upton
Ranking Member
Subcommittee on Energy and the Environment

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Cliff Stearns

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