

**Demos \* Environmental Defense Fund \* National Wildlife Federation \***  
**Natural Resources Defense Council \* Sierra Club \* Union of Concerned Scientists**

December 3, 2009

Dear Senator:

On behalf of the organizations below -- representing millions of conservationists, environmentalists, wildlife enthusiasts, sportsmen and women -- we believe we have a unique opportunity to create long-lasting, high-quality clean energy jobs and prevent the worst effects of climate change by enacting comprehensive energy and climate legislation.

The United States must be a leader in crafting an international climate agreement that puts the world on a path to stop the worst impacts of global warming. The best way to lead is by passing comprehensive clean energy and climate legislation that meets scientifically-based emission reduction targets while investing in clean energy and creating millions of good-paying jobs here in America, providing support for developing countries through technology cooperation and financing, and including mitigation and adaptation measures for communities in the US and abroad.

A critical element in climate legislation is preventing carbon pollution leakage and assuring international competitiveness. We can cut global warming pollution from all important sectors while making sure that climate policies do not shift production of steel, aluminum, cement, and other energy-intensive and trade-sensitive commodities to other countries without adequate global warming policies. We can accomplish this goal by combining strong domestic pollution reduction targets with three critical elements.

First, legislation should allocate an appropriate amount of pollution allowances to these industries on a transitional basis. Second, legislation should provide incentives for investing in more energy-efficient industrial production capacity and retooling to lead in production of clean energy products and technology. And third, legislation should provide for a border adjustment coming into effect over the longer-term if other countries do not adequately contribute to climate protection efforts.

This combination will allow the U.S. to demonstrate leadership while working to secure progress by all major emitting nations. The trade and competitiveness provisions included in the American Clean Energy and Security Act (ACES), which passed the House of Representatives, strikes a good balance in this regard.

Output-based allowance allocations to energy-intensive and trade-exposed industries for a transitional period will achieve two significant goals. They will provide necessary time for international negotiations to take place, to bring all major economies on board with this mighty task. Second, they will prevent the leakage of carbon pollution to countries that may be slow to take adequate action, and they will provide domestic industry the assistance needed to transition to cleaner, more efficient methods.

Direct investments in reequipping and retrofitting large and small manufacturing facilities will expedite the transition to cleaner and more efficient methods of production. Modernizing and improving our industrial

manufacturing will not only make our industries cleaner and more efficient, it will make them more cost effective and more competitive.

Over the longer term, a border adjustment measure, phasing in if necessary as transitional allowance allocations are reduced, can ensure that we are not shifting pollution from at home to abroad. A border measure should not be implemented where countries take measures to address the carbon pollution from their key industrial sectors. But if major developing countries fail to act, a border adjustment would provide a backstop as free allocations wind down.

We look forward to working with you to pass clean energy and climate legislation where the energy, economic and environmental challenges are addressed in ways that protect communities, workers and the environment in the United States and around the world, and which enables the United States to join the international community in crafting a global climate agreement.



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