Statement of the Honorable Spencer Abraham

Secretary of Energy

before the

Senate Committee on Energy and Natural Resources

on National Energy Policy

May 24, 2001
Introduction

Thank you Mr. Chairman.

I appreciate the opportunity to discuss the President’s National Energy Policy, which was developed by the National Energy Policy Development Group under the direction of Vice President Cheney.

If I might, I would like to make a brief opening statement.

America’s Energy Challenge 2001-2020

Today, America consumes 98 quadrillion British thermal units (or quads) a year in all forms of energy. Our domestic energy production is 72 quads. The imbalance between energy demand and domestic energy production is made up with imports.

Between now and 2020, our energy demand is projected to rise significantly. If the energy intensity of the U.S. economy—the amount of energy needed to generate a dollar of Gross Domestic Product—remained constant, our energy demand in 2020 would be 175 quads. However, our Plan and current policies will improve energy efficiency to the point that energy demand in 2020 can be lowered from 175 quads to 127 quads.

That means improved energy efficiency can help close much of the gap between projected energy demand and projected domestic energy production.

However, improved energy efficiency cannot do the whole job. For that reason, the United States will need more energy supply. The question is: where do we get that increased supply when over the past decade domestic supply production has remained relatively flat?
Our Balanced Approach

To address these challenges, the national energy plan is shaped by the need for a balanced and comprehensive approach. As the President said, we are looking for a new harmony among our priorities.

Let me briefly outline this approach for the Committee.

First, our policy balances the need for increased supplies of energy with the need to modernize our conservation efforts by employing cutting edge technology. And 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 forecast to rise 45 percent by 2020, we estimate the need for an additional 1,300 to 1,900 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 to give us a broad mix of energy to meet our future needs.

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

Fourth, our energy plan harmonizes growth in domestic energy production with environmental protection. Our commitment to conservation and environmental protection is not an afterthought; it is a commitment woven throughout our energy policy. Energy production without regard to the environment is simply not an option. For example, in addition to recommendations seeking to streamline the permitting process for plant sitings as well as building new infrastructure, the National Energy Policy also proposes mandatory reduction targets for emission of three major pollutants—sulfur dioxide, nitrogen oxides, and mercury.

Our Overarching Priorities

This balanced approach yields recommendations that fall for the most part into six basic 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 host of recommendations on how we might better employ modern technology to achieve gains in conservation as well as domestic supply. A good example of this is the Plan’s emphasis on innovative technology, such as fuel cell vehicles, for which we propose certain tax credits.
Third, streamlining the regulatory process is a key priority. We have found areas where the permitting process for energy projects and infrastructure improvement moves too slowly. One recent hydropower relicensing case took 23 years. We must improve this process.

Fourth, the report contains recommendations recognizing the global nature of today's energy market. 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 National Energy Plan highlights opportunities for supply in the resource rich Caspian Sea area.

Fifth, our energy Plan addresses the critical problem faced by low-income families as they confront rising energy costs. We therefore support a strong Low Income Home Energy Assistance Program, and propose increases in our weatherization assistance program funding in the amount of $1.2 billion over the next ten years. Our Plan recognizes the impact energy price spikes can have on working families and we are committed to taking actions to lighten the burden.

And finally, 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 affordable and reliable access to a diverse supply of resources.

Conclusion: A Cooperative Approach.

Where possible, the President moved immediately to implement key parts of his plan. Hence, last Friday he issued two executive orders directing Federal agencies to


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expedite approval of energy-related projects and directing Federal agencies to consider
the effects of proposed regulations on energy supply, distribution, or use. These are
important actions.

What's more, where appropriate, the President is directing Federal agencies,
including my own, to take a variety of actions to improve they way they use energy and
to carry forward critical aspects of his policy.

But, key portions of the energy policy will demand legislation. I am looking
forward to working with this Committee and with other House and Senate committees to
move this legislation though the process.

In my opinion, we start from wide base of agreement. We all recognize energy as
a critical challenge. Both the Chairman and Ranking Member of this Committee have
sponsored robust energy bills and I am struck by how much common ground there is
between these bills and our proposals.

In fact, I asked my staff to compare the comprehensive 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. Indeed, over 30 of
the recommendations included in the National Energy Policy are also included in the
comprehensive energy bills that have been introduced by the Chairman and Ranking
Member. Just a few examples include, supporting the LIHEAP program; increasing
funding for the Weatherization Assistance Program; promoting greater energy efficiency
programs; conserving energy on federal facilities; promoting the use of technological
advances to better protect our environment; exploring opportunities for royalty reductions
as an economic incentive for environmentally sound offshore 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; improving the hydropower licensing process;
increasing support for research and development of renewable energy resources and
improving the reliability of the interstate transmission system.

Naturally, there will not be complete agreement and the President is strongly
committed to the adoption of his recommendations. But I truly believe we have the basis
for working together to meet America’s serious energy crisis.

Thank you, Mr. Chairman.
The Chairman: Thank you very much, Mr. Secretary. You are to be complemented for, I think, getting a running start when you are kind of all by yourself. Senator Bingaman and I are actively engaged in the process in trying to clear some of your nominees.

Secretary Abraham: We would be grateful.

The Chairman: You are doing pretty well writing your own material. Let me just focus for a moment on, I think, a prevailing attitude among many Americans and many members of Congress that somehow there ought to be an immediate relief, a short-term fix to get us over this hump. And we generalize a good deal and say we want to work toward a short-term solution so we can get the relief we need until we can resolve a long-term fix. But we have not seen an awful lot of identification outside of generalizations on just how to achieve a short-term fix.

We talked about suspending the federal gasoline tax of 18.4 cents a gallon. Of course the down side to that are the consequences to the Federal Highway Trust Fund. Then what does that do for conversation? If there is no squeak, why, there is no incentive to conserve.

We talked about increasing refined products from Canada, Mexico, Venezuela without reformulated gasoline requirements. There is a trade-off there on air quality. We talked about reducing EPA boutique fuels. I think we've got 15 different
kinds of reformulated gasoline, but some of that would require legislation. There is a question of what the ethanol mix might be and the significant change; waving oxygenates; increasing per mile deduction for gasoline for businesses and charitable purposes. We talked even about toll road waivers during concentrated driving times. Somebody did some figuring here and estimated that conservation could be aided by about 6.7 billion gallons of gasoline wasted annually while idling in congestion.

So what we have seen here, at least to my attention, is an effort to identify some short-term fixes, but not really coming up with anything significantly achievable. The last point is that there is an allegation out there that big oil is gouging -- or big utilities, or whatever and yet the FTC had just completed a three-year study of gasoline prices on the West Coast and the result is no evidence of price fixing or collusion. I mean, they say no evidence. Instead they determined the boutique fuels and the inadequacy of refineries were part of the example.

A similar study was done last summer in the Midwest as prices sky-rocketed. The study found again that infrastructure, refineries and pipelines were to blame. So it is a lot easier to kick big oil and blame them then going down to the root of the problem. I would like to hear your comments on those two areas. Is there a quick fix in the
sense of relief? And what about this price gouging issue?

Secretary Abraham: Well, Mr. Chairman, the experience we
are going through right now on gasoline prices is, of course,
very similar to what we encountered last summer. I remember
as a member of the Senate offering an amendment to some
legislation -- I can't remember the bill now -- to try to
suspend the federal gas tax. I didn't fare very well in the
votes. But the kind of repetitious nature of these problems
suggests that there is an underlying cause that goes beyond
simply accusations of inappropriate conduct.

And to that end, I just want to make it clear, the
President has made it very apparent to all of us in the
Administration he expects the FTC and other relevant agencies
to maintain a strong vigilance against any inappropriate
behavior, and we will.

I have, in fact, asked the Energy Department to look into
some of the rumors which we encountered a couple of weeks ago
where suddenly we were being told there was going to be three
dollar gasoline. At least we were being told that in the
newspapers. The local dealers were being told that by their
suppliers. We immediately set in motion a process to track
down the rumors. Sometimes these rumors can become
self-fulfilling prophecies when people say they have now an
excuse to begin increasing charges. We have tried to track
that down.

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And I have noticed that, in fact the USA Today has this week the very same publication that had said we would have three dollar gas now says gas price may level off until next summer. So these things tend to change. Certainly we have not seen any evidence in the inventory analysis done by the Department that three-dollar a gallon gas is coming. But nonetheless we are trying to monitor that. At the same time, what we have tried to do in this plan is address some of the underlying issues that we feel are going to cause these problems to repeat on a consistent basis. I mean, if we do not have adequate refining capacity, if every time there is sort of a peak period, whether it's this we move into the winter time and there is a need to transition to heating fuel or as we move into the summer driving season and there is a need to transition into more gasoline production, especially on the gasoline side because of the variety of different fuel types, the inadequacy of refining capacity immediately causes supply problems.

The Chairman: I do not want to let you off without short-term because my light is on here. Any short-term solutions?

Secretary Abraham: Well, there are some and on problems that we regarded as immediate problems I reported to this committee actions we have taken in respect to California on the electricity issue. We did not wait until the plan came
out to begin trying to take action. But there are limits as
to what we can do in the short-term to address problems that
have developed over long periods of time. I think that is the
fundamental point.

At the same time I would say to members that we need to
get the plan moved forward because the problems that repeat
themselves every year do not have to repeat themselves well
into the future if we can address the underlying reasons
behind them.

The Chairman: Thank you. My time is up Senator

Bingaman.

Senator Bingaman: Thank you very much. Let me ask first
on this low-income home energy assistance program. You have
said and I believe your report says that you are requesting
increased funds for that. There are two fiscal years that are
relevant to that discussion, it seems to me. The one we are
in today and will be until the first of October and then the
next fiscal year. The one we are in today there is clearly a
shortfall of funds for low-income home energy assistance.

We have passed an increase in the authorizing levels
through the Senate. The House has not acted on it. We have
urged that the Administration request additional, supplemental
appropriation so that we can actually get funds to the states
to continue with that program during the rest of this fiscal
year. Do you know if the Administration supports doing that?
Some type of supplemental appropriation to get us through until October 1?

Secretary Abraham: I do not know. I know that, as I remember when we put the budget together when I was still a member, that we'd had $300 million in emergency money, but we spent that, as I remember before the end of last year -- that is by December 31st. Because this is not in my department, I do not know -- and it is traditionally in OMB and the relevant department -- I am not sure what the status of that is.

What I can comment on is the nature of the recommendation. It was our decision, or as we put the plan together, that we needed to find a more effective way to run this program.

So what we have proposed is not only an increase in the base funding over this year's appropriation level, but also to try to work with the Secretary of the Interior and Health and Human Services to find a way to perhaps trigger increased supplies of money to LIHEAP based on triggers that would be set when gas prices would exceed a trigger price. So that we would begin supplementing the LIHEAP program in the future with monies that would be moved over from Federal oil and gas royalties. That's the future. I can't tell you what the status of the supplemental is.

Senator Bingaman: Well, let me ask about next year. As I understand it, during this current year we have appropriated and spent $2.25 billion so far. Your plan proposes that next

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year we spend $1.7 billion. I don't see how that's an
increase.

Secretary Abraham: I think it is an increase over the
regular 2001 appropriation.

Senator Bingaman: But not over what was actually
appropriated.

Secretary Abraham: I do not think it contemplated what
was included in emergency additions. And I think what is
meant here, if you would look at the recommendation. The
recommendation is to increase the base to start with, but then
also direct the Secretaries of Interior and HHS to propose
legislation to bolster LIHEAP funding by using a portion of
oil and gas royalty payments, redirecting royalties above a
set trigger price to LIHEAP whenever crude oil\nd\nat natural gas
prices exceed the trigger price.

And I think what we have envisioned here is working with
Congress to see if we cannot change from a situation where we
lurch in the face of emergencies to try to come up with a
supplemental, which may or may not happen, to a situation
where the pool of monies available for LIHEAP would grow as
there is evidence in the markets that the price of heating oil
is going to go up. That was -- the idea was to try to get
away from estimating and emergency kind of responses into a
situation where the available funds would be larger --

Senator Bingaman: So we can expect some legislation
along those lines.

Secretary Abraham: That's the goal. And again, I think that certainly we would anticipate that in putting together such legislation -- our goal is to try to find a way around the sort of crisis approach to something where we are expanding that pool of money without the need to get to supplementals at some point, and hopefully we can find one.

Senator Bingaman: Let me move on to another one of your recommendations. It says that the Cheney task force recommends -- and this is a quote from it -- recommends "that the President direct the Secretary of Energy to propose comprehensive electricity legislation."

The previous Administration did propose comprehensive electricity legislation. It was agreed to by some and disagreed with by others, but it was a fairly comprehensive proposal. When could we expect to see a proposal from your department in the nature of a comprehensive electricity --

Secretary Abraham: This week, now that the plan has been finalized, we asked our staff to begin the process of looking at components that might be included in a comprehensive bill. Some of it will depend, I guess, on definitions too because obviously one of the issues that we want to address is reliability. And there is a separate recommendation with regard to reliability that is in this -- in our plan. And some bills I know would merge reliability legislation into...
comprehensive legislation. Some wouldn’t.

But the question you ask is the timetable we have just
begun at the Department to begin examining possible inclusions
in such legislation, I’m hopeful we would be able to move
ahead fairly quickly. But we also do want to have a
discussion with members of Congress to get a sense of
priorities here.

The one area that I would just highlight, as I mentioned
in my statement, that already I can assure you would be part
of any legislation we might offer, unless the Congress acts
prior to that, would be the repeal of PUHCA. Because that’s a
position the President outlined already in his campaign.

Senator Bingaman: You also in your statement to us today
said that the Administration proposes mandatory reduction
targets for emissions of three major pollutants: sulfur
dioxide, nitrogen oxides and mercury. My impression is that a
number of utilities, and other companies, oil companies and
others would like to know where the Administration is going to
be on greenhouse gas emissions before they make major
investments.

The constant drum beat is that we are going to need 1300
new power plants over the next twenty years. What can you
tell us about your intentions? Are you going to set CO2
criteria? Are you going to give any direction as to where you
believe we should be on that issue?
Secretary Abraham: Senator, on a separate track from the National Energy Policy Development Task Force track, the President has launched a multidepartment review of climate policy. In fact this afternoon I will be participating in yet another of these task force meetings, which is a principal's level task force.

Senator Bingaman: Who is in charge of that?

Secretary Abraham: It is being run by the White House, coordinated by -- I believe by the offices of National Security and National Economic Policy of the White House. But it includes the Administrator of the EPA, the Secretaries of Treasury, Interior, myself and others at a principal's level. My understanding is that this summer that review and set of recommendations will be completed. And that would presumably address these issues.

But it started later than the Energy Task Force started, and so it is a little bit later in terms of when it will finish. But that'll be, I think, the Administration's statement on policy in this area will emanate from those recommendations.

Senator Bingaman: Do you agree with my basic point that in order to give companies the certainty that they need to be going forward with these major investments and new plan, we really do need to come up with a policy on CO2 emissions?

Secretary Abraham: I think that clear guidance and
certainty of any sort, whether it is on CO2, it's on the other pollutants that are mentioned here -- the pollutants that are mentioned here, the emissions levels and so on of these different greenhouse gases, I should say, is very important. We have certainly heard from the same industries you have asking for some clarity as soon as possible. That is, I think, one of the reasons we wanted to move forward with the multipollutant bill at the same time we complete this other study, so that we really would be able to establish some guidelines people would be comfortable following.

Senator Bingaman: I guess my time is up. There are only two lights in this room, is that right? You are either go or stop. No slow down. Thank you very much, Mr. Chairman.

The Chairman: That is a good question, Senator Bingaman. So if the yellow light is on, it is just a warning, nothing more. We need one that gives you a little jolt.

Senator Wyden.
STATEMENT OF HON. RON WYDEN, U.S. SENATOR FROM OREGON

Senator Wyden: Thank you Mr. Chairman and Mr. Secretary.

Welcome. It is good to have a chance to work with you.

Mr. Secretary, there is a veil of secrecy that envelopes today's energy markets. Energy is now being traded as a commodity all across the country on trading floors, but the information that is needed in order to really protect the public interest is not available. I am talking about systems information, information about transmission capability, outages and this sort of thing. Not proprietary information;

information about systems.

I intend to introduce legislation shortly to change that, to bring about some transparency. I would like to know at the beginning conceptually -- you cannot comment on a bill you have not seen -- but conceptually whether you would support legislation to lift this veil of secrecy that surrounds energy markets. So at a time when energy is being traded like a commodity, the public can get the information about systems that is needed to make markets work.

Secretary Abraham: Obviously I would not at all rule out supporting such legislation in a conceptual sense. One of the issues that I have asked our Energy Information Administration to look at is the question of going beyond the kind of things that we currently examine with regard to gasoline to try to give consumers an understanding of what the prices are at each
of the stages in the process, because when people are upset
and they deserve to know where the fluctuations are taking
place.

Senator Wyden: This is not about prices. I am going to
talk about that in a second. This is about information --
Secretary Abraham: I understand.
Senator Wyden: -- on the trading floors where energy is
being bought and sold. You lift this veil of secrecy so that
people can find out how to make markets work.
Secretary Abraham: Again, I cannot state any objection
to that notion at the onset.
Senator Wyden: The Administration recommends fast
tracking the siting process for power plants. And it just
seems to me there is an opportunity to be more creative here.
I want to ask you about a specific approach. Instead of just
saying you are going to fast track the siting process for
evverybody, why not say that for a developer for a company who
fast tracks the environmental compliance side, that those are
the people who go to the head of queue when it comes to
siting. That way you've got a chance to ensure that there is
environmental protection and sensitivity to economics, rather
than just say, well, okay, let's push everybody to the front
of the line. Wouldn't that be a more creative way to approach
it?
Secretary Abraham: I do not think there is any desire on
the
part of the Administration to diminish the focus on the
environmental components of these permitting processes, which
is why I know that the Council on Environmental Quality at the
White House has been proposed as the entity that would make
sure that any permitting process expediting would be
consistent with the rules.

One of things which we have tried to recommend is to
start focusing on the kinds of permits that affect processes
such combined heat and power systems, where sometimes the
permit process, as I understand it at least, the lack of
flexibility in the permitting has really slowed up what could
be the introduction of much, in our judgment at least,
preferable ways of energy production. But I can assure you
that there is every interest in our part in trying to simply
eliminate what seemed to be unnecessary delays.

I found this, in a separate area in my department, with
respect to transmission systems. We were holding up our
responsibility with respect to international transmission
siting between the United States and Mexico. It turned out,
for reasons that had nothing to do with issues related to
environment, health or safety, but just had to do with
bureaucratic log jams. And that’s I think what the principal
goal we have here is and to make sure through the Council on
Environmental Quality that we do not in any sense diminish the
rigorous nature of those reviews.
Senator Wyden: When we come to that part of the legislative debate, I want assure you I am going to try to change the siting initiative because I think it one thing to say that you are going to put everyone on a fast track. There are delays. There is no question about it. But what we ought to be doing is in effect saying we want to fast track it for those address the other issues that are important to communities such as environmental --

Secretary Abraham: And we should -- I would hope would look at like I said, one of the key recommendations is the recommendation that the EPA Administrator promote combined heat and power systems through flexible permitting process. We might want to try to identify preferable areas in which we would want to be generating, and that is a good example.

Senator Wyden: On the question of gas pricing and energy pricing, I am very troubled by the Administration's unwillingness to tackle practices that are clearly anti-consumer and anti-competitive, but do not seem to technically be illegal under current law. And let me be specific. The Federal Trade Commission found in their study on the West Coast that our gasoline markets are being redlined.

We have communities where the companies actually draw a line and say distributors cannot go here. Juries in my state are handing out multimillion dollar awards because of
redlining. So the government has found that West Coast
gasoline markets are being redlined. It is about as anti-
competitive practice as you can find, but it is not
technically illegal under current law.

I would like to see the Administration go after those
kinds of practices and I do not see them mentioned anywhere in
the proposal. And yet that is taking a toll right now in my
state where we have lost 600 gasoline stations. In much of
the West Coast a handful of companies control 60-70 percent of
the gas market. And I would like to see the Administration go
after some of those practices.

Secretary Abraham: I would be glad to talk further with
you, Senator, on what appropriate action there might be. I
would not hesitate to examine that, if there is a suggestion
you might have as to an activity we might--

Senator Wyden: The suggestion I have is just because it
is not illegal under current law does not mean that everybody
should say, well, let's just, you know, ignore it. It is
almost as if now unless a handful of these oil companies are
huddled up in a hotel somewhere, nobody is going to say that
we ought to be looking at these issues.

The Federal Trade Commission found evidence of redlining.
West Coast gas markets are being redlined and I would hope,
and I have always enjoyed working with you, that we would say
that practices that are anti-consumer, anti-competitive, and
anti-markets are areas that we would also try to change even
if they are not strictly illegal under current law.

Thank you, Mr. Chairman.

The Chairman: Thank you, Senator. Senator Bayh is next.

I have been advised that this is not really a yellow light,
it's a red light. So if anyone is color blind, I will remind
them after six minutes.

Thank you. Please proceed.
STATEMENT OF HON. EVAN BAYH, U.S. SENATOR FROM INDIANA

Senator Bayh:  It is not the only example around here,

Mr. Chairman, of things not appearing quite the way they are

in fact.

The Chairman: That's very true.

Senator Bayh: Thank you, Mr. Chairman. Mr. Secretary

welcome again. It was good being with you last night for

President Ford's wonderful address to the members of the

Senate. And it is good to have you back before this

committee.

Secretary Abraham: Thank you. Good to be with you.

Senator Bayh: I have two brief points, Mr. Secretary.

First, it seems to me that this is a difficult issue and we

all understand that. But sometimes out of difficulty comes

the opportunity to make a great advance or to break out of old

ways of thinking. And in all candor, I am concerned that the

Administration may not be making the most of this opportunity.

Let me deal with it in general strategic terms and then

give you some specific examples. In general philosophical

terms, the old debate, the sterile debate, of the last twenty

to thirty years has been some people have argued that just

more production is the answer to all of our problems. I think

all of us up here recognize more production is a part, an

important part of the answer to our problems but alone it is

not going to be enough to solve America's energy crisis.
On the other side there are those that say, well, we can just conserve our way out of this problem, and implicit in that is too often a lower standard of living for the American people. Conservation is a critically important part of the overall answer but by itself is not enough.

The American people are hungry for a third way, a new approach to this, which would aggressively invest in new technologies to promote clean, renewable, alternative energy sources that are domestically-based.

And I must say that when we look at specifics, and I am going to get down to specifics here, there is a disconnect between some of the language in the energy proposal put forward by the Administration and the specifics in the budget. We need a way of resolving this issue.

Let me just list some of the specifics. The proposal put forward instructs you and the Secretary of the Interior to promote enhanced oil recovery with new technologies. But the gas exploration and production programs are cut by 34 percent. Petroleum and oil technology is cut by 54 percent. The Natural Gas Technologies Program is cut by 53 percent. The Efficient and Renewable Energy budget is cut by 27 percent. Gas hydrates research, a very promising long-term initiative, is cut by 52 percent.

The proposal recommends that agencies be directed to reduce energy use, but the Federal Energy Management program...
is cut by 48 percent. Transportation research and development is cut by 21 percent. The Industries of the Future program is cut by 35 percent. The Office of Nuclear Energy, Science and Technology is cut by 9.3 percent.

My question, Mr. Secretary is how do we square the rhetoric and the language of the energy proposal with some of these reductions that are a national commitment to new research, new energy and what really promises to break out of this sterile debate of the last twenty to thirty years.

Secretary Abraham: Well, if I can, it may take a little long and I don’t want to cheat you out of your second question, but it would take a little time to answer that. I would like to answer it comprehensively.

First of all, I totally agree with your analysis that we must -- and I mentioned in my statement and have in public speeches -- understand that the solution cannot lie on either end of the traditional debate here. We cannot possibly conserve our way to energy security by the year 2020. There is no doubt in my mind that we can’t simply produce our way to security. The differential between where we would be in the absence of a balanced approach and where we are is too great. So, we absolutely must do that.

Now the question you raised is what about this year’s budget and how does it square with the recommendations. Let me just begin by talking about the process that brought the
budget about. When I took office, within a matter of a week we were expected to begin the process of providing recommendations for our budget. We then went back and forth with the White House. I found myself in a slightly different position than some of my colleagues in the cabinet because in the very first week we were in office, the President launched the Energy Policy Task Force and indicated very clearly that it would incorporate all these various areas of energy policy that our department funds.

We were therefore without much guidance as to where as of June we would find ourselves versus where we were in February. And it was -- we were somewhat reluctant to begin suggesting changes in budgets, or increases or even the maintenance of some programs.

Senator Bayh: Are you suggesting that we may see some changes in these recommended allocations?

Secretary Abraham: You absolutely will because there are two very clear directives in here, which I am very enthusiastic about, to my department and me to launch reviews. One of which, for example, in the area of energy efficiency I launched yesterday, which gives clear direction for us to review and make recommendations with respect to funding levels in the areas that you have mentioned that have in fact in this budget been either held in place or reduced.

So I think that process is beginning and it will also be