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	Mont.	Demo	SH-730	4-2644	Clara Spotted Elk	J.Rock	E/	F	
	Wyo.	Repub	SR-206	4-6441	Lynn Munroe	AMAX/Farrand	E/R&D	F	
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FROM By hand GM JAMES D. JOHNSTON VICE PRESIDENT INDUSTRY-GOVERNMENT RELATIONS To Jarry Harlow The White House Larry " Here are the clips Imentioned to you, gill call gore about a briefing date. SUITE 401 (202) 775-5090 1660 L STREET, N.W. WASHINGTON, D.C. 20036 ROOM 13-136 GENERAL MOTORS BLDG. (313) 556-4671 DETROIT, MICHIGAN 48202

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### THE CINCINNATI ENQUIRER

## Clean air Senate measure goes too far in pursuit of questionable goals

Greater Cincinnatians, given a choice, will always choose clean air. The choice, however, is rarely so clear-cut. Like almost everything else, the attainment of such worthwhile ends as clean air involves compromises.

That's why many Cincinnatians working in the area of clean air and other environmental concerns are strongly opposing a Senate bill that is probably the most draconian environmental legislation in history. It would ignore Cincinnati's considerable achievements in meeting federal clean-air standards 99.97% of the time and press a series of mandates aimed at assuring clean air the remaining 0.03% at huge costs both in dollars and disruption.

Experts assembled by a national labor-business coalition known as the <u>Clean Air Working Group</u> say the new standards cannot be attained without dramatic restrictions on new industrial construction and without changing the frequency and range with which Americans have traditionally operated their automobiles. The new legislation's overall cost to U.S. business, experts say, would be \$30 billion a year, in addition to the \$70 billion business already invests in environmental safeguards.

Cincinnati has scarcely been idle in working for clean air. Air-purification efforts, in fact, have been so successful that the Clean Air Subcommittee of the Greater Cincinnati Chamber of Commerce has concluded that atmospheric conditions now have a greater impact on the area's air quality than

automobile emissions or other sources of pollution. Over the atmosphere, unfortunately, not even Congress can exert control.

The Senate legislation is a broad attack on remaining air-quality problems. It would help many localities by postponing the Dec. 31 deadline for meeting federal ozone standards, but it would establish rigorous new standards that communities and businesses could well be unable to meet or to afford. Attainment almost certainly would require fresh restrictions on motor-vehicle use.

The same legislation would also attack acid rain, despite the absence of conclusive scientific data about its origins. The costs would be translated into higher utility costs for homeowners as well as business and industrial users of electric power.

The assessment of Ernest S. Rosenberg, who came to Cincinnati the other day in behalf of the <u>Clean Air</u> <u>Working Group</u>, is that the Senate measure "turns the screws so tight on cities that businesses will quietly die, jobs will be threatened and people will feel frustration and anger over disruptions in their lives. All in the name of marginal improvements in the air that may not even be achievable."

-- No one wants to see any retreat from what Greater Cincinnati has accomplished to meet air-quality standards. But neither should anyone ignore the necessity of choices. Is 99.97% compliance enough? Or must Greater Cincinnati pay the still-incalculable cost of 100%?

# Plano Star Courier A Harte-Hanks Community Newspaper

Friday, September 4, 1987

## Plans to reduce level of ozone need research

#### By LUIS TORROELLA Staff Writer

Although wanting to extend the time it would have to reduce ozone levels in the area, Plano and other cities in the Dallas-Fort Worth area oppose a bill in the U.S. Senate that would do just that if it becomes law.

James McCarley, Plano assistant city manager, says the bill, sponsored by Sen. George Mitchell, D.-Maine, would delay the Dec. 31 deadline regions across the country have to lower ozone levels to standards or face stiff economic sanctions.

The second provision of the bill, however, requires cities to place rigorous controls on industrial and automobile emissions, he said.

"We recognize the need for clean air," McCarley said. "But some of the restrictions they are suggesting are questionable as to whether they actually achieve cleaner air."

Dallas and Tarrant counties have been in non-attainment of federal ozone level standards for years. The U.S. Environmental Frotection Agency has said it wants Collin County to be included in an areawide approach to lowering ozone levels.

Collin County, including Plano, is one of 13 counties that has joined together through the North Central Texas Council of Governments to establish a six-point plan to avoid sanctions. "We're saying more independent research must be conducted before any restrictions are placed on us; with an emphasis on the word 'independent'," McCarley said.

McCarley says a "balance of opinion" does not exist among scientists as to what effects ozone levels.

Representatives of the <u>Clean Air</u> <u>Working Group</u>, an organization comprised of more than 100 businesspersons and industrialists, are traveling the country lobbying for rejection of the Mitchell bill.

James L. Hamilton, manager of govenmental affairs for USX Corp. in Dallas Thursday called the restrictions "punitive." "These are restrictions on the use of cars and trucks, tougher controls on large and small busineeses and bans on new industrial construction that will prevent growth and modernization and cost jobs."

Hamilton said it is possible to have quality air without sanctions. He said ozone produced by hydrocarbon emissions from automobiles have reduced and will continue to reduce as newer, more environmental-conscious cars and factories replace older models.

"We don't need to change the Clean Air Act," Hamilton said. "We want to see measures taken to identify what causes a build up of ozone. Much of the ozone problem is based on weather."

A spokesperson for the industry lobbying group says the Mitchell bill is expected to be discussed by the full Senate on Sept. 15.

McCarley says there are a number of amendments to the bill that may water it down.

# Group assails legislation extending ozone deadline

#### **Continued from Page 29A.**

uled for a hearing before the Senate Environment and Public Works Committee on Sept. 15.

With or without passage of the Senate bill, the Dallas area is facing stricter pollution controls. The economic sanctions proposed in June by the EPA against Dallas and Tarrant counties, and 13 other U.S. urban areas, would ban construction of major new industrial plants that contribute to ozone pollution. EPA officials have told the North Central Texas Council of Governments that, at a minimum, auto emissions inspections currently in force in the two counties will have to be extended to surrounding counties and made tougher in Dallas and Tarrant counties if the sanctions are to be avoided.

U.S. Speaker of the House Jim Wright, D-Fort Worth, told the Fort Worth City Council Tuesday that he would support the cities' efforts to avoid supcoint, but only if local officials continue working to reduce ozone pollution.

Hamilton said the Dec. 31 deadline, impossible for many communities to meet, should be extended, but not by legislation "cluttered" with costly, controversial new controls.

But Beth Johnson, the Dallasbased Southern Plains regional representative for the Sierra Club, said any extension of the deadline must be tied to enhanced efforts by cities and industry to improve air quality.

Noting that as many as 70 cities are expected to miss the deadline for compliance with ozone and carbon monoxide standards, Ms. Johnson said: "We've got 100 million people in this country breathing air that is unhealthy. It's entirely appropriate for Congress to be considering legislation to address this

George Mitchell

problem. To lift the deadline without imposing new controls would just be letting industry off the hook one more time."

Diane Dewhirst, Mitchell's press secretary, said the bill's potential benefits far outweigh its costs, estimated by industry and by the EPA at up to \$30 billion a year.

She said Americans spend \$16 billion annually on medical care for ailments caused or aggravated by air pollution. Lost worker productivity adds \$40 billion to the yearly tab, she said.



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Group assails bill extending ozone deadline

## Measure would impose tougher pollution limits

#### By Bruce Tomaso Environmenial Writer of the News

Federal legislation that would lift a Dec. 31 deadline for Dallas and other cities to meet federal ozone standards also would impose "draconian" restrictions on businesses and motorists and cost more than \$30 billion annually nationwide, a Washington-based industry coslition said Thursday.

The Class Air Working Group, representing more than 100 companies and trade associations, said the legislation, pending in the Senate and endorsed by environmentalist groups, should be rejected.

Spokesmen for the group met privately with about 25 Dallas business leaders at the Fairmont Hotel, then arged defeat of the Senate bill at a news conference. Similar meetings are planned in other cities which, like Dallas, face possible economic sanctions from the U.S. Environmental Protection Agency for onone violations.

The measure, sponsored by Sen. George Mitchell, D-Maine, would extend the Dec. 31 deadline for citles to meet the federal ozone standard. Reprieves of three to 15 years would be granted, depending on the severity of a city's air pollution; those with the worst ozone levels would be given the most time to correct the problem.

In exchange, however, the bill would require ambitious new efforts to cut air pollution, including improvements in auto emissions equipment, controls on the release of fuel vapors from service stations, tighter vehicle inspections, greater use of alternative vehicle fuels such as methanol and ethanol, and reductions in industrial emissions of sulfur dioxide, which causes acid rain. In areas of severe pollution, the bill would impose fees of \$100 per ton on industrial emissions of various common pollutants.

Further restrictions, such as gesoline rationing and limits on euto traffic in downtown areas, could be enacted later, if the bill's provisions failed to sufficiently reduce air pollution.

"These represent rather draconian changes in lifestyle that would be imposed on the residents of Dallas and other cities," said James Hamilton, manager of governmental affairs for USX Corp. and a spokesman for the industry coalition.

He said the bill's provisions "are really out of line," considering that most cities that violate the ozone standard do so only a few times a year. In Dallas, the standard — 12 parts ozone per 100 million of sir — typically is exceeded fewer than a dozen times a year, usually in the summer. Ozone, a respiratory irritant, is produced when auto and industrial exhausts react chemically in intense sunlight.

Mitchell's bill, approved in June by a Senste subcommittee of which he is chairman, is sched-

Please see GROUP on Page 33A.

Friday, September 4, 1987

# **Business**

Chicago Tribune Friday, August 28, 1987

# Chicago cleared as carbon violator

### By Casey Bukro

Metropolitan Chicago is an ozone air-pollution violator, but not for carbon monoxide, according to a report issued fhursday by the U.S. Environnental Protection Agency.

In a new listing taking 1984-36 national air-quality improvements into account, the ederal agency dropped 14 metopolitan areas from its ozone iolators list and 16 from its list of cities that violate carbon nonoxide air-quality standards.

Los Angeles leads the 62 cities hat continue to violate ozone

standards, while 65 continue to violate the carbon-monoxide standards.

Under the federal Clean Air Act, cities that violate the airquality standards by a Dec. 31 deadline can be punished by cuts in federal grants and bans on building new sources of air pollution. The EPA will use data from 1985-87 in judging which cities have complied.

Chicago already is under a federal construction ban for air-pollution violations dating to 1981.

In addition to Chicago, Davenport-Rock Island, Milwaukee, Peoria, Rockford and Toledo were other Midwestern metropolitan areas that were dropped from the list of carbonmonoxide violators.

Among those dropped from the ozone list were Detroit and Grand Rapids, Mich.; Janesville-Beloit, Wis.; and Dayton-Springfield, Ohio.

"Much of the improvement is attributed to fluctuations in weather conditions, rather than pollution reductions," said Donald De Blasio, a spokesman in the EPA's Chicago office.

After Los Angeles, the leading offenders were San Diego, Houston, New York, Greater Connecticut, Providence, R.I. Sacramento, Atlantic City, Chi cago and Philadelphia.

monoxide

Hot, dry summers can trigge ozone air pollution, formec when auto exhausts and industrial emissions turn to smog under intense sun and heat.

EPA officials pointed out that depending on weather conditions, cities dropped from the ozone- and carbon-monoxide violators list could be reinstated later.

In another development, the Clean Air Working Group which represents business and industrial interests, said runawa

"The bill eliminates flexibility, sets unrealistic and unworkable

schedules, undermines the tradi-

tional role that science plays in

the regulatory process and is un-

believably expensive," said Er-

nest Rosenberg, a spokesman for

the group.

clean-air legislation proposed in the Senate could lead to business closings, job losses and motor vehicle restrictions in Chicago with little air-quality improvement.



The group held a press confer-

ence to voice its opposition to a

bill being advanced to revise fed-

eral clean-air legislation.

### Clean air bill called too costly

Ernest S. Rosenberg of the Clean Air Working Group says Thursday in the Hyatt Regency Chicago that clean air legislation proposed in the Senate will lead to business closings, job losses and driving restrictions with

Tribune photo by Ernie Cox Jr

only minimal improvements in Chicago area air quality. Rosenberg, whose Washington, D.C., organization coordinates the response of business to Clean Air Act legislation, urged city officials to oppose the bill.

Anited States Senate

WASHINGTON, D.C. 20510

July 22, 1987

Mr. Joseph Ross Director Congressional Research Service Library of Congress Washington, D.C. 20540

Dear Mr. Ross:

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On June 30, 1987, the Subcommittee on Environmental Protection of the Senate Committee on Environment and Public Works reported four of an intended five titles of legislation to amend the Clean Air Act.

If enacted, the bill would establish new requirements for areas that have not yet attained the primary National Ambient Air Quality Standard (NAAQS) for ozone and carbon monoxide. The bill would delay the imposition of sanctions against those nonattainment areas <u>if and only if</u> states submit revised implementation plans that adopt a list of controls that are enumerated in the legislation.

In addition, the legislation would require the EPA Administrator to establish a new one-hour NAAQS for SO2 and NOx, an eight hour standard for ozone, a high altitude standard for CO2 and would mandate a twelve million ton reduction in SO2 emissions, to be achieved by January 1, 1996.

We are concerned that information has not been sufficiently developed with respect to the overall cost of this complex legislation to taxpayers, consumers and the domestic industrial sector. Accordingly, we request a thorough analysis of these costs. Because of the urgency of this matter and the speed with which this legislation appears to be moving through Congress, your evaluation may require two phases. The initial approach would entail a summary review of the expected costs of this legislation, taking into account the anticipated date for final mark up of the legislation by the full Environment & Public Works Committee and addressing the general questions below and as many of the questions in Appendix 1 that are feasible:

1) How will the costs of municipalities compliance with the proposed ozone nonattainment provisions compare with the costs of the imposition of sanctions to those same municipalities under current law?

Mr. Joseph Ross July 22, 1987 Page Two

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2) What are the costs of the proposed acid rain mitigation provisions to residential, commercial and industrial electricity ratepayers?

3) How will the increased costs from acid rain controls affect the international competitiveness of electricity-intensive industry in this country?

4) What coal production shifts would be expected as a result of the bill's acid rain provisions? How many coal miners would lose their jobs as a result of the bill's enactment?

5) It has been estimated that a substantial impact of this legislation taken as a whole will fall on small business. What small businesses will be most severely affected by this legislation (e.g., dry cleaning)? What economic effect would result from compliance with the requirements to perform a Hazard Assessment under the air toxics section of the bill?

6) How much would be spent nationally by industry to perform the required hazard assessments? What health improvements could be expected as a result of this expenditure?

7) How much would the Environmental Protection Agency and the state and local air pollution agencies have to spend to implement the air toxics section of the bill? Where would these resources come from, and how would the expenditure of these resources affect existing government programs?

8) How much would the chemical industry have to spend to comply with the air toxic section? How much would other industries have to spend? What would those expenditures, taken with increased electricity costs caused by the acid rain section of the bill, do to the international competitiveness of these industries? What are the potential unemployment impacts of these added costs?

9) What public health improvements would be expected from full implementation of the proposed air toxics provisions?

10) What would be the combined effect of the mobile source, ozone nonattainment and air toxics provisions on the driving public? What would be the additional costs of running a car, including fuel costs, inspection and maintenance, etc.?

11) What would be the economic consequences of mandating a one-hour standard for sulfur dioxide? Is such a standard justified by available health evidence? What is the status of ongoing reviews by CASAC or EPA with relation to the standards? Would there be any administrative difficulties encountered by the Agency in the implementation of this standard? Mr. Joseph Ross July 22 Page Three

12) What industries are most likely to be affected by a one-hour standard for sulfur dioxide? What are the potential costs of such a standard to these industries, to electricity ratepayers, and on coal production and employment?

13) How many areas that are in attainment under current health-based ambient air quality standards would fall into nonattainment status as a result of the implementation of each of the <u>Congressionally-mandated</u> ambient air quality standards in Title IV? What is the additional cost of these standards?

This evaluation would be followed by a more thorough analysis, taking into account, but not limited to, those provisions of Appendix I you are unable to address prior to full committee mark-up and any other economic aspects of the legislation that are revealed by your analysis, including additional questions dealing with Title V of the legislation should that title also be approved by the Subcommittee during its scheduled July 29 mark-up.

While the scope of the request is broad, the impact of this comprehensive legislation appears equally as extensive. Because of the urgency with which the Subcommittee is addressed in this legislation, we would appreciate your prompt attention to this request.

Sincerely,



Mr. Joseph Ross Page Four Page Four

### Anited States Senate

WASHINGTON, D.C. 20510

July 22, 1987

Mr. Edward Gramlich Acting Director Congressional Budget Office Second and D Streets, S.W. Washington, D.C. 20515

Dear Mr. Gramlich:

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Mr. Edward Gramlich July 22, 1987 Page Two

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Sincerely,

Mr. Edward Gramlich July 22, 1987 Page Four



### Anited States Senate

WASHINGTON, D.C. 20510

July 22, 1987

Mr. John H. Gibbons Director Office of Technology Assessment 600 Pennsylvania Avenue, S.E. Washington, D.C. 20510

Dear Mr. Gibbons:

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If enacted, the bill would establish new requirements for areas that have not yet attained the primary National Ambient Air Quality Standard (NAAQS) for ozone and carbon monoxide. The bill would delay the imposition of sanctions against those nonattainment areas <u>if and only if</u> states submit revised implementation plans that adopt a list of controls that are enumerated in the legislation.

In addition, the legislation would require the EPA Administrator to establish a new one-hour NAAQS for SO2 and NOx, an eight hour standard for ozone, a high altitude standard for CO2 and would mandate a twelve million ton reduction in SO2 emissions, to be achieved by January 1, 1996.

We are concerned that information has not been sufficiently developed with respect to the overall cost of this complex legislation to taxpayers, consumers and the domestic industrial sector. Accordingly, we request a thorough analysis of these costs. Because of the urgency of this matter and the speed with which this legislation appears to be moving through Congress, your evaluation may require two phases. The initial approach would entail a summary review of the expected costs of this legislation, taking into account the anticipated date for final mark up of the legislation by the full Environment & Public Works Committee and addressing the general questions below and as many of the questions in Appendix 1 that are feasible:

1) How will the costs of municipalities compliance with the proposed ozone nonattainment provisions compare with the costs of the imposition of sanctions to those same municipalities under current law?

Mr. John H. Gibbons July 22, 1987 Page Two

2) What are the costs of the proposed acid rain mitigation provisions to residential, commercial and industrial electricity ratepayers?

3) How will the increased costs from acid rain controls affect the international competitiveness of electricity-intensive industry in this country?

4) What coal production shifts would be expected as a result of the bill's acid rain provisions? How many coal miners would lose their jobs as a result of the bill's enactment?

5) It has been estimated that a substantial impact of this legislation taken as a whole will fall on small business. What small businesses will be most severely affected by this legislation (e.g., dry cleaning)? What economic effect would result from compliance with the requirements to perform a Hazard Assessment under the air toxics section of the bill?

6) How much would be spent nationally by industry to perform the required hazard assessments? What health improvements could be expected as a result of this expenditure?

7) How much would the Environmental Protection Agency and the state and local air pollution agencies have to spend to implement the air toxics section of the bill? Where would these resources come from, and how would the expenditure of these resources affect existing government programs?

8) How much would the chemical industry have to spend to comply with the air toxic section? How much would other industries have to spend? What would those expenditures, taken with increased electricity costs caused by the acid rain section of the bill, do to the international competitiveness of these industries? What are the potential unemployment impacts of these added costs?

9) What public health improvements would be expected from full implementation of the proposed air toxics provisions?

10) What would be the combined effect of the mobile source, ozone nonattainment and air toxics provisions on the driving public? What would be the additional costs of running a car, including fuel costs, inspection and maintenance, etc.?

11) What would be the economic consequences of mandating a one-hour standard for sulfur dioxide? Is such a standard justified by available health evidence? What is the status of ongoing reviews by CASAC or EPA with relation to the standards? Would there be any administrative difficulties encountered by the Agency in the implementation of this standard? Mr. John H. Gibbons July 22 Page Three

12) What industries are most likely to be affected by a one-hour standard for sulfur dioxide? What are the potential costs of such a standard to these industries, to electricity ratepayers, and on coal production and employment?

13) How many areas that are in attainment under current <u>health-based</u> ambient air quality standards would fall into nonattainment status as a result of the implementation of each of the <u>Congressionally-mandated</u> ambient air quality standards in Title IV? What is the additional cost of these standards?

This evaluation would be followed by a more thorough analysis, taking into account, but not limited to, those provisions of Appendix I you are unable to address prior to full committee mark-up and any other economic aspects of the legislation that are revealed by your analysis, including additional questions dealing with Title V of the legislation should that title also be approved by the Subcommittee during its scheduled July 29 mark-up.

While the scope of the request is broad, the impact of this comprehensive legislation appears equally as extensive. Because of the urgency with which the Subcommittee is addressed in this legislation, we would appreciate your prompt attention to this request.

Sincerely,





Page Four July 22, 1987 Mr. John H. Gibbons

#### APPENDIX I

#### POSSIBLE COST IMPLICATIONS OF CLEAN AIR ACT AMENDMENTS PASSED BY SENATE SUBCOMMITTEE ON ENVIRONMENTAL PROTECTION

#### TITLE 1-- REQUIREMENTS FOR NONATTAINMENT AREAS

Section 101. Extension Conditions.

1) What are the taxpayer costs associated with a state meeting both the three-month written commitment and the December 31, 1989 SIP revision deadlines required by the legislation? In your evaluation, include the state of legislative, regulatory and administrative costs of a SIP revision (i.e., consultation with local officials, personnel costs).

2) Virtually all inspection and Maintenance testing is currently conducted by small, independent garages. The bill's requirement for computerized emission testing of hydrocarbons, CO, NOx and particulates will dramatically increase the costs to these service stations and probably eliminate them altogether, necessitating and alternative testing mechanism. What would be the additional costs of this requirement to the independent garage installing the new testing equipment, to car owners paying the added inspection fee and to the state, should the establishment of a centralized testing mechanism be required?

3) What is the cost of meeting the bill's refueling vapor and Stage II service stations controls?

4) It appears that the alternative fuels or power sources provisions of the bill would require a substantial restructuring of the petroleum infrastructure. How much would such an action cost both the petroleum industry and the consuming public?

5) What is the economic impact of the redefined Reasonably Achievable Control Technology (RACT) requirement under the new definition of "major stationary source?" (Note: As redefined, the state can no longer rely upon the cost effectiveness criteria currently in practice). In a related matter, what would be the governmental costs to either EPA or the states to survey existing limitations contained in the bill's Least Achievable Emissions Reductions (LAER) provisions. In your analysis of RACT and LAER, address impacts on industrial growth in nonattainment areas, the cost factors of meeting those requirements, the impact of the reduction in the emission threshold to 25 from 100 tons per year and the potential employment and other costs of either plant relocation from nonattainment areas or plant shutdowns. In a related matter, what would be the cost of meeting the periodic reduction requirement of the bill on a source-by-source basis (that is, without the benefit of emissions trading and bubbling),

Finally, what effect would the \$100/ton emissions fee have on international, interstate and intrastate industrial competition, and what are the governmental costs associated with legislating, implementing and enforcing such a fee?

6) What would you expect to be the governmental and consumer costs of the implementation of "Phase II" transportation controls including "trip reduction ordinances". "fleet conversions" and "programs for improved public transit?"

7) What effect would the two-for-one emissions offset have on interstate and intrastate competition and economic growth in the affected areas?

Section 102. Technology Requirement and Definitions for Nonattainment Areas.

1) See question 5, under Section 101 concerning redefinition of "major stationary source" and unit-by-unit approach to emissions reductions.

2) What are the governmental and private sectors costs of the permit system for existing sources?

Section 104. Noncompliance Sanctions.

1) What is the potential economic impact on both interstate and intrastate competition of implementation of the construction bans, cutoffs of highway funding and restrictions on use of publicly-owned treatment works (POTW's) contained in the legislation?

Section 105. Technical and Planning Assistance.

1) What is the potential taxpayer exposure of the technical and planning assistance grants programs established by this title?

Section 106. Outer Continental Shelf (OCS) and Vessel Activities.

1) What would be the governmental and economic cost of implementation of the OCS provisions of the bill. How would those provisions conflict with both federal and state regulatory authorities provided under existing statutes?

#### TITLE II--ACID DEPOSITION CONTROL

Section 201. Interstate Transportation and Acid Precursor Reduction

1) Numerous studies and cost evaluations of the provisions of legislation similar to Title II of the legislation point to the dramatic economic cost to ratepayers, utilities and industry of the enactment of mandated reduction of SO2 beyond those currently being achieved at significant cost under the legislative and regulatory requirements imposed by the Clean Air Act. In addition, the legislation has economic repercussions to the competitiveness of currently depressed basic industries and a social cost as well, to the extent that it displaces domestic coal production geographically within the nation or internationally if it results in an increased reliance on the enactment of the 12 million ton SO2 reduction requirements of this legislation from the above perspectives. What would be the additional cost of the retrofit of continuous emissions monitors on all sources from both an installation and maintenance standpoint?

2) The Environmental Protection Agency has estimated that "in the year 2000, S.316 could result in an additional 10-14 million tons of scrubber sludge being produced while S.321 (which essentially comprises Title II of the bill) could increase sludge production by as much as 37 million tons." That would you estimate the additional regulatory and disposal costs of this significant increase in solid waste?

3) Most of the clean coal technologies that have emerged from the program begun in July, 1986 will not have demonstrated commercial applicability and reliability by the time that sources must certify that they intend to rely on those technologies to meet the bill's emission requirements. Given both the risk of investing in these technologies and the nature of public utility commissions "prudency" reviews that determine the extent of cost passthrough to ratepayers, what effect would the reductions requirements and the tight deadlines have on the future of the otherwise promising, but as yet foundling, clean coal technology program? In a related matter, what will the certification requirement do to the development of new technologies? Further, the certification requirement only allows certain methods of compliance, restricting individual corporate planning and management options. What will the administrative and regulatory cost of the certification process be?

4) Although a statewide "bubble" approach exists in the bill, the imposed deadlines for these plans are so tight that across-the-board, unit specific emission ceilings will most likely preempt the bubble approach in most cases. What if the cost difference between these approaches, and if in fact it is the "fallback" emission control provision that is the norm, what is the microeconomic impact you would expect on an individual source's ability to comply? Do you expect some sources to be economically unable to comply, and if so, what would you expect the employment, economic and social costs of that source's noncompliance?

5) What is the cost to electricity ratepayers of the adoption of each of the available alternative long-term emission control programs? Because older units often serve as peak- or intermediate-load generators, the requirement to meet the .9 lb/mmbtu standard <u>individually</u> would either end that practice, thus necessitating additional load capacity or require the costly addition of emission controls. Conversely, the second alternative would impose reductions equivalent to the state's "share" of the 12-million ton reduction. We are interested in the economic and growth impacts of both of these options available to the states.

6) The legislation imposes such rigid requirements on clean coal technology that their development could be discouraged. What impact, if any, will these requirements have on the willingness of participants in the clean coal program, vis-a-vis the approach taken by S.879 or the program currently being administered by the Department of Energy? How will the prohibition of project assistance as a means of complying with SIP emission limitations affect the success of the program?

7) Concern has been expressed over the growing importation of Canadian power into the United States. What additional costs imposed by this Title of the legislation have on the competitiveness of domestic power generation, and what impacts will a greater dependence on imported power have on domestic coal and utility production and employment?

Section 202. Interstate and International Pollution

1) What is the economic impact (including geographic dislocations and effects on inter- or intrastate competition) of the provision prohibiting any stationary source within the state from emitting any air pollutant in amounts that will contribute to atmospheric loadings of pollutants which may adversely affect public health or welfare or the environment in any other state or foreign country?

TITLE III-- MOBILE SOURCE AND OTHER FEDERAL CONTROLS

Section 301. Vehicle Emission Standards.

10 What is the economic impact of the specific vehicle emission standards, taking into account all provisions of the legislation which impact mobile sources, on automobile manufacturers and their customers? Include a discussion of the impacts of these cost factors on international competitiveness and any related employment or international competitiveness and any related employment or economic disruptions.

Section 302. Assurance of In-Use Compliance.

1) What is the technological feasibility and cost liability exposure of a passenger car manufacturer in meeting the doubling of the current 5 year/50,000 mile warranty requirement in the legislation? What is the consumer cost of such a provision and of the 90% pass rate requirement?

Section 303. Regulation of Fuels.

1) What is the cost of achieving the reduction in diesel fuel sulfur content mandated by the legislation? How soon could the reduction be feasibly implemented?

Section 304. Federal Hydrocarbon Emission Controls.

1) What is the regulatory impact and technological feasibility of meeting the requirements of this provision?

TITLE IV-- AMBIENT AIR QUALITY STANDARDS

1) What is the regulatory impact of the adoption of the Congressionally determined National Ambient Air Quality Standards, vis-a-vis the health-based standards currently developed through a scientific process?

2) What would the economic and growth impact of the new standards be on areas that are currently in attainment of all of the promulgated health-based NAAQS?

3) What would the new NAAQS add to the consumer and industrial cost of compliance with the Clean Air Act?

#### THE WHITE HOUSE

#### WASHINGTON

#### July 24, 1987

#### MEMORANDUM FOR THE PRESIDENT

FROM: T. KENNETH CRIBB, JR. TKC, Assistant to the President for Domestic Affairs

SUBJECT: Domestic Affairs Weekly Update

## Fuming over Ozone: EPA's Proposal for "On-board" Containment of Automobile Fuel Vapors.

On Wednesday, July 22, the Environmental Protection Agency announced a rulemaking package as part of its highly publicized Ozone Strategy to combat air pollution as provided for by the Clean Air Act. The proposal would require automobiles to have an "on-board" canister to collect gasoline vapors which contribute to ground level ozone. You should know at the outset that the EPA rulemaking has been tentatively cleared subject to further review and that it is by no means certain that this particular proposal will be finally adopted.

#### Background

EPA's Ozone Strategy seeks to reduce various emissions of volatile organic compounds, such as gasoline vapors and certain bi-products of automobile engines and coal and oil burning power plants. The compounds react in the sunlight to form ground level ozone, which attacks building materials and is harmful to our lungs (unlike atmospheric ozone which is beneficial in blocking out dangerous ultraviolet rays). The problem is particularly acute in the summer months. The proposed EPA rule would reduce automobile fumes, which make up about 10% of the ground level ozone, in order to show progress towards bringing several cities into compliance with national ozone standards established by the Clean Air Act. At the present time over 70 cities are not in compliance with these standards and may face onerous sanctions such as cutoffs of their federal highway and sewage fund and construction bans.

#### EPA's Proposal

Last Wednesday's package included controls on gasoline volatility and a very controversial proposal to control refueling vapors by requiring the automobile companies to install additional antipollution equipment on all cars and some trucks. The proposed EPA rule would require the installation "on-board" the vehicle of a 3 liter canister filled with absorbent charcoal to collect fumes that collect in the gas tank and are released into the atmosphere when the car is filled with gas. The main alternative would be a so-called "stage II" gasoline recovery hose which would collect the fumes at the pump. These recovery hoses are already required in California and the District of Columbia.

#### Pros and Cons of the "On-board" Proposal

EPA argues that the "on-board" containment is preferable to the alternatives because it is easier to enforce. Also, when coupled with the gasoline volatility regulations, the "on-board" proposal allows the burdens of federal regulation to be distributed among car manufactures and oil companies.

The National Highway Traffic Safety Administration has noted safety problems with "some unquantifiable increased risks of crash and non-crash fire associated with [such] on-boardcontrols." Environmentalists have criticized the proposal because of the lengthy lead time before the system is fully in place -- three to five years for the research, development and testing of the equipment and twelve years after that before the passenger vehicle fleet has turned over. (The environmentalists favor the "stage II" gas pump hose alternative, because it can be implemented almost immediately.) The automobile industry objects to the cost of the "on-board" proposal, the increased safety risks, and the fact that "on-board" system is a national regulation directed at ozone pollution which is primarily a problem in the East Coast, Texas, and California. On the other hand, the oil industry has endorsed the "on-board" proposal in an effort to protect their distributors from the expense of installing the "stage II" hoses on gas pumps.

#### The State of Play

The EPA "on-board" refueling proposal was included in a notice of proposed rulemaking that will now be subject to public comment. OMB noted in its clearance letter that the rule raises several problems in its review under Executive Order 12291, including inadequate consideration of other regional and local alternatives, safety and cost effectiveness concerns. Because of the problems associated with the "on-board" proposal, OMB cleared the rule only after EPA committed to repropose it following consideration of the Department of Transportation's formal safety report. Other issues to be considered include lead time, cost effectiveness concerns, and whether a national strategy is the best solution to an essentially local problem.

The commitment to repropose the rule makes the EPA action the equivalent of an Advanced Notice of Proposed Rulemaking, which means that there will be another opportunity for your Administration to review all aspects of the issue before EPA goes forward with its final proposal.

Clean Sia file

c: lus. Harlow FYI-RKD

August 5, 1987

CLEAN AIR ACT

#### Background

The <u>Clean Air Act requires attainment of</u> the health-based ozone and carbon monoxide <u>National Ambient Air Quality Standards</u> (NAAQS) in all air quality areas by <u>December 31</u>, <u>1987</u>.

Failure to meet the deadline will result in strict mandatory sanctions including construction bans on industries contributing to the problem and EPA development of attainment plans that may include restrictions on vehicle use. Discretionary sanctions include a cutoff of Federal highway, sewage treatment, and state air pollution control grants.

Currently 73 metropolitan areas are in nonattainment for ozone and 80 for carbon monoxide. For ozone, roughly half of these areas will miss the 1987 deadline. Last month EPA announced that 14 metropolitan areas will face mandatory sanctions for failure to meet the deadline. Another 21 are expected to be named by the end of the year.

There is general consensus that the attainment deadline will have to be extended. There is no consensus on what, if any, additional mandatory reductions must be adopted as a condition for extending the deadline.

The environmentalists in the Senate, such as Senator Mitchell, are trying to use the deadline extension as a vehicle to enact other clean air legislation, much of which has been proposed previously but without sufficient support for enactment.

On June 30th a subcommittee of the Senate Environment and Public Works Committee approved a bill, as yet unnumbered, that consolidated several other bills and contains provisions for extension of deadlines for attainment of federal ozone and carbon monoxide standards; an acid rain control program; a clean coal technology program; and a program to address emissions of toxic air pollutants.

On June 25th EPA sent a letter to the subcommittee criticizing all major aspects of the bill. EPA attacked the prescription of specific control measures that would be required for a deadline extension, the premature imposition of a costly acid rain control program, and the unnecessary air toxics and clean coal provisions. Administrator Lee Thomas testified before the subcommittee on July 22nd and reinforced this position in more detail. He suggested that the subcommittee completely re-draft its bill. Several issues remain to be resolved when the full committee begins to consider the bill after the recess, including how to regulate municipal waste incinerators and whether air emissions from Outer Continental Shelf oil and gas drilling operations should be regulated by EPA.

Previous Senate versions of clean air legislation have either died after committee markup or due to lack of House action. There is no comprehensive clean air bill in the House, but Rep. Dingell has suggested that one be drafted. Reps. Sikorski and Waxman have introduced an acid rain bill that lacks strong support. Waxman also introduced an ozone nonattainment bill this week.

#### Major Actors

<u>Mitchell</u>, chairman of the Environmental Protection subcommittee of the Senate Environment and Public Works Committee, leads Congressional efforts to enact a comprehensive Clean Air Act bill that includes NAAQS nonattainment, acid rain, clean coal, and air toxics.

<u>Waxman</u>, chairman of the Health & Environment subcommittee of the House and Energy and Commerce Committee, shares Mitchell's philosophy of making the Clean Air Act more comprehensive and stringent. However, he is constrained from pushing too hard for comprehensive clean air legislation because he represents a nonattainment area in need of a deadline extension.

<u>Dingell</u>, chairman of the House Energy and Commerce Committee, opposes most of the current legislative proposals to amend the Clean Air Act. He favors simple extension of the NAAQS attainment deadline so long as nonattainment areas make reasonable progress toward attainment. His opposition makes chances of passing clean air legislation this year, other than a simple deadline extension, only a 50-50 proposition.

#### Next Steps

Subcommittee action will be analyzed and options developed for dealing with the legislation based on prospects for action in the House.

#### EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

	ROUTE SLIP		
то	Rob Fairwather R.F	Take necessary action	
	A A A A A A A A A A A A A A A A A A A	<ul> <li>Approval or signature</li> </ul>	
	Dave Gibbons	Comment	
	Bob Dawson Rus	Prepare reply	
	Larry Harlow	Discuss with me	
		- For your information	
		See remarks below	
FROM	Ed Watts Ew	DATE 7/20/87	

#### REMARKS

Per your request, this is a side-by-side comparison of the clean coal and acid rain provisions of the Mitchell, Simpson, and Byrd clean air bills. Note that there are many provisions in the Mitchell bill (e.g., occore nonatiainment, air toxics) that are not covered in the side-by-side. (We can add these if you want)

> OMB FORM 4 Rev Aug 70

#### COMPARISON OF ACID RAIN/CLEAN COAL BILLS

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7/17/87

I. Acid rain controls			No control program.	Any acid rain control bill
				would be premature prior to
				release of the results of the
A. Sulfur Dioxide (SO2)	14M tons by 1996.	10.2M ton reduction is		10-year research program.
Reduction from		estimated to result from		Between the Mitchell and
projected 1990		the 2.0 lb. and 1.2 lb.		Simpson's programs, however,
levels by utilities		requirements listed below.		Simpson's is preferable
				since it has lower costs, a
				limited geographical scope,
				and full emissions trading.
B. Emissions limitations	Annual statewide average	Annual statewide average		
for SO2	rate of emissions from	rate of emissions from		The Mitchell acid rain
	all fossil-fueled utility	all fossil fueled utility		control program and clean
(lbs./million btu)	and non-utility plants	and non-utility plants		coal technology program are
	limited to 0.9 lbs. per	limited to 2.0 lbs per		inconsistent. Stringent
	million btu. States	million btu by 1993 and		SO2 and NOx emission
	must also reduce emissions	1.2 lbs. by 1998, new		controls would be required
	by amounts sufficient to	sources excluded.		before any new clean coal
	achieve a 12M ton total			technologies could be put
	reduction by 1996.			into commercial use.
	Default requirements, if	Default requirements, if		
	State fails to implement	State fails to implement		
	Sol control monsures and	SO2 control measures each		
	soz control measures, each	molor course must comply		
	major source of 502 emis-	major source must comply		
	sions must comply with the	with the 2.0 ID. standard		
	0.9 ID. standard.	by 1993 and the 1.2 ID.		
		standard by 1998.		
	Post-1996 requirements: a			
	State can either make plants	EFA may recommend to		
	30 years old or more comply	Congress by July 1992 that		
	with the 0.9 lb. standard	changes be made in the NOx		
	or meet a flat State	and the 1998 SO2 require-		
	emissions ceiling.	ments.		

Simpson bill

(S. 316)

Mitchell bill

<u>Byrd bill</u>

(S. 879)

Administration position

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	<u>Mitchell bill</u>	<u>Simpson bill</u> (S. 316)	<u>Byrd bill</u> (S. 879)	Administration position
C. Nitrogen Oxides (NOx) reduction from projected 1990 levels by utilities	4M tons by 1996.	3.5M tons is the reduction estimated to result from the 0.6 lb. requirement listed below.		
D. Emissions limitations for NOx (lbs./million btu)	Annual average statewide utility and non-utility emissions limited to 0.6 lbs. by 1996. States must also reduce emissions by amounts sufficient to achieve a total 4M ton reduction by 1996.	EPA to identify all fossil fuel units that can achieve an emissions rate of 0.6 lbs. per million btu using retrofit technology or other means at a comparable cost. Statewide reduction levels, based on amounts identified, are to be achieved by 1997.		
E. Total Costs to utilities in year 2000, current dollars (ICF, Inc.)	\$7-9B/yr. (SO2: \$6-8B/yr.) (NOx: \$1B/yr.)	\$3.7B/yr. (SO2: \$3.1B/yr.) (NOx: \$0.6B/yr.)		
F. Affected states	Entire U.S.	31 Eastern Statesall states east of the Miss. River plus AR and MO.		
G. Emissions trading (allow sources making reductions below allowable levels to sell these reductions to sources above allowable levels).	Only <u>intrastate</u> trading of emission reduction requirements and of actual reductions allowed.	Full interstate and intra- state trading allowed as well as full trading between all sources.		

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All smelters shall comply with SO2 limitations specified in the bill by 1988 regardless of existing consent orders.	Similar to Mitchell bill.		The Mitchell and Simpson bill provisions would disrupt EPA's current smelter compliance measures and schedules.
Tightens tailpipe emission standards for cars and trucks.	Tightens tailpipe emission standards for cars and trucks, but standards are less stringent than those of the Mitchell bill.		The Mitchell and Simpson bill provisions would impose high costs for new cars with little additional environmental benefit.
No provision.	The existing Acid Pre- cipitation Task Force shall conduct an accelerated study of health effects, visibility in national parks, acid damage to the western U.S., among other topics. The program shall be completed by 1991. Funding of \$25M/yr. for FY 1998 to 1990 is authorized.		The existing research program is on track to answer the scientific questions it was set up to answer. Most of the study items proposed in the Simpson bill are of relatively minor importance except to the western States.
The U.S. shall conclude a tripartite treaty with Canada and Mexico to minimize air pollution, establish a North Amer- ican air quality moni- toring network, encourage more research, and deve- lop uniform minimum levels of protection. EPA shall study the effects of Mexican smelter emissions	The U.S. shall conclude a treaty with Mexico to ensure that their copper smelters meet stringent emission limitations.		International negotiations can be effectively carried out without additional legislation.
	<pre>comply with S02 limitations specified in the bill by 1988 regardless of existing consent orders. Tightens tailpipe emission standards for cars and trucks. No provision. The U.S. shall conclude a tripartite treaty with Canada and Mexico to minimize air pollution, establish a North Amer- ican air quality moni- toring network, encourage more research, and deve- lop uniform minimum levels of protection. EPA shall study the effects of Mexican smelter emissions on the western U.S.</pre>	<ul> <li>comply with S02</li> <li>limitations specified</li> <li>in the bill by 1988</li> <li>regardless of existing</li> <li>consent orders.</li> <li>Tightens tailpipe emission</li> <li>standards for cars and</li> <li>trucks.</li> <li>Trucks, but standards are</li> <li>less stringent than those</li> <li>of the Mitchell bill.</li> <li>No provision.</li> <li>The existing Acid Pre-</li> <li>cipitation Task Force shall</li> <li>conduct an accelerated</li> <li>study of health effects,</li> <li>visibility in national</li> <li>parks, acid damage to the</li> <li>western U.S., among other</li> <li>topics. The program shall</li> <li>be completed by 1991.</li> <li>Funding of \$25M/yr. for FY</li> <li>1998 to 1990 is authorized.</li> <li>The U.S. shall conclude</li> <li>a tripartite treaty with</li> <li>Canada and Mexico to</li> <li>minimize air pollution,</li> <li>establish a North American air quality monitoring network, encourage</li> <li>more research, and develop uniform minimu levels</li> <li>of protection.</li> </ul>	<ul> <li>comply with S02</li> <li>limitations specified</li> <li>in the bill by 1988</li> <li>regardless of existing</li> <li>consent orders.</li> <li>Tightens tailpipe emission</li> <li>standards for cars and</li> <li>trucks.</li> <li>Tightens tailpipe emission</li> <li>standards for cars and</li> <li>trucks, but standards are</li> <li>less stringent than those</li> <li>of the Mitchell bill.</li> <li>No provision.</li> <li>The existing Acid Pre-</li> <li>cipitation Task Force shall</li> <li>conduct an accelerated</li> <li>study of health effects,</li> <li>visibility in national</li> <li>parks, acid damage to the</li> <li>western U.S., among other</li> <li>topics. The program shall</li> <li>be completed by 1991.</li> <li>Funding of \$25M/yr. for FY</li> <li>1998 to 1990 is authorized.</li> <li>The U.S. shall conclude</li> <li>a treaty with Mexico to</li> <li>ensure that their copper</li> <li>smelters meet stringent</li> <li>emission limitations.</li> <li>icon air quality moni-</li> <li>toring network, encourage</li> <li>more research, and deve-</li> <li>lop unform minimm levels</li> <li>of protection.</li> <li>EPA shall study the effects</li> <li>of Mexican smelter emissions</li> <li>on the western U.S.</li> </ul>

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Mitchell bill Simpson bill Byrd bill Administration position (S. 316) (S. 879) No clean coal program. The Administration's program would be implemented under II. Clean coal technology (CCT) existing DOE general R&D program authority. A. Program DOE and EPA jointly publish DOE selects projects and DOE manages the program. EPA management regulations, solicit applimanages the program. DOE plays an advisory role in the must consult with EPA in project selection process. cations, and select projects. EPA must certify that selecdesignating CCT projects tion criteria have been met. eligible for special regulatory measures included in the bill. B. Selection Project scale: a project Both bills contain criteria Project scale: project criteria similar to those of the must be commercial-sized must provide experience for CCT with operation of such and provide experience Special Envoys Report. DOE also projects technology at a commercial with operation of such uses these criteria but gives scale. technology at a commerequal weight to repowering cial scale. projects (i.e., increase power and reduce emissions) and Technology appropriate retrofit projects (i.e., for retrofit on a signi-Technology appropriate reduce emissions). ficant number of existing for application to sources of NOx or SO2. existing facilities now dependent on high sulfur coal. Project will contribute to reduction in international Project will contribute to reduction of interstate or pollution. international pollution. Project will achieve significant percent reductions Project will be efficient or be more cost-effective and cost-effective in its widespread commercial than conventional technology. application. Project will use U.S. coal.

	<u>Mitchell bill</u>	<u>Simpson bill</u> (S. 316)	<u>Byrd bill</u> (S. 879)	Administration position
C. Authorization	\$500M per yr. for 5 yrs.		\$350M per yr. for 10 yrs.	\$500M per yr. for 5 yrs.
D. Cost sharing	50% federal share.		50% federal share	50% federal share
E. Recoupment	CCT project owners or operators shall not be required to reimburse the U.S. for future revenues from the project.		No provision.	CCT project owners or operators <u>shall</u> be required to reimburse the U.S. for future revenues from the project.
F. Regulatory measures	None .		FERC directed to allow project and engineering costs as operating expense. FERC directed to include CCT capital costs for modifying existing	V.P. Task Force is studying regulatory incentives and disincentives to CCT deployment and expects to make recom- mendations in September.
			facilities in ratebase as costs are incurred. FERC directed to permit capital costs to be amortized over five years.	The Byrd provisions give utilities more incentive than is necessary to com- pensate them for the added risks of CCT deploy- ment.
			FERC directed to grant incentive rate of return for CCT capital costs.	
			FERC allowed to exempt participants in CCT projects from antitrust type provisions in the Public Utility Holding Company Act and the Federal Power Act.	

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#### Mitchell bill

Simpson bill (S. 316) <u>Byrd bill</u> (S. 879)

F. Regulatory measures

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(continued)

Directs that CCT projects are presumed to be prudent in state utility commission rate proceedings.

Directs DOE and EPA to encourage state agencies to adopt measures similar to those specified for FERC; also to encourage states to expedite CCT siting and permitting.

In selecting projects, DOE shall consider the extent to which the state where the project would be located has adopted economic policies consistent with those directed to FERC by the bill.



EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET WASHINGTON, D.C. 20503 July 22, 1987

MEMORANDUM FOR LARRY HARLOW DAVE GIBBONS JOE HEZIR JOHN PFEIFFER

FROM:

Robert K. Dawson

SUBJECT:

Lunch with Rusty Mathews - July 22, 1987

file

I had a very good lunch with Rusty Mathews focusing more on personal relationships than on substantive discussions.

In the substantive arena, I expressed our great appreciation for Senator Byrd's leadership in opposing a premature and expensive acid rain control program. I did not mention the NAPAP study (first bullet on 2nd page). When the report is released, we should certainly send Rusty a copy with an appropriate cover note.

I mentioned the need to get the Senate Appropriations Committee to fully fund the President's clean coal technology initiative. Rusty differs from us and Charlie Estes on this point in that he thinks this is unnecessarily picking a fight and unnecessarily exposing Byrd to pressure to accept other things in the appropriations bill. I told him I would consider his point but that we felt it was important to get the full amount.

I think we should give Wampler another few days to complete his analysis then conduct one of our own, followed by a meeting with Energy well before the date we have to express an Administration position. I believe Mathews and Senator Byrd will be amenable to reasonable changes we might propose. Rusty particularly indicated flexibility on the amount of money and the duration of the program. Mr. Gibbons and Mr. Hezir, you should get together and develop a timeline to get us from here to there.

Cofthe Byrd I hill.



July 22, 1987

MEMORANDUM FOR ROBERT K. DAWSON

FROM: JOHN R. PFEIFFER

SUBJECT: Lunch with Rusty Maxthews on Clean Coal

Following your call last night, I talked with Allen Wampler about the status of Senator Byrd's Clean Coal Technology Program authorization bill. Allen told me that:

- -- The Senate Energy Committee is probably two weeks away from publicly introducing a bipartisan clean coal bill.
- -- Rusty Matthews has confidentially asked Wampler to give him detailed comments on a draft of the Byrd bill.
- -- He (Wampler) sees no major issues in Matthews draft and none that can't be resolved to the satisfaction of the Administration. Wampler believes that you can offer Administration support for a bipartisan bill, confident that the Committee will produce an acceptable proposal.
- -- When the Committee mark-up is complete, the Committee will want to negotiate final differences with the Administration quickly, so that the bill can go to the floor with full Administration support.
- -- Once the bill passes the Senate, the Administration would be expected to help find sponsors and push for enactment in the House.

You also may want to make the following points with Matthews:

- -- We greatly appreciate Senator Byrd's continued suport in opposing a premature and expensive acid rain control program.
- -- The Administration continues to oppose acid rain control legislation until scientific research demonstrates the need for such controls. EPA Administrator Lee Thomas reiterated this point in his testimony yesterday on Senator Mitchell's Clean Air bill.

- -- The National Acid Precipitation Assessment Program (NAPAP) is scheduled to release an assessment on August 15 that we believe will bolster our case against a national control program and debunk some of the common perceptions about acid rain.
- -- We need Senator Byrd's support in convincing the Appropriations Committee to fully fund the President's clean coal technology initiative (\$500 million annually in 1988-1992). The House only provided \$50 million for clean coal technology in 1988.
- -- Failure to fully fund the Clean Coal Technology Program will put more pressure on the Administration to agree to the Canadians' demand for a program to control transboundary pollution flows. Although the Administration is discussing an acid rain accord with Canada, at this point the President has agreed only to a process, not to any specific outcome.

We are very pleased to see the Senate Environment & Public Works Committee moving expeditiously on acid rain legislation. The damage to our nation's lakes, forests and valued monuments has continued unabated during the seven years of congressional deadlock, so this speedy action is a welcome sign. But we fear that the deadlock could continue, unless the legislation before you is modified to make it less costly to consumers and hence more attractive to a broad range of Senators, particularly those from the south and west.

Senator Alan Simpson plans to offer a series of amendments during full Committee markup which we believe will greatly improve the bill. These amendments are designed to meld the cost-saving attractions of the Proxmire-Simpson bill to the solid structure of the Mitchell bill. They include:

- reducing the SO2 emission target from 12 million tons to 10 million tons. This amendment alone will reduce the cost of the acid rain legislation by 2/3, from more than \$9 billion annually to less than \$3 billion, while still insuring a level of emission reduction sufficient to protect sensitive resources.
- 2) eliminating the requirement that existing plants. when they reach 30 years of age, must meet a plant-specific emission standard of .9 lbs per million Btus. This complicated provision translates in simple terms to a requirement that most plants install costly scrubbers. It will achieve virtually no additional emissions reductions beyond those achieved by the bill's basic 12 million ton SO2 reduction, nor will it limit future emissions growth. What it does do is raise the cost of the bill even further.
- 3) replacing the bill's absolute ceiling on all sulfur dioxide emissions with a ceiling on existing sources only. The Subcommittee bill currently gives states a choice of complying with the absolute ceiling or with the 30 year, .9 lb provision discussed above. For growth states, this is a Faustian choice. The ceiling would require states to find further reductions from existing plants before they could build any new plants, while the 30 year/.9 lb option means they must install costly scrubbers. In contrast, a cap on existing sources would deal with the real problem - preventing old dirty plants from increasing their emissions after the bill's 1996 deadline.

- 4) including a two-phased approach to SO2 emissions reductions. Dividing the SO2 reduction into two stages, one by 1993 and the second by 1998, has two advantages. First, it begins the cleanup process early, thereby relieving the pressure on sensitive resources earlier. A five million ton reduction in 1993 translates to 20 million tons of aggregate pollution removed from the atmosphere by 1996, the date by which reductions under the Subcommittee bill must be in place. Second, the 1998 deadline provides sufficient time to insure that clean coal technologies can be used as part of a state's strategy. This can mean lower costs to ratepayers and greater balance in the high and low sulfur coal markets.
- 5) modifying the nitrogen oxide emission reduction requirements to make them more cost-effective. While we support the subcommittee bill's NOx reduction goal, we believe it could be achieved at a considerably lower cost to consumers by changing the way state targets are set. Instead of the subcommittee bill's current approach, state reduction targets should be based on the emission rate each type of boiler can achieve using costeffective techniques like low-NOx burners. In this way, the bill could avoid forcing the use of costly catalytic reduction technology on certain boilers.
- 6) permitting emission trading within a multi-state utility system. The Subcommittee bill prohibits all interstate trading, yet as much as 15% of the costs of control can be saved by allowing utilities which operate in several states to trade emissions within their overall system.
- 7) removing restrictions on the use of energy conservation as a reduction technique. The Subcommittee bill requires that reductions achieved through conservation must be "enforceable reductions". This language will discourage conservation efforts and is unnecessary since states and sources are already required to meet specified emissions reductions by specified dates.

As you probably know, we head the Alliance for Acid Rain Control, a nationwide coalition of governors, corporate leaders, environmentalists, and academicians dedicated to winning passage of cost-effective acid rain legislation. We respectfully urge you to support Senator Simpson's amendments and in particular the first three listed above. We look forward to working with you and your colleagues to win enactment of acid rain legislation during this Congress.

Sincerely,

Ted Schwinden, Chairman

John Sununu, Vice Chairman