

A 21st Century Energy Policy for America

Rep. Billy Tauzin (R-LA)

ABSTRACT

As the war in Iraq continues to strain oil supplies and drive up energy costs, the need to enact a comprehensive national energy policy has become more urgent than ever. This is not simply about meeting the energy demands of our homes, businesses, and automobiles. Energy is the lifeblood of our economy. For the past decade, our nation has gone without a viable national energy policy. As we face a growing crisis to improve homeland security, beef up protections against terror, and provide for our common defense, we cannot afford to wait any longer to take action.

The energy problems we continue to face are illustrated by a deteriorating infrastructure that is unprepared to meet energy demands expected to nearly double over the next 20 years. Our nation lacks sufficient energy sources to keep up with advances in technology. We have become dangerously dependent on foreign sources of oil. If we continue down this path without advancing new and innovative ways to modernize conservation while increasing our energy supplies, U.S. energy consumption will continue to outgrow energy production—compromising our ability to keep America safe and strong.

During the 107th Congress, efforts by the House Energy and Commerce Committee (which I chair) laid the groundwork for an effective energy policy. This year, the committee held several hearings to help guide us as we develop a better, more comprehensive policy. The hearings addressed the views of the Department of Energy, the Federal Energy Regulatory Commission (FERC), and the Nuclear Regulatory Commission, as well as the nuclear power industry, consumer groups, nuclear safety experts, and advocates for energy efficiency and conservation. We expect to pass a bill out of the House by Easter.

Over the next 20 years, projections show that net natural gas imports are expected to increase from 16 percent to 22 percent, and oil imports from the current 55 percent share to between 65 percent and 70 percent. However, it will not take 20 years to realize the effects of relying on imports; our nation is already suffering the consequences of this increased dependence.

Consider the current supply situation. World oil inventories this past November were at the lowest levels in recent memory, almost 30 million barrels below the low levels of November 2000, when lack of ample supply pushed crude oil prices as high as \$37 a barrel. Excluding the Strategic Petroleum Reserve, US inventories were at 274 million barrels going into last month. When inventories fall below that level, localized distribution, shipping problems, and intermittent outages become more and more likely. We are close to that now. If prices for crude oil double, as they did during the Gulf War, we could see short-term prices of more than \$60 dollars per barrel. Assuming current levels of demand, that would cost American consumers more than \$250 million additionally each day—more than \$7.5 billion for each month prices remained at these levels.

The Energy Policy Act of 2003, which is a work in progress, will help us achieve our goal of making the necessary improvements to meet our energy needs. The bill authorizes \$1.5 billion for the expansion of the Strategic Petroleum Reserve's (SPR) capacity from 700 million to 1 billion barrels and filling the SPR to that capacity during periods of stability.

Another approach to reducing America's dependence on foreign oil is to encourage more nuclear power production. Nuclear power is an essential backbone for domestic energy security, generating 20 percent of the nation's electricity. It is an important component of the country's diverse portfolio of fuels for electricity. The bill takes an important step to allow a new generation of power plants to be licensed and operated in the United States by calling for a 15-year reauthorization of the Price Andersen Act.

Problems at home only magnify the impact of the current energy situation we face. The electricity sector, crippled by legal and regulatory uncertainty, has been canceling much-needed new electricity generation capacity, raising concerns that we may have another round of power shortages in the near future. This is not the best medicine for a recovering economy.

If we are truly going to have a comprehensive national energy policy, we must address electricity supply and transmission. We must modernize our infrastructure and wholesale power markets to ensure the reliable delivery of electricity when and where we need it. The House energy bill would give FERC new authority to oversee competitive wholesale power markets, such as prohibiting round-trip trading, increasing market transparency, increasing FERC penalty authority, fixing FERC's refund-effective date, and giving FERC jurisdiction over all spot market sales and interstate transmission. These measures will help markets work better and help to restore consumer, regulator, and investor confidence in the sector.

Electricity is our nation's most capital-intensive industry, yet it is in desperate shape. The merchant-power sector, responsible for the majority of new power construction, lost more than 80 percent of its market capitalization in 2002. By most estimates, nearly 30 percent of the new power plants that were scheduled to come on-line in 2003-2004 have already been canceled. You cannot flip a switch and get a new power plant on-line. If we do not restore the confidence necessary for investments to flow again to build power plants and to expand capacity, this country is in for trouble. When the economy picks up steam, we will see a resurgence in electricity demand. And our economic recovery will run smack into a wall if we do not have affordable electricity to power it. The lack of confidence in the sector hurts everywhere, from nuclear power plants, to wind generators, to consumers' pocket books.

Our energy bill also takes an important step to improve the flow of capital into a sector that badly needs investment by calling for the repeal of the Public Utilities Holding Company Act (PUHCA). It is more imperative than ever that we repeal PUHCA now and send a clear signal that we expect investment in our nation's electricity infrastructure.

The energy bill's open access transmission provision, referred to as FERC-lite, would take steps to harmonize the regulation of interstate transmission. The bill improves procedures for siting electric transmission lines and gives states a timeline for action on proposals to relieve interstate congestion areas, allowing FERC the authority to act if the states do not take action.

The legislation also establishes a \$200 million per year program providing financial assistance for clean coal technology projects through 2011. This comprehensive research and development program will promote environmentally safe energy production using performance goals

for coal emissions, awarding grants, and funding coal gasification projects. This would help to reduce the harmful emissions resulting from electricity generation. Coal is a valuable America resource, providing 52 percent of our electricity.

Another challenge the nation will face over the next 15 years is that more than half of our nation's hydroelectric power projects must be re-licensed. Currently, the U.S. Fish and Wildlife Service, U.S. Forest Service, and National Marine Fisheries Service have the power to impose mandatory conditions on hydropower projects irrespective of the impact on energy production or costs. Hydroelectric power accounts for 12 percent of our nation's electricity. If the government is imposing conditions that force hydropower plants out of business, we will have to make up that power somewhere else. The House energy bill will improve the hydroelectric re-licensing process by requiring the resource agencies to give greater consideration to the impacts of their decisions. This will give us an opportunity to meet our environmental objectives and keep the dams operating.

With our nation's energy consumption at an all-time high and rising—despite ongoing efficiency gains—our consumption of the fuels needed to produce this energy is projected to grow in step. If our nation is to meet these needs in the coming decades, it will be in part due to continued advances in energy efficiency and conservation, helping to reduce our demand on foreign supply and stimulating economic growth. One goal is to save consumers and businesses money spent on energy, so they can invest, spend, and grow the economy and improve our standard of living. Included in the bill is a package of energy efficiency, renewable energy, and state energy measures that is a key step forward toward enhancing our natural economic drive to use existing energy supplies more efficiently. Among these are initiatives to give two-thirds more funding to the Low Income Energy Assistance Program (LIHEAP), which helps low-income families pay energy bills, and to expand the Energy Star Program, a government/industry partnership for promoting energy efficient products. Other provisions ensure that all future affordable housing will be built energy efficient, mandate that all federal government buildings dramatically reduce energy consumption, and facilitate improved energy efficiency at schools and hospitals.

Other measures in the bill that will help reduce energy consumption and encourage energy conservation include allowing states to decide whether to permit hybrid vehicles carrying fewer than two passen-

gers to drive in High Occupancy Vehicle (HOV) lanes. Several renewable energy matters also are included, such as a provision that requires five billion gallons of renewable fuel to be included in all gasoline sold in the U.S. by 2015, and financial incentives for renewable energy companies to produce renewable and alternative fuels such as wind, solar, biomass, geothermal and others.

It is imperative that Congress find common ground on a balanced approach to energy production and conservation that will help us meet our future energy needs, bolster national security, improve our economy, and strengthen America's ability to fight terrorism. It is simply inexcusable and irresponsible for us not to have a new energy policy in place to meet growing threats. The American people expect results. This year, we intend to deliver.

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