

Attached is a letter being circulated by Reps. DeFazio, Hastings and Walden to congressional leaders regarding possible climate-change legislation. The letter asks that regional distinctions be carefully considered and that prior NW investments in conservation and renewables be recognized. That any cap-and-trade allocation issues with respect to BPA be discussed with the NW delegation.

August, 2007

To:

Speaker Pelosi
Chairman Dingell
Chairman Markey
Chairman Rahall

Minority Leader Boehner
Ranking Member Barton
Ranking Member Sensenbrenner
Ranking Member Young

Dear Congressman/woman:

We are writing to share some initial thoughts on climate change legislation from a Pacific Northwest perspective. Our region has long had a distinct perspective on energy issues given the widespread reliance on clean hydropower, the prevalence of the Bonneville Power Administration, the significant regional investments in energy conservation and renewables, and the generally collaborative relationship between public and private utilities. Legislation on climate change is no different.

We would urge Congress to hold hearings on regional issues and perspectives prior to finalizing any climate change legislation.

The Northwest has long been a leader on investing in conservation and clean sources of energy. From 1978-2005, the Northwest has produced over 3,100 megawatts of energy conservation. This equates to 40% of the load growth during this time period - and represents significant avoided greenhouse gas emissions. According to the State Energy Efficiency Scorecard for 2006 (June 2007), produced by the American Council for an Energy Efficient Economy, Oregon and Washington are among the nine most energy efficient states.

With respect to clean sources of energy, the Northwest has nearly 2,000 megawatts of installed wind capacity with another 4,500 megawatts under development. Our region also has 638.1 kilowatts of solar facilities, 336 megawatts of geothermal, and will soon have some of the first ocean power projects in the nation. All of these are non-carbon emitting resources. These investments will only increase with the renewable portfolio standards adopted in Oregon and Washington.

And, of course, the Northwest has a strong reliance on hydro power, another resource that has no carbon emissions. According to the Northwest Power and Conservation Council, hydropower accounts for 64% of electricity generation in the Northwest.

The foresight of public officials and Northwest utilities, both public and private, to promote investments in conservation and renewable energy has contributed to our region having among the lowest carbon emissions per megawatt hour of electricity produced. Three of the four lowest emitting states are in the Northwest (Idaho, Washington, and Oregon). Further, total carbon emissions in each state in the Northwest fall within the bottom fifth of emissions nationwide.

These prior investments have implications for climate change legislation currently under discussion.

We have serious concerns that many of the cap-and-trade proposals under discussion would allocate allowances based on historic emissions. Such proposals would punish regions like the Northwest that have already invested in conservation and clean energy and would reward regions that are the biggest emitters of carbon. That is exactly the wrong signal to send.

We also have concerns that an allocation based on historic emissions could lead to liquidity problems for the allowance trading market that would be created as a handful of large polluters could capture the bulk of the allocations, something that has already been seen in Europe, raising questions about market manipulation and pricing.

If Congress pursues a cap-and-trade system, something that we are not specifically endorsing in this letter, we believe that the allocation should be done in a way that recognizes and rewards prior investments in conservation and clean, renewable energy resources.

Further, if carbon credits are allocated to federal utilities like the Bonneville Power Administration under a cap-and-trade system, we believe that these credits need to flow through to Bonneville's customers. Under a plan being discussed in the Northwest, Bonneville will no longer be responsible for the load growth of public utilities. Assuming this is the case, Bonneville will not need allowances, but its customers will.

In the event a cap-and-trade program is included in climate change legislation, we would ask that you work with us to ensure that it is fair to Northwest consumers and to address any issues related to the treatment of the Bonneville Power Administration and its customers.

Thank you for your attention to our concerns.

Sincerely,

PETER DeFAZIO
Member of Congress

DOC HASTINGS
Member of Congress

GREG WALDEN
Member of Congress