



OFFICE OF THE GOVERNOR

RICK PERRY  
GOVERNOR

November 25, 2008

The Honorable Stephen L. Johnson  
Administrator  
U.S. Environmental Protection Agency (EPA)  
1200 Pennsylvania Avenue, NW  
Washington, D.C. 20460-2403

Dear Administrator Johnson:

Please accept these comments in response to the Advance Notice of Proposed Rulemaking (ANPR) on Regulating Greenhouse Gases under the Clean Air Act (CAA) issued by your agency on July 30, 2008. In order to assess the impact of the regulations contemplated in the ANPR, I created an advisory panel of Texas' energy and environmental agency leaders to prepare an analysis of your proposal. Their report is enclosed, and highlights Texas' serious concerns about this proposed unprecedented expansion of EPA regulation over virtually every sector of the economy, the massive costs that will be imposed on our economy, and the certainty that the proposed regulations will fail to achieve the intended goals of tangible reductions in greenhouse gas concentrations given the global nature of these emissions.

Texas is the nation's leading energy producer, supplying 20 percent of the nation's oil production, one-third of the nation's natural gas production, a quarter of the nation's refining capacity and nearly 60 percent of the nation's chemical manufacturing. We are also developing the cutting edge of new energy technologies. Texas has pioneered production technology that has opened the nation's vast shale formations for production and resulted in record growth in the nation's natural gas reserves.

Simply put, Texas fuels the nation.

Costly regulation that reduces our ability to provide energy and other products to the nation will have a disproportionate impact on Texas, the state that has created over half of all new private-sector jobs over the past year. The ripple effects of this barrier to energy production will be felt throughout the national economy. The rest of the country's reliance on Texas' energy products was all too evident in the aftermath of Hurricane Ike, when refinery closures in Texas led to gasoline shortages and price spikes throughout the Southeastern United States. Intentionally

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crippling our energy, agriculture and manufacturing sectors in the current economic climate would irreparably damage an already-fragile national economy.

It is important to recognize that Texas fully supports the development of the next generation of energy technologies that have lower carbon emissions. No one agrees with the concept of fully developing all of our domestic energy resources, including renewable energy, more than Texas. In fact, our actions speak louder than others' when it comes to fostering these new technologies.

Texas installed more wind generation than any other state and all but three other *countries*. Texas enthusiastically participated in the FutureGen clean coal project, and we have more carbon-free nuclear plants under development than any other state. We also have aggressive goals for energy efficiency and are seeking to foster the development of solar generation and other renewable energy technologies through our Emerging Technology Fund and Texas Enterprise Fund. However, there are fundamental precursors to the wide-scale deployment of these resources, and the failure to recognize this reality creates a fundamental flaw in the ANPR. Notably, the federal government must make aggressive and concrete progress in meeting the following infrastructure needs prior to establishing greenhouse gas emissions limits that are simply unattainable at a reasonable cost without these investments.

- **The federal government must promote the modernization of the nation's electricity transmission grid.** Providing the needed infrastructure for renewable energy is critical to allowing the marketplace to successfully deploy large amounts of wind, solar and other low-carbon generation. Our build-out of the Texas grid will enable more than 18,000 megawatts of wind generation and will displace at least 20 million tons of carbon dioxide emissions from fossil-fueled generation every year. The rest of the nation has made virtually no progress in preparing the nation's transmission grid for the energy technologies of the 21<sup>st</sup> century, and the federal government itself is often the single largest impediment because of the difficulty in building transmission across federal lands.
- **The federal government must remove barriers that prevent substantial new investments in nuclear generation.** If the United States is to remain economically competitive with the rest of the world while reducing greenhouse gases, we must fully dedicate ourselves to the task of building the next generation of nuclear plants. The 9,000 megawatts of new nuclear plants under development in Texas alone would allow us to avoid as much as 65 million tons of carbon dioxide emissions every year. This investment is threatened by the lack of timely federal licensing of these new plants, the continued failure of the federal government in fulfilling its obligations related to waste disposal, and insufficient loan guarantee authority for the U.S. Department of Energy.

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- **The federal government must facilitate rapid investments in the development of Carbon Capture and Sequestration (CCS) technologies.** Texas remains committed to development of CCS technology, and Texas companies are the world leaders in safely injecting carbon dioxide underground in enhanced oil recovery efforts. The opportunity to use our nation's abundant coal supplies in a manner that addresses greenhouse gas emissions concerns and to reduce our reliance on imported oil simply cannot be passed up. Without federal support to help commercialize this technology rapidly, regulation such as contemplated in the ANPR will only cause a substantially greater reliance on natural gas and dramatically higher natural gas and electricity prices. Immediate development of the nation's onshore and offshore natural gas resources is also needed to ensure a reliable supply of this critical fuel while CCS technology matures.
- **The federal government must provide for long-term regulatory and tax certainty for renewable energy and energy efficiency technologies.** These technologies have significant capital investment costs, and the federal government must provide long-term certainty to these resources in order to foster the installation and manufacturing base needed to support these industries. The federal government should also remove barriers to developing these resources on federal lands, streamline permitting processes that unnecessarily delay these projects and expand incentives for energy efficiency in order to complement our efforts here in Texas.

By providing needed infrastructure and targeted investments, and by removing regulatory barriers and uncertainty, we can accelerate the development of new technology and reduce emissions far faster than will be accomplished through expansive new regulations, draconian taxes on energy and huge new federal bureaucracies. Unfortunately, the ANPR seeks to take the latter path.

As noted by the comments of the Secretaries of Commerce, Transportation, Energy and Agriculture included as part of the ANPR, emissions of greenhouse gases by developing countries already exceed those of the developed world and are forecast to grow exponentially faster than United States emissions. This is an uncorrectable flaw in the scheme proposed by the ANPR, as states would be forced to engage in a massive and costly regulatory effort that will only succeed in forcing American businesses, the jobs they provide and their emissions overseas. This is precisely the wrong signal to send in our current economic climate.

Indeed, "massive and costly" is an intense understatement as to the effects of the proposal embodied in the ANPR. The regulations contemplated would for the first time subject large swaths of the economy to costly and time-consuming EPA regulation and permitting. Commercial buildings, churches, small farms, hotels, hospitals and even large residential homes

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would all be severely impacted by this proposal, even though these sources have negligible effects on worldwide concentrations of greenhouse gas emissions. This unprecedented governmental intrusion into the lives and businesses of everyone in the country will only result in devastating costs and job losses to Texas and the rest of the nation.

For these reasons, I respectfully urge you to decline to regulate greenhouse gases under the Clean Air Act.

Sincerely,

A handwritten signature in black ink that reads "Rick Perry". The signature is written in a cursive, slightly slanted style. The first letter "R" is large and loops around the "ick". The "Perry" part is also cursive, with a long horizontal stroke at the end of the "y".

Rick Perry  
Governor

RP:blp

Enclosure