



# Senate Committee on Energy & Natural Resources

U.S. Senator Pete V. Domenici, NM, Chairman

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**PRESS RELEASE**

For Immediate Release

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## **Domenici's New Energy Bill – S. 2095 – Creates Jobs, Boosts Economy & Production, Protects Environment**

*New bill addresses U.S. energy challenges – at half the price*

**Washington, D.C.** – Senate Energy & Natural Resources Chairman Pete V. Domenici's new energy bill, S. 2095, which was introduced yesterday for Senate consideration in two weeks is expected to score at 45 percent of the cost of the old bill – approximately \$14 billion – while achieving most of the goals achieved by the old bill.

Highlights of S. 2095 – The Energy Policy Act of 2003:

### **Title I: Energy Efficiency:**

**Requires a 20 percent improvement to federal energy efficiency in the next 10 years.**

**Directs agencies to procure energy-efficient products and improve energy efficiency performance for new federal buildings.**

**Authorizes grants for energy efficient projects in low-income urban and rural communities.**

**Authorizes funding for states to establish appliance rebate programs to encouraged improved energy efficiency.**

**Sets several new energy efficiency standards for consumer products**, including transformers, traffic signals, compact fluorescent lamps, ceiling fans, vending machines and commercial freezers and refrigerators.

**Improves the energy efficiency of public housing.**

### **Title II: Renewable Energy:**

All of Chairman Domenici's Press Releases can be accessed at [http://energy.senate.gov/news/news\\_rep\\_bydate.cfm](http://energy.senate.gov/news/news_rep_bydate.cfm)

**Provides new incentives for the increased development and use of clean and renewable energy.**

**Mandates a federal renewable energy resources assessment** to assist in the long-term planning for the expansion of renewable energy production.

**Reauthorizes the Renewable Energy Production Incentive Program.**

**Encourages exploration and development of geothermal energy**, including a call for a rulemaking on a new royalty structure that encourages new production.

**Streamlines the relicensing of hydroelectric facilities** to ensure continued reliability of clean and reliable energy.

**Provides grants for turning forest materials from high-risk areas for fire or disease into biomass energy.**

### **Title III: Oil and Gas**

**Permanently authorizes the Strategic Petroleum Reserve:** The Strategic Petroleum Reserve is critical to ensuring an uninterrupted supply of domestic oil and should be permanently authorized.

**Production incentives for marginal wells:** Royalty relief to encourage small oil producers to continue producing oil even in poor economic times. These will be effective beginning in fiscal year 2005.

**Royalty relief for deep water wells:** Encourages oil exploration in the more technically-challenging and costly deep waters of the Gulf of Mexico to ensure an affordable and reliable supply of domestic oil.

**Incentives for ultra-deep natural gas wells:** Encourages natural gas development in technically-challenging areas of the Gulf of Mexico that require drilling to depths beyond 15,000 feet to ensure an affordable and abundant supply of natural gas. These will be effective beginning in fiscal year 2005.

**Creates the Office of Federal Energy Permit Coordination.**

**Creates a pilot program in six regional Bureau of Land Management Offices** aimed at cutting the bureaucratic red tape that currently delays oil and gas development at leased sites for as much as two years. This program, if successful, could ultimately cut the cost and time delays of domestic oil and gas production while maintaining existing environmental protections and public input.

**Streamlines permitting for critical energy corridors:** Allows DOE to expedite creation of western energy corridors on federal land for oil and gas pipelines and electricity transmission. This ensures reliable and affordable delivery of oil, gas and electricity to consumers.

**Authorizes the Alaska Natural Gas Pipeline :** Facilitates the construction of a pipeline to bring 35

trillion cubic feet of natural gas to the lower 48 states, stabilizing the natural gas market and ensuring abundant supplies of clean energy to consumers.

## **Title IV: Coal**

**Clean Coal Technology Deployment:** \$2 billion authorization for deployment of clean coal technology to ensure the cleanest use of America's most abundant traditional energy. Coal fuels the majority of America's electricity.

## **Title V: Indian Energy**

**Authorizes Indian Tribes to enter into leases and business agreements for energy development under regulations to be promulgated by the Secretary of the Interior.** This title allows American Indian Tribes the freedom to develop their traditional and renewable energy resources just as any other American citizen, group or corporation would be allowed to do.

**This provision encourages economic prosperity on tribal lands and offers new sources of traditional and renewable energy to American consumers.** American Indian lands comprise about 5 percent of U.S. land, but hold an estimated 10 percent of all energy reserves in the United States, including unlimited wind energy on the Great Plains, 30 percent of known coal deposits in the West; 5 percent of known American onshore oil deposits and 10 percent of known onshore natural gas deposits.

**Encourages the development of renewable energies,** particularly wind and hydropower.

**Establishes an Office of Indian Energy Policy and Programs within DOE and authorizes a federal grant and low-interest loan program to aid tribes in developing energy infrastructure.**

## **Title VI: Nuclear Energy**

**Reauthorizes Price-Anderson,** the long-standing liability insurance system for all nuclear operations in the country. This system has existed for more than 40 years and never required payment from the federal government.

**Development of Advanced Nuclear Plant:** An advanced reactor will be built at the Idaho National Engineering and Environmental Laboratory to demonstrate both electricity and hydrogen production. This new reactor will feature improved safety, reduced waste, higher efficiency, and increased proliferation resistance and physical security. This research project is an advanced reactor hydrogen cogeneration project to move America toward a an advanced nuclear energy and hydrogen economy.

**Provides for nuclear security** by ensuring the secure transfer of nuclear materials, requiring fingerprinting as a part of criminal background checks, and strengthening punishments for sabotage of nuclear facilities or fuel.

## **Title VII: Transportation:**

**Reforms the EPACT alternative fuel vehicle mandate program to encourage the use of alternative and renewable transportation fuels.**

**Requires federal agencies to increase fuel economy of new federal fleet passenger cars and light trucks by at least three miles per gallon by 2005.**

**Authorizes \$200 million grant program** to assist states and localities in acquiring alternative-fueled vehicles, hybrid vehicles, fuel cell vehicles, and ultra-low sulfur diesel vehicles

**Establishes a fuel cell transit bus demonstration program**

**Creates a program to replace or retrofit school buses with cleaner, more efficient technologies**

**Provides \$105 million to develop and demonstrate technologies to improve railroad efficiency**

**Requires multi-agency assessment of aircraft emissions** and methods for enhancing aviation fuel efficiency

**Authorizes \$94.5 million for deployment of technologies to reduce engine idling** in heavy duty vehicles, including truck stop electrification and auxiliary power units

**Grants expanded authority to the National Highway Transportation Safety Administration to set fuel economy standards for passenger cars and light trucks, taking into account vehicle and passenger safety as well as the impact on U.S. jobs.**

## **VIII: Hydrogen:**

**Authorizes \$2.1 billion for the President's Hydrogen Fuel Cell Initiative to develop clean, renewable hydrogen cars.**

Establishes research goals and authorizes demonstration and deployment projects.

Creates an interagency task force and advisory committee to oversee the initiative.

## **Title IX: Research and Development:**

**Addresses research & development needs in energy efficiency, distributed energy and electric energy systems, renewable energy, nuclear energy, fossil energy, Science and energy and environment and management.**

The title recognizes the vital role played by the Office of Science in support of our nation's research infrastructure in the physical sciences. It authorizes increased funding for this office to correct years of stagnant funding.

**Solid State Lighting** research to achieve far higher light bulb efficiencies.

**High Temperature Superconductivity** research to decrease today's losses in power transmission.

**Solar Production of Hydrogen** research, including the creation of: a new program to study solar energy production of hydrogen.

**Nanotechnology Research** for atomic level storage hydrogen.

**Genomes to Life** research to expand current genome maps and tailor biological systems for specific needs. Outcomes may include bio-production of hydrogen or improved environmental cleanup.

**Water treatment technologies** research to develop lower cost, energy efficient approaches to key needs like desalination or removal of arsenic.

**Ultra-deepwater and Unconventional Resources** research program to advance technologies for oil and gas production in non-traditional formations. This funding is subject to appropriations.

## **Title X: DOE Management:**

**Establishes an Assistant Secretary for Nuclear Energy** at the Department of Energy.

## **Title XI: Personnel and Training:**

This title contains a number of programs to ensure that we have an adequate energy workforce in the decades to come.

Instructs the Secretary of Energy is to survey the workforce in key energy industries and where there is a shortage, provide traineeships and fellowships to help train the next generation of energy workers.

## **Title XII: Electricity:**

**Ensures reliable and affordable electricity, repeals antiquated laws that have cost consumers billions of dollars and prohibit onerous federal meddling that could cost consumers billions of dollars more. It increases penalties for market manipulation and enhance consumer protections.**

**Authorizes the creation of an Electric Reliability Organizations** to establish and enforce mandatory reliability rules.

**Remands proposed rulemaking on Standard Market Design and prohibits FERC from issuing a final order until December 31, 2006.**

**Provides a Sense of the Congress that membership in Regional Transmission Organizations is voluntary**, promoting competitive markets and benefitting consumers.

**Amends the Federal Power Act to protect access to transmission lines** by utilities who have service obligations to consumers and businesses, ensuring a reliable electricity supply to retail customers.

**Requires FERC to establish by rule within one year transmission pricing policies and policies for the allocation of costs** associated with interconnection of new transmission facilities not located within RTOs. This provision encourages the construction of new transmission infrastructure to update America's outdated and inadequate transmission grid.

**Repeals PURPA's mandatory purchase requirement**, an onerous federal requirement that has discouraged competition and resulted in high costs to consumers.

**Repeals the Public Utility Holding Company Act**, an outdated federal law that has discouraged modernization of America's transmission grid.

**Makes the electricity market more transparent and resistant to manipulation** by establishing an electronic system to provide accurate information on the availability and price of wholesale electric power.

**Provides for merger review** reform and accountability.

**Amends the Federal Power Act** to prohibit the filing of false information and makes round-trip trading, a tactic for artificially raising power prices, a violation of the Act.

**Increases penalty for violations of the Federal Power Act and the Natural Gas Act**, provisions aimed at discouraging future fraud and market manipulation.

**Directs the FTC to draft consumer protection rules regarding the disclosure of consumer information.**

## **Highlights of Title XIII – Energy Tax Incentives**

### **Subtitle A: Renewable Energy**

Extends placed-in-service date for wind, closed-loop biomass, and poultry waste facilities and adds open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal bio-solids, and recycled sludge as qualifying energy resources. The credit is 1.8 cents per kilowatt hour with no inflation adjustment for facilities placed in service after the date of enactment.

**The title also will allow for tradeable tax credits for tax-exempt entities. The effective date for this title is Oct. 1, 2004.**

### **Subtitle B: Alternative Vehicles and Fuel Incentives**

**Provides a credit for the purchase of new qualified fuel cell, hybrid, or other alternative fuel**

**motor vehicle.** The buyer claims the credit, except in the case of a tax-exempt entity, in which case the seller may claim the credit.

Makes several modifications to the rules regarding the small producer ethanol credit and provides a new credit for qualified biodiesel fuel mixtures.

**The effective date for this Subtitle is Oct. 1, 2004.**

## **Subtitle C: Conservation and Energy Efficiency Provisions**

Provides a new credit to an eligible contractor for energy-efficient property installed in a qualified new energy-efficient home during construction, and a new credit for the purchase of qualified energy efficiency improvements for existing homes.

Provides new deduction for energy-efficient commercial building property expenditures.

Provides a new credit for the production of energy-efficient clothes washers and refrigerators.

Provides a new personal tax credit for the purchase of qualified wind energy, photovoltaic, and solar water heating property that is used exclusively for purposes other than heating swimming pools and hot tubs.

Provides a credit for certain high efficiency electric heat pump hot water heaters, electric heat pumps, natural gas furnaces, central air conditioners, natural gas water heaters, and geothermal heat pumps.

Provides a new 30 percent business energy credit for purchase of qualified fuel cell power plants for businesses.

Provides accelerated depreciation for qualified energy management devices and water submetering devices.

Provides new credit for the purchase of combined heat and power projects.

**The effective date for this Subtitle is Oct. 1, 2004.**

## **Subtitle D: Clean Coal Incentives**

Creates three new credits for clean coal properties. There is a production credit for electricity produced from qualifying clean coal technology units, electricity produced from qualifying advanced clean coal technology units, and investments in qualifying advanced clean coal technology units. **The effective date is Oct. 1, 2004.**

## **Subtitle E: Oil and Gas Provisions**

Provides incentives for development of the Alaska natural gas pipeline.

Provides a new credit for the production of crude oil and natural gas from marginal wells. The credit is not available if the market prices for oil and gas exceed certain levels.

Provides accelerated depreciation for natural gas gathering lines.

Allows small refiners to claim an immediate deduction for up to 75% of the qualified capital costs for purpose of complying with the Highway Diesel Fuel Sulfur Control Requirements.

Also provides a credit of five cents per gallon for each gallon of low sulfur diesel fuel produced by a small business refiner.

Increases the barrel-per-day limitation for special tax rules governing independent producers.

Allows geological and geophysical costs to be amortized over four years and delay rental payments to be amortized over two years.

**Most of the effective dates have been moved to October 1, 2004.**

## **Subtitle F: Provisions Relating to Electric Industry Restructuring**

Modifies special rules for nuclear decommissioning costs.

Clarifies rules regarding the “85-15 Rule” with respect to rural electric cooperatives.

Permits a taxpayer to elect to recognize gain from a qualifying electric transmission transaction over an eight-year period.

**Effective date for this subtitle is October 1, 2004.**

## **Subtitle G: Additional Provisions**

**Extends accelerated depreciation and wage credit benefits on Indian reservations. Repeals motor fuel excise tax on railroads and barges. Expands R&D credit for energy-related research by universities and for payments to research consortia for energy research.**

## **Subtitle H: Revenue Provisions**

Curtails tax shelters, discourages corporate expatriation, and extends certain IRS user fees.

## **Title XIV: Miscellaneous Provisions**

**Authorizes \$50 million annually to the Denali Commission in Alaska** for the assistance of rural and remote communities with extremely high energy costs. This authorization is subject to appropriation.

**Authorizes the payment of \$1.1 billion from oil and gas royalties to coastal energy states** for

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domestic offshore energy reinvestment to ameliorate the coastal impact of off-shore oil and gas drilling. This funding is subject to appropriation.

**Reforms the Tennessee Valley Authority** by adding more board members and requiring the hiring of a CEO.

**Allows cities downwind of polluting cities an additional 12 months to meet certain federal clean air requirements**, subject to the approval of the EPA Administrator. Cities seeking the extension must submit revised implementation plans that include additional measures needed to demonstrate attainment by the extended date.

## **Title XV: Ethanol and Motor Fuels**

**Requires a renewable fuel content for gasoline started at 3.1 billion gallons in 2005 and increasing to 5.0 billion gallons in 2012.** This requirement is met through either the direct use of renewable fuel or the purchase of credits generated by those exceeding their specified allocation.

**Allows the renewable fuel requirement to be met from different sources.** The requirement can be satisfied by use of fuel produced from grain, starch, oilseeds and other biomass, and other sources. Such sources include plants, grasses, agricultural residue, animal wastes and municipal solid waste. Renewable fuel derived from such sources qualifies for increased fuel credits.

In 2013 and forward, the EPA Administrator will mandate the amount of renewable fuel to be used based on the annual increase in the production and use of motor fuels. The Administrator must use the same ratio of renewable fuels to motor fuels that existed on 2012.

**Eliminates MTBE in motor fuel in 2014.** Requires a National Academy of Sciences review of MTBE in 2013. The president may decide to continue the use of MTBE no later than June 30, 2014, making the ban in this legislation null and void.

**Requires that at least 80 percent of all dollars appropriated from the Leaking Underground Storage Tank (LUST) Trust Fund be sent to the states** for operating leaking under storage tank programs.

Provides increases in state funding from the LUST trust fund for states containing a larger number of tanks or whose leaking tanks represent a greater threat to groundwater.

**Requires onsite inspections of underground storage tanks** every three (3) years after a brief period for the state to update its backlog.

**Establishes operator-training programs**, where they do not already exist. Many releases from underground storage tanks are caused by improper operation of those tanks.

Institutes a specific new funding category to cleanup tank-related release of oxygenated fuel additives in

gasoline, like MTBE.

Prohibits federal facilities from exempting themselves from complying with all federal, state and local underground tank laws.

Asks states to submit an annual inventory to EPA detailing the number of regulated tanks in its state and which of those tanks are leaking.

Gives states the authority to prohibit deliveries of fuel to non-compliant regulated tanks in order to achieve legal enforcement.

Authorizes \$380 million per year, through fiscal year 2008, for general administration, operator training and enforcement activities, cleanups of gasoline or chemical contaminated sites, cleanups of ether fuel additives in gasoline, like MTBE, inspection programs and requirements, and for release prevention, compliance, and enforcement activities. The LUST trust fund currently contains a \$2 billion balance.

## **Title XVI: Studies**

**Authorizes studies** on a variety of topics, including natural gas supply, LIHEAP, and electric reliability.