A Northeast Perspective on National Energy Policy
A CONEG Blueprint for Federal Actions

1. Encourage environmentally-sound domestic energy production from diverse sources.
   - Adequate and sustained federal support is essential to ensure a reliable and diverse mix of environmentally-sound supply options, as well as to achieve the full potential offered by renewable and alternative energy. Such federal support might be provided through targeted tax policy, direct investments, expedited licensing, hydropower licensing reform procedures, and coordinated research and deployment initiatives.
   - Federal investments in research, development, demonstration and deployment (RDD&D) activities in energy supply should be coordinated with state programs, and should give priority to near-term opportunities and promising supply technologies that are not currently eligible for tax policy incentives.
   - High priority should be given to greater development and integration of the North American energy markets as a means to further encourage supply reliability and market efficiency.

2. Support and implement conservation, energy efficiency and demand management for the production and use of energy.
   - The federal government’s programs to reduce energy use in federal facilities should be strengthened.
   - Federal programs and tax policy should provide appropriate, targeted incentives for investments in conservation, energy efficiency and demand management solutions.
   - Federal programs, in coordination with state and industry initiatives, should support consumer education initiatives which provide credible information on the importance of and techniques for energy conservation, efficiency and demand management.
   - Direct federal research investment, coordinated with state activities, should be committed to advance the development and deployment of conservation and energy efficiency technologies that are not currently eligible for tax policy incentives.
   - Federal policies, programs and investments should encourage more efficient use of energy in the nation’s transportation system through such means as continued federal support for transit and intercity passenger rail systems, intelligent transportation systems, intermodal programs for passenger and freight movements, and development of clean-fueled transportation systems.
3. Integrate and coordinate energy and environmental policy, maintain federal health-based environmental standards, and ensure environmental emissions standards are equitably applied.

- Federal and state policies, programs and regulations should encourage concurrent consideration of environmental, energy and transportation policies and objectives.

- Federal health-based environmental standards and rules which govern air, water and natural resources quality protection programs should be maintained and implemented. Current environmental quality permitting programs are adequate, without modification, to permit new energy supply.

- Federal policy should encourage inclusion of emissions reduction credits for energy efficiency and relevant energy resources in State Implementation Plans and any greenhouse gas reduction programs.

4. Support an adequate and reliable energy delivery infrastructure.

- Federal actions should encourage and support effective multi-state coordination in the planning and management of energy delivery infrastructure, particularly for electricity generation markets and transmission systems.

- Federal policies and programs can support greater use of demand management practices to reduce peak demand and reduce stress on existing transmission systems.

- Targeted federal support can encourage emerging technologies that enhance the capacity of existing transmission and pipeline systems and also foster environmentally-sound development of new delivery infrastructure.

- Federal policies and programs should, in cooperation with states and industry, encourage public and private sector initiatives which help ensure that national and regional inventories of winter fuels are adequate to minimize supply disruptions and volatile prices.

- Federal programs which affect the safe and efficient operations of the waterborne energy delivery infrastructure should be adequately supported and implemented in a timely manner.

5. Uphold and strengthen existing state authority governing energy facility siting.

- Federal actions to develop energy delivery infrastructure must respect states' authority in the siting and permitting of these facilities.

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Obtained and made public by the Natural Resources Defense Council, May 2002
• Closer coordination among federal agencies with environmental permitting authority can contribute to more timely decisions on the siting of energy facilities.

6. Establish the rules which support workable competitive markets.

• FERC, working cooperatively with the states, must ensure that regional electricity market operators have compatible market rules.

• Federal policy should encourage states to work collaboratively with each other and the federal government to develop regional electricity transmission solutions and options tailored to their unique energy needs. The federal government should support market-based solutions to energy infrastructure and streamline federal review and approval processes to remove barriers inhibiting the development of workable competitive energy markets.

• FERC should support state and regional efforts to integrate peak demand reduction programs with energy markets and foster the development of risk management products.

• FERC should support state and regional programs to monitor electricity markets and correct prices where market design flaws or market power are found to exist.

• The federal government should not limit states' access to and use of energy data, consistent with states' established confidentiality policies, procedures and practices.

7. Strengthen state-federal energy partnerships with sustained, adequate federal funding support and close program coordination.

• Federal support for the State Energy Program (SEP) should be strengthened through increased funding and closer state-federal program coordination.

• National and regional partnerships to advance research, development, demonstration and deployment of conservation, energy efficiency and renewable energy technologies should be strengthened through sustained and increased federal funding and closer state-federal and interagency program coordination.

• The federal government must maintain a strong energy emergency preparedness capability, with continuous monitoring and reporting on energy markets and strong state involvement in developing and coordinating government's response to energy emergencies.
8. Provide sufficient federal funding to enable the nation's most vulnerable citizens to meet their essential energy needs.

- The LIHEAP authorization must be increased and the program fully funded.
- Federal support for the Weatherization Assistance Program must be strengthened, with increased funding and continued eligibility for a variety of energy efficiency measures.
The Department of Energy
Washington, DC 20585
July 17, 2001

The Honorable Jeff Bingaman
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:


If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Barbara Barnes at (202) 586-6341.

Sincerely,

Michael Whatley
Director, Office of Congressional Intergovernmental Affairs

Enclosure
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HEARING TO RECEIVE TESTIMONY ON THE ADMINISTRATION'S
NATIONAL ENERGY POLICY REPORT,
AND TO RECEIVE TESTIMONY ON THE PRICE-ANDERSON ACT
PROVISIONS OF PENDING ENERGY LEGISLATION,
INCLUDING S.388, THE NATIONAL ENERGY
SECURITY ACT OF 2001; S.472,
NUCLEAR ENERGY ELECTRICITY SUPPLY ASSURANCE ACT OF 2001;
AND S.597, THE COMPREHENSIVE AND
BALANCED ENERGY POLICY ACT OF 2001

THURSDAY, MAY 24, 2001

U.S. Senate
Senate Committee on Energy and
Natural Resources
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m. in
Room 106, Dirksen Senate Office Building, Hon. Frank H.
Murkowski, chairman, presiding.

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OPENING STATEMENT OF HON. FRANK MURKOWSKI, U.S. SENATOR FROM ALASKA

The Chairman: Good morning ladies and gentlemen. Are the microphones on? Well, that is nice to know. Must be part of the energy crisis. I want to welcome the Honorable Secretary of Energy Spencer Abraham. I think what we will do today in view of the fact that both the Democrats and Republicans have conferences -- and then there is a conference on a tax bill where I am a conferee on that -- is do the best we can. Senator Bingaman and I will make opening statements and then we will hear from the Secretary.

Today I am pleased to tell you that we begin the process of ensuring America's energy security. This is the first in a series of hearings Senator Bingaman and I and our staffs have jointly put together. It will consist of briefings later, and hopefully mark-ups, to set us on a course for legislation on the Senate floor, hopefully by July 4th.

We begin today with a review of the Administration's recently released National Energy Policy, and again I want to welcome the Secretary. We will also hear from a second panel on the need to renew the Price-Anderson Act. Now I am not sure if we will be able to get to that panel, so I want to alert you ahead of time.

First let me applaud the President and his task force members for their leadership because a few days ago we did not
have a plan, and now we have an energy plan, something in
black and white that we can debate, review and analyze. I
think we have a blunt admission that we face an energy crisis
in this country. The reality is that supplies are not keeping
up with demand and I think it is fair to say that their work
product is the first national energy strategy in some ten
years. It is comprehensive. It is balanced. It is long-
term.

Now, some have said, well, it is not balanced. But let
us look at it in some detail. As evidence there are 42
recommendations to improve energy efficiency and conservation
and to protect consumers from price spikes. There are 35
specific recommendations on increasing the energy supply. 25
recommendations to enhance our national security.

Now it is kind of interesting because I have been on this
committee for about 21 years and looking over our shoulder ten
years ago, this committee passed a comprehensive energy bill.
It was called the Energy Policy Act of 1992. A lot of people
have forgotten that. The bill had 16 titles when it left this
committee. It increased CAFE, fuel economy standards. It
opened ANWAR, the coastal plain, to oil and gas development.
And the bill also had provisions on alternative fuels, on mass
transit, renewables, energy efficiency and research and
development.

But after Congress finished with it, ANWAR was out. CAFE
was out. What we have remaining is the low-flush toilets. That is not much to be said for supply-side. We do not want to make that same mistake again. We left the tough decisions for another day. That day is now. Ten years later today we face an energy crisis. We are importing more foreign oil than ever, 56 percent. Our energy infrastructure is falling apart. We find that we do not have refining capacity. We open up SPRO and find that we do not have the capability to refine it. We simply offset what we import. We find our national gas prices have gone from 2.16 to 5.6, 7, 8. Supply is insufficient to meet the demand. No new nuclear plants. No new coal plants since 1995.

I can go on and on, but it is said by many that those who do not learn from the past are doomed to repeat it. Well we had good intentions ten years ago, ladies and gentlemen. But our inability to make the tough choices really helped us get to where we are today. I do not think the American people will accept failure again.

Now there is no short-term fix to this. Some have suggested that instead of comprehensive policy we should seek a quick fix for higher gasoline prices and California blackouts. We have looked at several options and none of them are very good. You take away the gas tax. You repeal the reformulated gasoline restrictions. You back up generators on the barges and nuclear ships. They all have a down side.
So let us make it clear. There is no magic bullet. There is no quick fix that will make this energy crisis go away.

It took us several years of neglect to get us here. It will take a long-term approach to get us out. In my view, the best thing we can do for consumers is act quickly and decisively now to enact comprehensive energy legislation to increase the supply of conventional renewable fuels, to improve energy efficiency and encourage conservation, to invest in necessary infrastructure to move energy from where it is produced to where it is needed the most. America is waiting for us to provide relief.

I think the President's National Energy Policy contains 102 specific proposals. It is a plan of action and not words. It uses America's technology and ingenuity to meet our energy needs without damaging our environment. It reduces our dangerous dependence on foreign oil. It ensures clean, affordable, renewable energy supplies, a requirement for continued American prosperity.

My commitment is to work with Senator Bingaman and the Administration to assist the President in implementing those suggestions that may require legislation. It is time for leadership, vision and bold action, not quick fixes, posturing or short-term political gains. The President has acted decisively so let us follow his lead and make the tough choices that we avoided ten years ago. Thank you.
Senator Bingaman.

[The prepared statement of Senator Murkowski follows:]

[COMMITTEE INSERT]
STATEMENT OF JEFF BINGAMAN, U.S. SENATOR FROM NEW MEXICO

Senator Bingaman: Well, thank you very much, Mr. Chairman. Welcome Secretary Abraham. The National Energy Policy Group's report, I believe, does make a useful contribution to the debate that needs to take place here in Washington and here in the Congress. I'd point out a couple of obvious conclusions from looking at the report. First, the majority -- the substantial majority of the recommendations in the report are recommendations by the National Energy Policy Development Group to the President. They are not recommendations to Congress.

There are some significant recommendations to the Congress. I think 23 of the 105 recommendations do involve action by Congress. As we read them, we are anxious to get down to some specific questions that will obviously have to be answered as we put forward and move ahead with legislation in these regards. There is not a focus, as Senator Murkowski said, in this energy report. There is not a focus on the short-term. And I firmly believe there are actions Congress can take and should take in the short-term to deal with energy issues, as well as many of the actions that are recommended that need to be taken in the long-term.

So I hope we'll get a chance to discuss those as well. I'd also, of course, want to focus to some extent in this hearing if we can, and in future hearings, on the issue of
overlap. Senator Murkowski has a fairly comprehensive bill, setting out a variety of proposals to deal with some of these energy issues. I have introduced a similar bill that also is comprehensive in that it tries to deal with a great many issues. Of course the Administration's report does the same. There are many areas of common agreement between those three. We need to identify what those are and determine whether it makes sense to go ahead with the areas we agree upon in the short-term. And I'll be interested in getting the Secretary's views on that. But again, thank you for coming.

[The prepared statement of Senator Bingaman follows:]

[COMMITTEE INSERT]
The Chairman: Thank you.

Mr. Secretary, please proceed.
STATEMENT OF HON. SPENCER ABRAHAM, SECRETARY OF ENERGY

Secretary Abraham: Mr. Chairman, Senator Bingaman, Senator Burns, Senator Wyden. Good to be with you again. I appreciate the chance to come by today to discuss at this hearing the President's National Energy Policy which was developed by our National Energy Policy Development Group, which was under the direction of the Vice President.

The analysis which we engaged in, in developing this report, began first with an attempt to project America's energy demands. Where they were today. How they are being met. And then where we anticipated the future would take us.

Let me just begin with a brief comment on that. Today America consumes 98 quadrillion BTUs, or quads as they are called, a year in terms of all energy forms. Our domestic energy production is 72 quads. The imbalance between energy demand and domestic energy production is made up with imports. Between now and the year 2020, our energy demand is projected to rise significantly. In fact, if the energy intensity of the United States -- that is the amount of energy needed to generate a dollar of GDP remains constant, our energy demand in the year 2020 would go from 98 to 175 quads.

However, the current policies which we have in place, the policies which we recommend in this plan, and things that happen without government playing a direct role, that is structural changes in the economy and so on, will in our

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judgment improve energy efficiency to the point that demand in 2020 will not hit the 175 quad level, but rather we would project, at least according to the Energy Information Administration at the Department, that that demand level would be about 127 quads, which means that improved energy efficiency can help close a great deal of the gap between projected energy demand and domestic energy production.

However, it cannot do the whole job and for that reason we believe the United States needs to embark upon a very comprehensive long-term plan, to both make sure we gain the energy efficiency objectives outlined a moment ago, and increase supply -- domestic supply in particular -- so that we do not end up in a deficit position. The question is where do we get the increased supply when over the past decade domestic supply production has remained relatively flat.

To address these challenges our National Energy Plan has adopted an approach which is, in my judgment, balanced and comprehensive. As the President said, we are looking for a new harmony among our priorities.

So let me just briefly outline the philosophy of balance that is incorporated in the plan. First, our policy balances the need for increased supplies of energy with the need to modernize our conservation efforts by employing cutting-edge technology. So, for example, as we call for recommendations to enhance oil and gas recovery from existing and new sources.
through new technology, we also call for recommendations for
changes in corporate average fuel economy standards.

Second, our plan calls for a balance in terms of our
supply sources. With electricity demand forecasted to rise 45
percent by the year 2020, we estimate the need for an
additional 1300 to 1900 new power plants in the country.
Current policy anticipates that over 90 percent of those new
plants will be fired by natural gas. We believe energy
security dictates a more balanced approach to new power
generation. In addition to natural gas, the National Energy
Plan looks to such sources as clean coal generation, nuclear
power and hydropower, among others to give us a broad mix of
energy to meet our future needs.

Third, our plan seeks to balance our need for traditional
sources of energy such as oil and natural gas with the need
for renewable and alternative sources such as biomass, solar,
wind, hydrogen and others. Consequently our plan recommends
more focused research on new sources such as hydrogen infusion
and proposes tax incentives for the use of certain renewables.
The plan also seeks to increase exploration of domestic
sources of oil and gas.

Fourth, our plan attempts to harmonize growth in domestic
energy production with environmental protection. Our
commitment to conservation and environmental protection is not an
afterthought. It is a commitment that is woven throughout our
energy plan. Energy production was, without regard to the environment, simply not an option. For example, in addition to recommendations seeking to streamline the permitting process for plant siting as well as building new infrastructure, the National Energy Policy proposed in the plan also proposes mandatory reduction targets for emissions of three major pollutants: sulfur dioxide, nitrogen oxides, and mercury.

We believe this balanced approach makes sense. And it yields recommendations that fall basically into six categories. First, we need to encourage industry to repair and update the nation’s antiquated energy infrastructure. From our ability to turn raw materials into useful energy to the pipelines that carry natural gas and oil to our electricity grid, America’s ability to deliver energy to those who need it is definitely ready for the year 1960. It is not, however, up to the demands of our 21st-century economy.

Second, the plan contains a variety of recommendations on how we might better employ modern technology to achieve gains in conservation as well as in domestic supply. A good example of this is the plan’s emphasis on innovative technologies such as fuel cell vehicles for which we propose fuel-cell usage rather than which we propose certain tax credits as in the area of fuel cell vehicles.

Third, streamlining the regulatory process is a key

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priority. We have found areas where the permitting process
for energy projects in infrastructure improvement moves too
slowly. One recent hydropower relicensing case took 23 years.
We must improve these processes without sacrificing our
commitment to the health, the safety and the environment the
people of this country deserve and demand.

Fourth, the report contains recommendations recognizing
the global nature of today's energy markets. As we pay
attention to the need to enhance our domestic supply, we also
need to diversify and increase our sources of energy around
the world. For example, our plan highlights opportunities for
supply in the resource rich Caspian Sea area.

Fifth, the plan addresses the critical problems faced
by low-income families as they confront rising energy costs.
It calls for, among other things, a significant increase in
the Weatherization Assistance Program, which was already
reflected in our budget this year. Finally, our plan
recognizes the impact energy price spikes can have on working
families and we are committed to taking action to lightening
that burden.

Lastly, our National Energy Plan seeks to enhance
competition across the board. Helping to create a level
playing field where a free market in energy can flourish will
be one of the best ways to secure our energy future with an
affordable and reliable access to a diverse supply of
resources.

In terms of how we proceeded, Mr. Chairman, where possible the President moved immediately to implement key parts of the plan. Hence, last Friday he issued two executive orders directing federal agencies to expedite approval of energy-related projects, and directing federal agencies to consider the effects of proposed regulations on energy supply distribution or use. Moreover, where appropriate, the President is directing federal agencies, including ours, to take a variety of actions to improve the way they use energy and to carry forward critical aspects of the policy -- and I will be keeping the committee apprised of the actions which we take at the Department of Energy in accordance with recommendations in the plan.

But as Senator Bingaman noted, key portions of the energy policy demand legislation. I am looking forward to working with this committee and with other House and Senate committees to move such legislation through the process. In my opinion we start from a wide base of agreement. We all recognize energy as a critical challenge. As noted, both the Chairman and the Ranking Member of this committee have sponsored robust energy bills, and I am struck by how much common ground there is between those bills and our proposals.

In fact, I have asked my staff to do a quick comparison of the energy bills that have been introduced by Chairman
Murkowski and Senator Bingaman with our National Energy Plan, and was pleased to discover that there is considerable agreement. In fact, over 30 of the recommendations included in the National Energy Plan are also included in the comprehensive energy bills that have been introduced by the Chairman and Ranking Member. They include support for the LIHEAP Program; increasing funding for Weatherization Assistance; promoting greater energy efficiency programs; conserving energy in federal facilities; promoting the use of technological advances to better protect our environment; exploring opportunities for royalty reductions as economic incentives for environmentally sound off-shore oil and gas development; repealing the Public Utility Holding Company Act; reforming the Public Utility Regulatory Policies Act; continuing to develop advanced clean coal technology; extending the Price-Anderson Act; and a variety of others.

Naturally, there will not be complete agreement and the President is strongly committed to the adoption of his recommendations. But I truly believe that we have the basis for working together to meet America’s energy crisis and the Administration looks forward to working with the committee. I particularly look forward to working with all of you to advance the legislative components of this agenda, and to work together on a broader basis to address our energy challenges.
Mr. Chairman, thank you for the opportunity to make these remarks. I look forward to any questions.

[The prepared statement of Secretary Abraham follows:]