

November 10, 2009

Senator John Kerry
218 Russell Senate Office Building
Washington, DC 20510

Senator Lindsey Graham
290 Russell Senate Office Building
Washington, DC 20510

Senator Joe Lieberman
706 Hart Senate Office Building
Washington, DC 20510

Re: The Importance of International Offsets for U.S. Climate Change Mitigation Efforts

Dear Senator Kerry, Senator Graham, and Senator Lieberman:

We, the undersigned, are companies that employ hundreds of thousands of American workers, and serve hundreds of millions of American consumers. We expect that our companies would be affected significantly by any greenhouse gas regulatory program. We write today to communicate our firm belief that in order for any such program to be both environmentally effective and economically sound it should be market-based and incorporate both domestic and international offsets. To this end, we are concerned about the further restrictions on use of international offset credits in S. 1733, reported last week by the Environment and Public Works Committee.

The cost containment provided by international offsets is dramatic and critical. Every major study of greenhouse gas regulation has reached this conclusion. The Environmental Protection Agency's analysis of the Waxman-Markey bill found that the costs of the cap-and-trade program *would increase by 89% without international offsets.*

By cutting the costs of a cap-and-trade program almost in half, international offsets preserve U.S. jobs and U.S. competitiveness.

Until low-carbon technologies are widely available, U.S. companies need to have the ability to pay for low-cost, readily-available reductions wherever they may be found, which includes other countries. Put another way, allowing U.S. companies to invest in at least some *reductions* abroad, makes it possible to continue *production* here, allowing for a gradual transition of the U.S. economy to a low-carbon future. At the same time, international offsets give U.S. companies new export markets for low-carbon technologies made in this country.

International offset policies also offer an opportunity to address the serious problem of tropical deforestation, which causes 20 percent of carbon dioxide emissions annually and threatens the survival of more than half of the world's plant, insect, and animal species. International offsets therefore offer a win-win situation; they make it possible for the U.S. to address critical global environmental issues, while saving jobs here.

It is important that any international offsets are as environmentally rigorous as domestic offsets, which means that offsets from other countries should be subject to review by the relevant agencies. International offset credits subject to such review should not be subject to any arbitrary discounts or other barriers, which can only diminish their cost containment potential.

Finally, we believe that well-designed international offset policies can play a vital role in encouraging other countries to adopt appropriate limits on their emissions, which will further limit the competitiveness impacts of climate legislation on the U.S. economy. International offsets are a necessary component of our diplomatic efforts.

For these reasons, we strongly urge you, as you consider cap-and-trade legislation, to ensure that the program protects the vital cost-containment role of international offsets, and avoids any arbitrary barriers to the use of such credits.

Sincerely,

Alpha Natural Resources

Southern Company

American Electric Power

FPL Group

DTE Energy

Intel

Dominion

International Paper Company

The Dow Chemical Company

NRG Energy

Duke Energy

National Grid

DuPont

PG&E Corporation

El Paso Corporation

PNM Resources

Exelon

Rio Tinto

Cc: Members of the U.S. Senate
Carol Browner, White House Coordinator for Energy and Climate Policy
Lisa Jackson, Administrator, Environmental Protection Agency
Nancy Sutley, Chair, Council on Environmental Quality

For further information, please contact:

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