May 3, 2001

Mr. Kirk Blalock
Deputy Director, Office of Public Liaison and
Special Assistant to the President
The White House
Office of Public Liaison
1600 Pennsylvania Ave., N.W.
Washington, DC 20500

Dear Kirk:

As a follow-up to our earlier conversation, enclosed is a list of ten (10) principles which are respectfully submitted for consideration by the Energy Policy Development Group.

These principles are endorsed by an ad-hoc group of energy consumers, as distinct from energy producers, consisting of: American Chemistry Council, American Forest and Paper Association, American Iron and Steel Institute, American Portland Cement Alliance, Electricity Consumers Research Council, Gypsum Association, and Process Gas Consumers Group.

If you or staff from the Energy Policy Development Group have any questions or would like to discuss them further, I am certain that representatives of the respective groups would be happy to meet with you, or the Energy Policy Development Group, at your convenience.

Sincerely,

[Signature]

Richard C. Creighton, President
American Portland Cement Alliance

cc: Frederick L. Webber, President & CEO
American Chemistry Council
W. Henson Moore, President & CEO
American Forest and Paper Association
Andrew G. Sharkey, III, President & CEO
American Iron and Steel Institute
John A. Anderson, Executive Director
Electricity Consumers Research Council
Jerry Walker, Executive Director
Gypsum Association
Dena E. Wiggins
Process Gas Consumers Group
May 6, 2001

Senator Richard Durbin
Senator Scott Fitzgerald
Haynes Senate Office Building
Washington, DC 20001


Dear Senators Durbin and Fitzgerald:

As you are keenly aware the United States is in need of a logical, environmentally sound and economical Comprehensive Energy Policy for the 21st Century.

I believe that it is time for the United States to consider “Electrical Energy Parks” which use non-chemical means to produce plentiful, environmentally sound and economical electricity for the people of the United States. What are non-chemical means to produce electricity? Non-chemical electrical production can be achieved by non-combustible sources which include high efficiency nuclear fission direct cycle, solar photovoltaic direct cycle and wind mechanic direct cycle power generation devices and systems. It is my believe that these three sources should be located at the same sites to take advantage of reduced transmission and distribution costs which is more economical and less environmentally damaging. Putting these three sources together at the same sites would appease the “environmental” and “nuclear” factions at the same time. It is highly logical since in reality there is no difference from a physics standpoint between these sources of power. Nuclear direct and solar direct have been successfully used by NASA and other space agencies in space for almost 50 years.

The federal government could co-sponsor with industries such as Exelon and Duke Energy a series of demonstration non-combustible electrical energy producing sites similar to the old AEC demonstration nuclear reactor program of the 1950s and 1960s. The federal government could provide the land for these demonstration energy parks.

For example, the old Joliet Arsenal could be used by the federal government and Exelon to construct and operate a Pebble Bed Modular High Efficiency Inert Gas Direct Cycle nuclear reactor as well as literally fields of solar photovoltaic panels and low-medium velocity wind generation towers.
The Pebble Bed Modular High Efficiency Inert Gas Direct Cycle (PBMR) nuclear power plant is much more economical to build and is economical and much safer to operate than a water cooled pressurized or boiling type nuclear fission reactor. It is over 43% efficient, whereas a water cooled reactor (except the old AEC superheated steam nuclear power plant) is only 31-32% efficient in its conversion of thermal energy to electrical energy. The PBMRs do not have to be shut down to refuel. The PBMRs can be used to convert Th-232 to U-233 and be used to efficiently burn up the Plutonium-239 created during the cold war which is now being stockpiled. The PBMRs can do this with a much more efficient and safer fuel design. Since they are modular and small (100 MW electric), after one is built, operated and starts to make a profit, a second one is built and so forth. This reactor design had been proven at Julich Germany for over 25 years.

The same construction and engineering economics methodology can be incorporated when constructing the solar photovoltaic and wind towers on this fairly large converted federal site. The solar panels would work best in the summer time when they are needed the most for air conditioning in the city and suburbs. They have little maintenance requirements. The wind towers would take up the slack in Spring or Fall when the PBMR could be temporarily shut down for routine maintenance (which is much less than a water cooled reactor type).

These alternative non-chemical electrical energy parks are much more logical and environmentally safer (in the case of the PBMR more efficient) than the "chemical" ethanol/oil or natural gas (NG) fueled mini and micro turbine-generator farms that are cropping up all over the United States. These NG mini-turbine-generator farms may lead to even higher natural gas prices and reduced supply of natural gas. They may require the United States to build a NG pipeline from Alaska in the near term. These NG turbine-generators which are essentially jet engines are only 18-20% efficient in converting thermal energy to electrical energy. However, as you are aware, natural gas can be 97% efficient making home heat. In both cases, the consumed natural gas produces carbon dioxide which is a primary "greenhouse" gas.

It is my belief, we can either start what I have proposed now at a modest pace or be forced into doing this 15-20 years down the road when the old behemoth large water cooled nuclear power stations start shutting down permanently.

If you need assistance in getting this project started I would be happy to assist you.

I would appreciate it if you would consider what I have proposed and share this with other senators, representatives and executive branch directors at your convenience. Thank you.

Sincerely yours,

[Signature]

Paul W. Shafer
Nuclear Scientist and Physics Teacher
6498 N. 16750 East Road
Momence, IL 60954

e-mail: paulwilliam_s@yahoo.com
9 May 2001

Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Abraham,

Those of us in Canada who are involved in the petroleum industry, even peripherally, are very interested in your upcoming "continental energy policy". With this thought in mind, let me introduce you to The Petroleum Communication Foundation.

We are a not-for-profit organization created in 1975 to inform Canadians about our petroleum industry. We do not advocate, lobby or speak for any sector of the industry. We do however produce a variety of balanced and factual booklets and publications on virtually all aspects of our national petroleum industry.

Among the publications and programs that we produce and distribute are the three publications I am sending to you today. Covering the three subjects that will be pivotal in any energy policy benefiting the citizens of our two great nations - Oil Sands, Natural Gas and Pipelines, these publications provide the reader with an overview of each of these components of the Canadian energy mix.

In an effort to foster ever greater, and mutual understanding, we offer these booklets for your information. We know you will find them very informative. Should you wish, we would be pleased to provide more copies.

We would like to take this opportunity to wish you and your family well throughout your term as Secretary of Energy.

Yours sincerely,

Roger CG Rowley
Executive Director

Cc: Mr. John Percic, President, Petroleum Communication Foundation

PCF/RR/Secretary of Energy.dot

409, 100 - 4 Avenue SW, Calgary, Alberta, Canada T2P 3N2  (403)226-4064 Fax: (403)287-6286 www.pcab.ca
Oil Sands and Heavy Oil

Obtained and made public by the Natural Resources Defense Council, May 2002
State of Michigan
Office of the Governor

John Engler
Governor

Date: 5/14/01
Time: 
Total Pages (including cover sheet): 3

To: The Honorable Spencer Abraham

Fax Number: 202-584-4403

From: Gov. Engler

Message:

If this transmission is not complete, please call: 
Telephone number: 

Obtained and made public by the Natural Resources Defense Council, May 2002
May 9, 2001

The Vice President
The White House
Washington, D.C. 20050

Dear Mr. Vice President:

The peak summer driving season is nearly upon us, and once again Michigan and parts of the Midwest are experiencing dramatically higher prices for gasoline than many other regions of the country. These higher gasoline prices create a hardship for consumers and can only have a detrimental effect on the Michigan economy.

During the period of nationwide high gasoline prices last summer, the Midwest sustained significantly higher prices at the pumps. Compounded by rising crude oil prices, severe fuel supply constraints drove self-serve, regular unleaded gasoline prices to $2.15 per gallon in the Detroit-area last summer. Several factors caused supply constraints in our region, including a loss of regional refining capacity, distribution problems, and a major pipeline disruption. Additionally, last year’s change-over from winter to summer fuels, and expectations for lower future crude oil prices contributed to motor fuel inventories reaching extremely low levels.

Gasoline inventories for the Midwest have recently been lower than levels described as critically low at this same time last year. Midwestern refineries are operating at maximum capacity, yet the "balkanisation" of our motor fuel supplies, as the result of a proliferation of "boutique" fuels, coupled with a lack of refining and pipeline capacity, may actually drive gasoline prices even higher than they were last year. The average cost of unleaded gasoline in Michigan went from $1.47 on April 3, 2001, to $1.71 on May 1, 2001. The 24 cents per gallon increase reflects both seasonal price increases typically seen this time of year and concerns that low inventories could lead to distribution problems and increased price volatility. The April 28, 2001, fire at the Tosco refinery in Wood River, Illinois, demonstrated the volatility of the current situation. Following this refinery fire, prices rose 14 cents from the May 1st average of $1.71 to $1.85 on May 7, 2001. Prices of nearly $2.00 per gallon have already been reported in some areas of the state. Although regional inventories appear to be building, the average retail price in Michigan of $1.85 per gallon is nearly 17 cents higher than the national average.

The acceleration of these price increases, in addition to their magnitude, strains our economic vitality. The degree of these price increases is also difficult to understand in light of crude oil prices that have remained relatively stable during this time. Any further significant supply disruptions could push retail gasoline prices to record levels.

Obtained and made public by the Natural Resources Defense Council, May 2002
May 9, 2001

We did not arrive at the current situation overnight, and we recognize that there are no simple short-term solutions to address this problem. As the National Energy Policy Task Force proceeds with their work to develop a comprehensive national energy policy, I request that you look closely at the issue of higher than average gasoline prices in the Midwest. Identifying practical solutions to reduce the requirements for multiple types of special gasoline, and working with the states on a regional basis to increase refinery capacity and improve the distribution system should be imperative national objectives. In addition, federal environmental requirements that impede the construction of refineries, such as the Clean Air Act "New Source Review" program, should be reformed. Michigan Department of Environmental Quality officials have developed recommendations on how this could be achieved without compromising environmental quality and have provided these recommendations to the U.S. Environmental Protection Agency.

Motor fuel composition must continue to play an integral role in reducing automobile emissions, and I have expressed my support for reasonable policies to reduce sulfur levels in gasoline in order to achieve greater mobile source emission reductions and air quality improvements. However, as we move toward requiring cleaner fuels and cleaner cars, we must address the patchwork of requirements that have resulted in the required use of 15 different types of gasoline nationwide, seven types in the Midwestern states alone. We must significantly reduce the number of fuels currently required to two or three different types nationwide. This number could accommodate clean air objectives, depending on the air quality designation of the area in which they are used. This policy decision can only be made at the federal level.

The gasoline supply issue in the Midwest exemplifies the problems we face because our nation lacks a comprehensive national energy policy. I applaud President Bush's foresight and your leadership in undertaking this daunting but necessary challenge.

Sincerely,

John Engler
Governor

JE/hrdc
cc: The Honorable Spencer Abraham
     The Honorable Christine Todd Whitman

Obtained and made public by the Natural Resources Defense Council, May 2002
May 9, 2001

Mr. Spencer Abraham
Department of Energy Secretary
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

RE: White House Energy Briefing – April 25, 2001

Dear Secretary Abraham:

I am writing to thank you for the outstanding briefing you provided to me and several of my customers and colleagues from the West Virginia coal industry at the White House last week regarding the Administrations efforts to address our Nation's energy problems. I felt very privileged to attend this meeting with a delegation from the West Virginia coal industry and I can assure you that we are all very excited and in fact relieved that we have an administration who understands how important coal is to our future energy mix.

As a supplier and vendor to various production companies, it is critically important that we establish a policy that our country can depend upon for its energy requirements. I was very impressed with all members of the briefing team and the "no-nonsense" approach to articulating the problem and addressing the solutions. We in private industry have a difficult time of providing our goods and services and planning for future production requirements when we have a "start - stop" energy policy which does not allow for long range planning and production requirements. I am particularly excited about the long range thinking your group is obviously doing in projecting for the year 2020!

Please know that the members of our company stand ready to assist you and the administration in any way possible to both deliver this important message to the American people and to support your efforts to execute your plans. We believe West Virginia has a very important role to play in the solutions to this problem for our country. Thank you again for your hard work on this very important problem.

Very truly yours,

[Signature]

Patrick C. Graney III
President

500 River East Drive
Belle, WV 25015

PH: (304) 926-3000
FAX: (304) 926-3009

PCGIII/pw
The Honorable George W. Bush  
The President of the United States of America  
The White House  
1600 Pennsylvania Avenue NW  
Washington, DC 20500

Dear Mr. President:

As a result of our tremendous prosperity, the United States has become the most energy consumptive society on the planet, and the developing world looks to us for leadership and example. The United States is blessed with extraordinary natural resources. However, the growth of population and industry has resulted in tremendous pressure on our natural resources, including threats to the quality of air and water and increased warming of the planet. Therefore, in order to ensure a safe and healthy environment, and thus the continued well-being of our planet, we must properly steward the planet and its precious natural resources.

Accordingly, we the members of the Legislature of the State of Maine strongly urge you, the Congress of the United States, the Department of Energy, the Environmental Protection Agency, and the Department of the Interior to not sacrifice the long-term health of the planet for short term financial gain or hardship that might result, and work toward the following fundamental goals:

- Reduction of the levels of emissions of greenhouse gases and carbon dioxide from coal-fired power plants in adherence to the commitments of the Kyoto conference on Global Warming;

- Suspension of plans to drill for oil and natural gas in the Arctic National Wildlife Refuge;

- Creation and implementation of energy policy based upon conservation, reduction of emissions, and research and development of renewable energy sources;
• Protect National Forests against excessive road building;

• Require mining companies to maintain clean-up bonds to ensure comprehensive restoration of the mine environment and surroundings; and

• Restore protections against arsenic in water supplies around mines.

Again, we strongly urge you, the Congress, the Department of Energy, the Environmental Protection Agency, and the Department of the Interior to advance these important objectives as we enter the 21st Century.

Sincerely,

Members of the 120th Maine Legislature

CC:
Rep. John Baldacci
Rep. Thomas H. Allen
Sen. Olympia Snowe
Sen. Susan Collins
The Honorable Spencer Abraham, Secretary of Energy
The Honorable Christie Whitman, Administrator, U.S. Environmental Protection Agency
The Honorable Gale A. Norton, Secretary of the Interior

28116
Obtained and made public by the Natural Resources Defense Council, May 2002
Honorable President George Bush  
White House  
1600 Pennsylvania Ave  
Washington, D.C. 20510

President Bush,

I am very concerned about the energy statements made recently by Vice President Cheney. However, it is what I would expect from an oilman who had not divorced himself from the industry upon taking public office. I am disappointed in his biased position.

The desert areas of California, Arizona and New Mexico have been over developed as a result of cheap energy to provide water and air conditioning. This overdevelopment has come at the expense of the east, particularly the midwest. Whereas we would all like to live in desert climates with air conditioning and green lawns, the basic concept behind this idea is irrational, indeed, insane. This area could have been a pilot area for the development of solar power - an available resource.

I encourage you to promote "sane" energy policies.

Sincerely,  
Henry Hagemann
To: The Honorable Spencer Abraham
do: Department of Energy
Fax: (202) 586-7644
Subject: Hagel Energy / Climate Change Speech
Pages: 7, including this cover sheet.
Date: May 11, 2001

Senator Hagel wanted you to have a copy of the attached. It is a press release and the full
text of a speech he gave yesterday on the Senate floor regarding the need to integrate
energy and climate change policies. In the speech, he supports President Bush’s efforts to
craft a comprehensive energy strategy and a new approach to climate change.

From the desk of...
Deb Fiddelke
Press Director
Senator Chuck Hagel
248 Senate Russell Bldg.
Washington, D.C. 20510
(202) 224-4224
Fax: (202) 224-5213
FOR IMMEDIATE RELEASE
Thursday, May 10, 2001

Hagel Calls for Integrated
Energy/Climate Change Policy

Washington D.C.—United States Senator Chuck Hagel called for an integration of U.S. energy and climate change policies in a speech on the Senate floor today. Below are excerpts from that speech:

"Mr. President, in the midst of the energy challenges facing our nation lies a very unique opportunity. We have a chance to start afresh and build energy and environmental policies that work together. A clean environment and a strong energy policy need not be mutually exclusive.

The forces of reality have brought us to this point. We have an energy problem that we cannot ignore. We also have a new Administration which is re-evaluating our environmental policies, as any new Administration would do, to ensure that what we're pursuing, and how we're pursuing it, is relevant, realistic and achievable.

In the next few days, President Bush will release the Administration's new energy policy. This policy will provide a balanced approach to meet the supply and demand imbalance we're now facing in America. It will reflect our absolute need for a wide and deep energy supply portfolio, including the use of renewable energy and alternative energy sources.

It would have been easy to defer this challenge, to delay the tough choices. But that's what got us into this mess. For the last eight years, this country drifted without an energy policy - and today we're literally paying the price.

As we create a comprehensive and balanced policy to address our energy needs, we need to take into account our environmental priorities, particularly in the area of climate change. President Bush has said that his Administration will offer a science based, realistic and achievable alternative to the Kyoto Protocol. That is the responsible thing to do.

- MORE -
President Bush merely stated the obvious when he declared the Kyoto Protocol
dead. Although his actions have been criticized, the forthrightness and clarity are refreshing on
this issue. The Kyoto Protocol would never have been in a position to be ratified by the U.S.
Senate. The Clinton-Gore Administration knew this as well. That's why they never submitted
the treaty to the Senate even for debate and consideration.

There's a reason for that. The Kyoto Protocol wouldn't work. A treaty claiming to
try to reduce global emissions of greenhouse gases has no chance of being effective when it
exempts 134 nations, including some of the largest greenhouse gas emitters in the world —
nations like China, India, South Korea, Brazil and others.

My colleague from West Virginia, Senator Byrd, who I worked with in 1997 on
S.Res. 98, addressed this point last week. S.Res. 98, which the Senate agreed to by a vote of 95
to 0, stated that the U.S. should not agree to any treaty in Kyoto, or thereafter, which would
place binding limits on the United States unless "the protocol or other agreement also mandates
new specific scheduled commitments to reduce greenhouse gas emissions for Developing
Countries Parties within the same compliance period." As Senator Byrd reiterated last week,
developing countries must be included in any international agreement to limit greenhouse gas
emissions.

We have an opportunity now to discard an unworkable protocol and build a new
consensus that will address climate change, and initiate efforts that are realistic and achievable.

In addition, by addressing this issue domestically, the United States can demonstrate our
commitment to climate change and show that meeting this challenge can be done in an
integrated way that ensures a sound energy supply and economic stability. The world will not be
better off if the United States slips into an energy crisis or if our economy falters. Both would
set off shock waves that would reverberate around the world. By creating our own integrated
policy, we can provide direction for how the world can address the dual challenges of energy
and climate change.

In the last Congress, Senators Murkowski, Byrd, Craig and I had legislation that would
dramatically increase funding for the research and development of technologies to provide
cleaner energy sources, and to incentivize efforts to reduce or sequester greenhouse gases. We
are building upon that legislation and will be reintroducing it soon. It will improve our
scientific knowledge and lay out positive steps that we can take now to address climate change.

As we enter the 21st century, we face a world that is integrated like never before in
history. What we do in one policy area has dramatic implications for another - both in our
nation and across the globe. Building sound policies for our future requires that we create
integrated policies to address the challenges facing America and the world."

- 30 -
“The Need for Integrated Energy and Climate Change Policies”
Floor Remarks
U.S. Senator Chuck Hagel (R-NE)
May 10, 2001

Mr. President, in the midst of the energy challenges facing our nation lies a very unique opportunity. We have a chance to develop energy and environmental policies that work together. A clean environment and a strong energy policy need not be mutually exclusive.

The forces of reality have brought us to this point. We have an energy problem that we cannot ignore. We also have a new Administration which is re-evaluating our environmental policies, as any new Administration would do, to ensure that what we’re pursuing, and how we’re pursuing it, is relevant, realistic and achievable.

In the past, there has been a division of these issues. Energy and environmental policies have been considered separately – and mostly at odds with one another. This has led to an unnecessary gap of confidence in both efforts.

We have an opportunity to reverse this division and create integrated policies to pursue both critically important objectives of a steady energy supply and a clean environment.

In the next few days, President Bush will release the Administration’s new energy policy. This policy will provide a balanced approach to meet the supply and demand imbalance we’re now facing in America. It will reflect our absolute need for a wide and deep energy supply portfolio, including the use of renewable energy and alternative energy sources.

It would have been easy to defer this challenge, to delay the tough choices. But that’s what got us into this mess. For the last eight years, this country drifted without an energy policy – and today we’re literally paying the price.

Gas prices have hit record levels and are predicted to continue rising. The energy shortages in California will spread to other areas of this country during the hot summer months when the demand for energy will continue to outstrip supply.

Finding solutions to problems requires bold ideas, common sense, imagination and sometimes unpopular choices. President Bush has shown courage and leadership for his willingness to address the problem and develop solutions.
As we create a comprehensive and balanced policy to address our energy needs, we need to take into account our environmental priorities, particularly in the area of climate change.

Just one example of where we can do this is nuclear energy production. Like solar and wind power, nuclear power produces no greenhouse gases – zero emissions. It is one of the most cost effective, reliable, available and efficient forms of energy we have. Vast improvements in technology have made it one of the safest forms of energy production. Having nuclear energy play a vital role in our energy policy will enhance not only our energy supply but our environmental health.

President Bush has assembled a cabinet environmental task force to review climate change. They have been listening to and learning from some of the world’s foremost meteorologists, climatologists, physicists, scientists, and environmental experts. The President has said that his Administration will offer a science based, realistic and achievable alternative to the Kyoto Protocol. That is the responsible thing to do.

President Bush merely stated the obvious when he declared the Kyoto Protocol dead. Although his actions have been criticized, the forthrightness and clarity are refreshing on this issue. The Kyoto Protocol would never have been in a position to be ratified by the U.S. Senate. The Clinton-Gore Administration knew this as well. That’s why they never submitted the treaty to the Senate even for debate and consideration.

Despite the heated rhetoric on this issue from the other side of the Atlantic, no major industrialized nation has ratified the Kyoto Protocol. In fact, Australia has said it will follow us in rejecting the treaty.

There’s a reason for that. The Kyoto Protocol wouldn’t work. It left out 134 nations, some of whom are among the world’s largest emitters of greenhouse gases. A treaty claiming to attempt to reduce global emissions of greenhouse gases has no chance of being effective when it exempts some of the largest greenhouse gas emitters in the world – nations like China, India, South Korea, Brazil and others.

My colleague from West Virginia, Senator Byrd, who I worked with in 1997 on S.Res. 98, addressed this point last week. S.Res. 98, or the Byrd-Hagel Resolution, which the Senate agreed to by a vote of 95 to 0, stated that the U.S. should not agree to any treaty in Kyoto, or thereafter, which would place binding limits on the United States and other industrialized nations unless “the protocol or other agreement also mandates new specific scheduled commitments to reduce greenhouse gas emissions for Developing County Parties within the same compliance period.” As Senator Byrd reiterated last week, developing countries must be included in any international agreement to limit greenhouse gas emissions.
From the moment it was signed, the Kyoto Protocol was never a realistic or achievable way to move forward on climate change.

In the meantime, we’ve lost precious time when we could have been exploring achievable and realistic ways to reduce greenhouse gas emissions.

We have an opportunity now to discard an unworkable protocol and build a new consensus that will address climate change, and initiate efforts that are realistic and achievable.

The United States is still a party to the Framework Convention on Climate Change (Rio Treaty), which was signed by the United States and ratified by the U.S. Senate in 1992. We should go back to the framework of that treaty, before the Berlin Mandate that excluded developing countries from participation, and lay the groundwork for future international efforts.

This gives us a strong base to work from. Many of the discussions during the negotiations for the Kyoto Protocol have worked to build consensus on areas that will need to be part of any international initiative – flexible measures to reduce greenhouse gas emissions, the role of carbon sinks, and other areas. We can build on this progress in developing an alternative to Kyoto.

If we are creative and if our partners will work with us in good faith, we can negotiate arrangements that are responsible and proactive.

By addressing this issue domestically, the United States can demonstrate our commitment to climate change and show that meeting this challenge can be done in an integrated way that ensures a sound energy supply and economic stability. The world will not be better off if the United States slips into an energy crisis or if our economy falters. Both would set off shock waves that would reverberate around the world. By creating our own integrated policy, we can provide direction for how the world can address the dual challenges of energy and climate change.

Senators Murkowski and Breaux have introduced a comprehensive energy bill, of which I am an original cosponsor, that will increase our domestic resources, and increase the use of renewable and alternative fuels. In the last Congress, Senators Murkowski, Byrd, Craig and I had legislation that would dramatically increase funding for the research and development of technologies to provide cleaner energy sources, and to incentivize efforts to reduce or sequester greenhouse gases. We are building upon that legislation and will be reintroducing it soon. It will improve our scientific knowledge and lay out positive steps that we can take now to address climate change.
A forward-looking domestic policy will demonstrate our commitment to this important issue, enhance what we genuinely know about climate change, create more efficient energy sources, include the efforts of our agricultural sector, and have the additional effect of reducing air pollutants.

Mr. President, as I stated earlier, we have an historic opportunity to create policies that will address both our energy and environmental priorities in a way that is not mutually exclusive. Policies that compliment each other and work together.

As we enter the 21st century, we face a world that is integrated like never before in history. Just as foreign policy cannot be considered separate from national security or trade policy – energy policy cannot and should not be considered separate from environmental and economic policy. What we do in one policy area has dramatic implications for another – both in our nation and across the globe. Building sound policies for our future requires that we create integrated policies to address the challenges facing America and the world.

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Obtained and made public by the Natural Resources Defense Council, May 2002
The Honorable Spencer Abraham  
Department of Energy  
1000 Independence Ave S.W.  
Washington, D.C. 20585  

Dear Secretary Abraham:  

Thank you for your recent letter asking for recommendations from our membership concerning short and long-term responses to petroleum product price and supply constraints. The National Petrochemical and Refiners Association (NPRA) welcomes the Administration’s focus on these issues and looks forward to its upcoming recommendations on the future course of U.S. energy policy. We circulated your letter to our Board of Directors and this letter incorporates their comments.  

In general, we urge that you continue to stress three key points: (1) U.S. energy supplies should be enhanced, at least in part through strengthening of the domestic refining and fuel distribution infrastructure; (2) environmental and energy policy objectives should be balanced to ensure continued environmental progress in conjunction with maintaining adequate and affordable energy supplies; and (3) reliance on markets is both the best foundation for policy and the best mechanism to rely on for a prompt response to any interruption in supplies.  

NPRA’s members include virtually all U.S. refiners as well as petrochemical manufacturers who depend on a secure supply of petroleum products for feedstock use and fuel requirements. The refining industry has been operating at near-peak capacity levels both before and during this period of serious concern about energy supply availability. The industry will continue these efforts, but both government and the public must realize that policy changes are necessary to assist in that task. Unfortunately, it will take time to mend the effects of earlier decisions made without appropriate attention to their impact on energy supplies.  

**Short-term Recommendations**  

In the short term, the steps that can be taken to address supply and price disruptions are limited. NPRA recommends that you focus on ways to augment industry’s flexibility to increase and redirect supplies. Because refiners and fuel distributors are already stressed by existing fuel specifications and volume requirements, care must be taken to ensure that remedies do not add new uncertainties or complications that may adversely affect supply. Specifically, requests that
RFG standards should be waived must be very carefully evaluated to determine whether any anticipated benefits are outweighed by other impacts. Potential drawbacks could be short-term interference with market signals and a longer-term disincentive to make Clean Air Act-related investments to meet requirements which might later be waived.

**Longer-term Recommendations**

Here is a brief summary of our longer-term recommendations:

**Clean Air Act New Source Review Reform (NSR)**

- Review EPA’s retroactive "enforcement initiative;" this initiative has made it difficult for refiners to consider operational or maintenance steps that would increase energy productivity; the resulting uncertainty could inhibit future steps that might debottleneck or expand existing refinery operations
- Clarify when NSR is needed
- Develop a flexible, performance-based alternative to NSR

**Fuels**

- Balance energy and environmental goals in setting environmental requirements and determining leadtimes
- Avoid any further complication of the current supply and distribution system
- Seek simplifications that make economic and logistical sense and that do not reduce supply or increase costs
- Set fuel requirements based on performance standards that balance environmental goals with the need to keep refineries operating in order to maintain and expand U.S. refining capacity
- Provide refiners with flexibility by avoiding rigid product specifications
- Provide adequate leadtime for new requirements
- Rely on economic mechanisms, such as trading and incentive programs, that maximize flexibility wherever possible
- Reconsider the decision to implement EPA's diesel sulfur rule as issued; commission an independent study of the rule's feasibility, timing and fuel supply impacts
• Streamline and expedite the permitting process to enable refiners to comply with the Tier 2 gasoline sulfur reduction program

• Review the recent Mobile Source Air Toxics Rule for adverse gasoline supply impacts; many refiners are concerned that this rule punishes refiners which have already taken steps to reduce toxics and could make compliance impossible if MTBE usage is eliminated or severely reduced as some states have done; in the near term the rule could seriously reduce a refiner's flexibility to take steps that would increase supply

• Carefully analyze the effect on gasoline supply of any steps taken in response to concerns about MTBE usage

• Review the cumulative impact of the unprecedented stream of recent regulatory actions that affect refiners (see attached chart). Consider ways in which overlapping requirements could be prioritized and appropriately sequenced, as recommended by the June 2000 Refining Study issued by the National Petroleum Council.

As previously mentioned, NPRA also represents U.S. petrochemical producers. The U.S. petrochemical industry is a world leader in size, scale of facilities and technological development. Its products—plastics, fibers, coatings and specialty applications—are used throughout the economy in everything from clothing to medicines, CD's and computers. The industry has been a leading net exporter for many years; however, recent high domestic natural gas prices have affected its global competitiveness.

The petrochemical industry is extremely dependent on both the U.S. refining and natural gas production industries for fuel and feedstocks. Policies that strengthen the U.S. refining industry and those which increase the supply of natural gas will help the petrochemical industry continue to make its important contributions to our economy. The U.S. needs to develop a balance in energy supply sources to avoid over reliance on natural gas, which can result from regulatory signals, particularly in the electric generation industry. Also, enhancements to the U.S. transportation infrastructure are critical to supply petrochemical facilities with feedstocks and to distribute their output. In addition, the petrochemical and refining industries will benefit from policies that encourage the production and distribution of electricity supplied from cogeneration technology.

Stable, reliable and affordable supplies of energy and efficient energy use are essential to maintaining living standards and supporting economic growth. We look forward to continuing to work with you and the Department to improve the nation's energy policies. If you have any questions regarding the suggestions we have raised or if you need to go into these issues in greater detail, please call me, Bob Slaughter or Betty Anthony at (202) 457-0480.

Yours sincerely,

[Signature]

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FOOTNOTES:

1. Longer compliance time for refineries in Alaska and Rocky Mountain states and small refineries covered by Small Business Regulatory Enforcement and Flexibility Act (SBREFA). Additional compliance time is available for these refineries if they produce ultra low sulfur highway diesel beginning in 2006.


3. Longer compliance time for small refineries covered by SBREFA.

4. Estimated effective date based on proposed heavy duty vehicle standards.

5. Compliance date may be harmonized with Tier II schedule.

6. Based on Clinton Administration EPA statements to press. Estimated date for implementation.