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TO:

TODD STERN **9-456-2215**

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DATE: October 3, 1997

TOTAL # OF PAGES: 4

If there are problems with this transmission, please call Susan Brown at 202-336-7408.

Comments:

As you requested, I am attaching a more detailed explanation of UTC's recommendation for an Executive Order on energy conservation and energy efficiency standards.

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Judith Ann Bayer
Director
Environmental Government Affairs

October 3, 1997

Mr. Todd D. Stern
Assistant to the President and
Staff Secretary
Executive Office of the President
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Todd:

Thank you for including United Technologies Corporation (UTC) in the global climate discussion last Friday. At the end of our meeting, you asked that companies submit more detailed recommendations for action. I have therefore attached UTC's suggestions for expansion of the current Executive Order on Energy Efficiency and Water Conservation at Federal Facilities (EO 12902) and some thoughts on accelerating the energy efficiency standards for residential air conditioners.

Also attached is a recent press report concerning the Administration's efforts to include a provision in the utility de-regulation legislation requiring that certain percentages of electricity be generated from non-hydroelectric renewable energy sources. United Technologies supports this idea, but would like to see the eligibility criteria broadened to include fuel cells. This could easily be achieved by substituting references to "sustainable" energy sources versus "renewable" energy sources.

Furthermore, we believe the Administration could demonstrate leadership by applying this concept to energy purchases made by federal agencies and would therefore request that this approach be given serious consideration in any deliberations regarding the issuance of future Executive Orders.

Again, United Technologies appreciates the opportunity to share its thoughts with you on these important issues. Please contact me at 202-336-7436 if you have any questions regarding these suggestions.

Sincerely,

Judith

Judith Bayer

Attachments

UTC PROPOSAL FOR EXECUTIVE ORDER ON GREENHOUSE GAS EMISSIONS

According to press reports, the Clinton Administration is considering issuing a new executive order this fall directing federal agencies to reduce their greenhouse gas emissions .

We believe this initiative represents an opportunity to strengthen Executive Order 12902 issued in 1994 by giving more explicit direction to federal agencies regarding energy purchases.

EO 12902 directs federal agencies to "reduce the use of petroleum in their buildings and facilities by switching to a less-polluting and non-petroleum based energy source, such as natural gas or solar and other renewable energy sources."

In addition, EO 12902 states that the "goal of the Federal Government is to significantly increase the use of solar and other renewable energy sources."

A key element of the new executive order should be to direct that agencies derive a certain percentage of their energy supply from new "sustainable" energy sources to include solar, wind, geothermal, biomass and fuel cells.

We believe a 10% target is realistic and would be sufficient to stimulate market demand.

This concept of a mandated "energy portfolio" is under consideration by a number of states and is being discussed as part of federal electric utility deregulation legislation.

The federal government could demonstrate leadership in this area by committing federal agencies to this strategy thus creating powerful market incentives for new clean energy technologies.

To aid in the implementation process, a gradual phase-in of this requirement could be included.

ENERGY EFFICIENCY STANDARDS

We believe there is also an opportunity for President Clinton to accelerate the development of new energy efficiency standards for residential air conditioners.

The Department of Energy has moved the priority of this action item from medium to high which will allow them to begin development of new standards late next year.

If the President were to "champion" this initiative it would offer measurable environmental benefits with consumer benefits as well.

In addition, we believe there are opportunities to expand the scope of products for which energy efficiency standards are developed. This would create incentives for more energy efficient technologies and facilitate more informed consumer choices.

INSIDE EPA OCTOBER 3, 1997

As part of electricity restructuring debate

ADMINISTRATION CONSENSUS EMERGES BEHIND MODERATE 'RENEWABLES' PROPOSAL

Administration officials drafting an electricity deregulation proposal have apparently reached consensus on a renewable energy provision that will require utilities to eventually ensure that 4.5 percent of their electricity is generated from non-hydroelectric renewable energy sources.

While certain details of the proposal still need to be resolved, sources say that most within the administration feel that this is a realistic target that will still spur companies to develop innovative renewable technologies.

Since the beginning of the year, the Clinton administration has been working to develop a legislative proposal to deregulate the electric utility industry. As part of this effort, the administration has been debating how it can ensure that utilities continue to utilize renewable energy sources that may become economically uncompetitive in a deregulated industry.

The administration has, to date, shown an interest in creating a "renewable portfolio standard" that would require utilities to guarantee that a certain percentage of their power was generated from renewable energy sources. Under such a system, utilities would be able to trade renewable "credits" among themselves as a means to comply with the standard. For instance, a utility could generate tradeable credits if it utilized more renewable power than was required under the portfolio standard.

According to various federal officials, the administration is now coalescing around a renewable standard that would require utilities to generate roughly 4.5 percent of their power from renewable sources by 2010. This standard is largely consistent with a bill that was introduced earlier this year by House Energy & Power Subcommittee Chairman Dan Schaefer (R-CO) which called for a four percent standard to be phased-in by 2010. The administration's renewable proposal, like the Schaefer proposal, would not capture hydropower. Both these proposals are far less dramatic than a proposal offered this year by Sen. James Jeffords (R-VT) which calls for a 20 percent standard to be phased in by 2020.

Federal officials warn that a final decision on this issue has not been made and a number of related issues still need to be addressed. For instance, one source explains that the administration still has not decided whether certain kinds of fuels should be identified as renewable sources.

An administration source says the 4.5 percent standard reflects a compromise that is cognizant of what the utility industry could achieve. This source points out that the industry currently generates approximately two percent of its electricity from non-hydropower renewables and the preferred 4.5 percent standard appears to be achievable at a reasonable cost. Another administration source adds that some within the administration frowned on a more aggressive standard, arguing that it could burden the industry with overly costly requirements.