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May 23, 2008

The Honorable Barbara Boxer  
The Honorable Joseph Lieberman  
The Honorable John Warner  
United States Senate  
The Capitol  
Washington, District of Columbia

Dear Senator Boxer, Senator Lieberman and Senator Warner,

I am writing to thank you for your bipartisan leadership in addressing climate change, the issue which is, in our opinion, the definitive challenge confronting our generation. On such a complex and comprehensive issue, it is far easier to find fault and say “no” or “not yet” than it is to find solutions and say “yes” to them. Above all, you are to be commended for proposing solutions to the climate crisis, saying “yes, we can,” and actually putting forth a well-considered package of solutions for the entire US Senate to debate, amend as appropriate, and adopt.

In our view, the Boxer Lieberman Warner substitute to the Climate Security Act offers at its core a pragmatic and effective framework for regulating and reducing greenhouse gas emissions. We believe that the substitute’s market-based cap and trade framework and complementary policy measures will allow the United States to lead the world in developing and deploying low- and no-carbon technologies, while preserving and ultimately enhancing the nation’s economic well-being.

NRG is one of the largest power generation companies in the United States, with a mix of coal, gas, and nuclear power plants and, as such, also is one of the largest emitters of carbon dioxide in the country. We recognize that companies like ours must lead the way through transformative change: from being a major part of the climate problem to providing the solution through the comprehensive deployment of new energy technologies. We have already begun by investing heavily in nuclear, wind, carbon capture and sequestration and other technology projects. But such voluntary efforts, in our view, simply are not enough to achieve the rapid and systemic technology changes our economy needs not only to survive, but to thrive in the century ahead. To succeed in this effort, we urgently need comprehensive federal climate change legislation designed to achieve three key objectives:

- Put a moderate but increasing price on carbon so that business decision makers and consumers alike can factor carbon into their decisions, without creating economic dislocation or drastic increases in consumer energy costs;
- Provide immediate and substantial additional support for the rapid demonstration and large scale deployment of low- and no-carbon technologies, especially carbon capture and sequestration (CCS) for coal-fired power plants;

- Distribute allowances through a mix of initial allocation and auction, in a manner that avoids windfalls for emitters while ensuring that the very companies that must invest in the crucial innovations required to preserve our prosperity in a carbon-constrained world are not deprived of the financial resources needed to do so.

We think the substitute addresses these three urgent priorities sensibly and responsibly. Its gradual reductions in emission levels, together with relaxed limits on the use of offsets and innovative cost containment measures, will help ensure that early allowance prices will be high enough to help drive investment and innovation, but not so high as to create dislocation in the power and industrial sectors or for consumers generally.

Its strong support for low- and no- carbon power technologies, including for rapid deployment of CCS, will combine with allowance prices to jump-start the deployment of CCS, as well as advanced renewable energy, and other zero and low carbon technologies. These new technologies will work at home and abroad to end coal's massive contribution to climate change, without impairing its equally significant contribution to energy independence and economic growth.

Finally, the substitute's moderate level of transition allocations, and its award of a reasonable portion of those allocations directly to emitting generators, will buffer the initial impact to consumers and to companies like ours that have large existing investments in carbon intensive equipment. By transitioning over time to a full auction of allowances, it will provide increasingly strong incentives for us to quickly get on with the business of decarbonizing and repowering our economy to produce the greenhouse gas reductions the United States – and the world – need.

Though your substitute addresses many other issues, these three key issues are what matter most to a competitive power company like ours, and they form the basis of our support. While the treatment of these issues can be clarified and no doubt even improved through the discussions and debates that lie ahead, we believe it is time for that discussion and debate to begin in earnest. We therefore look forward to working with you to advance, strengthen and further improve the legislation as it progresses through debate, amendment and, we hope, ultimate passage in the Senate. Let me assure you that you can count on our support during this process.

Sincerely,



David Crane  
CEO and President