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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

WASHINGTON, DC 20510-6175

March 19, 2009

Dear Colleague:

The President's 2010 Budget proposal contains a risky, ill defined new energy tax that has the potential to continue the economic recession for many years to come. We are writing this letter to alert you to this situation and ask that you join us in a budget resolution amendment to strike any such provision.

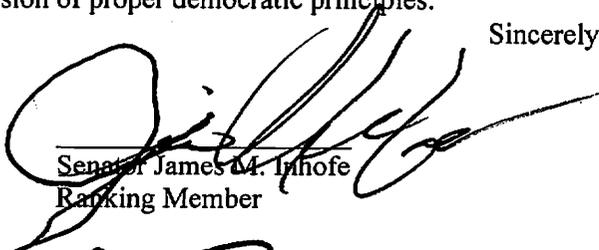
Specifically, the President's 2010 Budget proposal asks to collect \$646 billion dollars in new "Climate Revenues" from the American people. The government will collect these new revenues through a cap and trade scheme in which "allowances" are sold to the highest bidder. The government won't tax consumers directly, but it will impose new costs on energy producers and users who will in turn pass those higher costs on to consumers, which will result in higher electricity bills, gasoline prices, grocery bills, and anything else made from conventional energy sources. In short, consumers will feel as if they are paying a new tax on energy.

The stated price tag for this new energy tax is \$646 billion, yet recent news reports indicate that administration officials are privately admitting their program will actually generate between "two and three times" this amount of revenue, or between \$1.3 trillion and \$1.9 trillion. However, these numbers represent only the cost from 2012 through 2019. The budget summary describes the energy tax extending at least through 2050. At the 2012 through 2019 average annual rate, families and workers would face through 2050 between \$6.3 trillion and \$9.3 trillion in higher energy taxes.

On the Environment and Public Works (EPW) Committee, we have had experience with these types of proposals. We, and the full Senate, debated a proposal by Senators Boxer, Lieberman and Warner that the sponsors themselves indicated would generate \$6.7 trillion from consumers. As you may recall, the Senate defeated this proposal, in part because the U.S. Environmental Protection Agency (EPA) estimated that by 2050 it would annually cost the average family \$4,377 and raise gasoline prices \$1.40 per gallon. Experts estimated it would kill up to 4 million jobs by 2030. As you can see, a \$4,377 per family total cost or a lost job would greatly outweigh any \$800 per family payroll tax break offered by the administration.

The budget resolution is not the right place for the careful bipartisan dialogue we need to get these issues straight, or to fully account for the legitimate concerns of energy consumers, economists, and industry. While the budget resolution the Senate will debate is not yet available, we will offer an amendment to strip any climate revenue provision it contains. We urge you to be ready to join our efforts to resist the erosion of proper democratic principles.

Sincerely,



Senator James M. Inhofe
Ranking Member



Christopher S. Bond
United States Senator



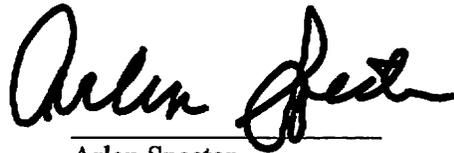
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