December 3, 2007

The Honorable Nancy Pelosi
Speaker of the United States
   House of Representatives
Washington, D.C. 20515

Dear Madam Speaker:

As part of his State of the Union Address this past January, the President announced "Twenty in Ten," a comprehensive vision for a more secure, cleaner energy future. This proposal would cut U.S. gasoline consumption by 20 percent by 2017 and would significantly reduce projected greenhouse gas emissions from vehicles.

On October 15, I wrote you to outline a basic framework for a bill that would not compel the President's senior advisors to recommend a veto. Based on the limited information we have received, it seems the provisions under discussion would not satisfy those criteria. In fact, it appears Congress may intend to produce a bill the President cannot sign.

The Administration continues to believe that *all* the elements described in my earlier letter (attached) constitute the appropriate framework for energy legislation. Press reports indicate that your draft energy bill would fail to meet at least some of these conditions, for example by including a mandatory Renewable Portfolio Standard (RPS), a title increasing taxes, or an expansion of Davis-Bacon prevailing wage requirements.

The President's proposed alternative fuel standard would go farther, faster than the draft legislative provisions now being circulated. A new alternative fuel standard should include an effective safety valve, should be technology neutral, and should rely on market innovation instead of excessive statutory prescription. Arbitrarily picking and choosing fuel types would inhibit the development of new technologies, limiting development of next generation fuels with lower greenhouse gas emissions.

A new CAFE regime can result in more fuel savings with less regulation. Unfortunately, while assigning new requirements to the Department of Transportation, the proposed legislation leaves ambiguous EPA's role in CAFE regulations, and likely creates substantial amounts of regulatory uncertainty and confusion. The failure to clearly identify the relative roles of the Environmental Protection Agency and the Department of Transportation in national fuel economy regulations could greatly undermine our shared objective of reducing gasoline consumption in the United States. Legislation should clarify that there should be consultation between the agencies, while clearly establishing a single national fuel economy regulatory standard.

Inclusion of a mandatory Renewable Portfolio Standard in energy legislation would have several adverse effects. A Federal RPS that is unfair in its application, is overly prescriptive in its

definition by excluding many low-carbon technologies, and does not allow states to opt out, would hurt consumers and undercut state decisions.

Beyond satisfying the minimum conditions in my October 15 letter, the Administration will review any legislation carefully to ensure that the bill's fuel economy (CAFE) and alternative fuel standards are effective and workable. We can achieve much of the President's "Twenty in Ten" proposal without legislation and are prepared to do so if the President deems legislation to be unacceptable. Still, we prefer a legislative solution, and the President's team remains ready to meet with you or your designees to resolve our concerns. Bipartisan processes and comity have been indispensable to passing past energy legislation, including the bipartisan energy bill of 2005. Working together, we can avoid a partisan stalemate and enact energy legislation that improves the Nation's economic and energy security while protecting the environment. I hope the Congress will work with the Administration to do so.

Sincerely,

Allan B. Hubbard
Assistant to the President for Economic Policy and
Director, National Economic Council

cc: The Honorable John Boehner, United States House of Representatives
cc: The Honorable Harry Reid, United States Senate
cc: The Honorable Mitch McConnell, United States Senate
cc: Committee Chairs and Ranking Members