QUESTION FROM SENATOR MURKOWSKI

Fuel Economy: CAFE

The National Energy Policy deferred on the question of increased CAFE standards for auto fuel economy until the National Academy can finish its review as directed by Congress last year.

Q1. Are there options to improve auto fuel economy — other than CAFE standards — that you will consider?

A1. Yes. The National Energy Policy report indicates that the Department of Transportation should consider, in addition to modified CAFE standards, other market-based approaches to increasing the national average fuel economy of new motor vehicles. The Department of Energy is analyzing possible forms of voluntary fuel economy improvement agreements to support the DOT's consideration of a broad range of approaches. In addition, the report calls for the Secretary of Treasury to work with Congress on legislation to increase energy efficiency with a tax credit for fuel-efficient vehicles. The NEPD Group recommended that a temporary, efficiency-based income tax credit be available for purchase of new hybrid or fuel cell vehicles between 2002 and 2007. The Department of Energy will be working closely with both the Treasury and Transportation Departments to implement these recommendations.
QUESTIONS FROM SENATOR MURKOWSKI

Renewable Energy

As part of the National Energy Policy, you have been directed to carry out a review of all energy efficiency and renewable energy R&D programs -- and focus on those that are "performance based."

Q1. Does this imply a greater focus on "proof of concept" demonstration projects over basic research?

A1. No. We will be reviewing all programs to determine their performance and potential in terms of delivering benefits to the public. We will reevaluate those programs that have not made progress toward national energy goals. Likewise, we will be redoubling our efforts in those programs that have shown, and continue to show, good performance and potential in contributing to national energy goals. I expect that when the review is complete we will have a range of activities that are performance-based, including both proof of concept projects and basic research programs. This would be consistent with developing a balanced energy technology R&D portfolio that delivers short-term, intermediate, and long-term energy benefits.

Q2. Are plans under way for such a review and when do you expect such a review might conclude?

A2. On May 23, 2001, I announced the schedule for the review of both the energy efficiency programs and the renewable energy and alternative energy programs. The Department has completed its public comment period and is continuing with its Strategic program review of EERE programs. Our review will be completed by September 1.

28983

Obtained and made public by the Natural Resources Defense Council, May 2002
The Honorable Jeff Bingaman  
Chairman  
Committee on Energy and Natural Resources  
United States Senate  
Washington, DC 20510  

Dear Mr. Chairman:


Enclosed are the answers to seven questions requested by Senator Murkowski. The three remaining answers are being prepared and will be forwarded to you as soon as possible.

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

Sincerely,

[Signature]

Dan R. Brouillette  
Assistant Secretary  
Congressional and Intergovernmental Affairs

Enclosures
QUESTIONS FROM SENATOR MURKOWSKI

Alaska Oil and Gas

Q1a. I am pleased to see that the National Energy Policy encourages the development of the 1002 Area of ANWR. I am also pleased to see the Administration encouraging the development of a natural gas pipeline to bring Alaska natural gas to market in the lower 48. To what extent do these provisions constitute a key portion of your National Energy Policy?

A1a. These provisions are a key portion of the National Energy Policy in meeting our Nation's needs for oil and natural gas. The U.S. Geological Survey 1998 assessment of the greater 1002 area indicates technically recoverable resources ranging from 5.7 to 16 billion barrels of oil, and from 0 to 10 trillion cubic feet of natural gas. Additionally, the U.S. Geological Survey estimated that Northern Alaska has 35 trillion cubic feet of commercially recoverable natural gas. These significant resources are keys to meeting the Nation's energy needs.

Q1b. In your opinion, are financial incentives necessary to develop these resources, or is it simply a matter of access to land for development and pipeline siting?

A1b. The U.S. Geological Survey's 1999 economic analysis of its 1998 assessment of the 1002 Area alone indicates that about half of the technically recoverable oil resources (2.03 to 9.38 billion barrels of oil, and from 1.04 to 3.72 trillion cubic feet of associated natural gas) are economically recoverable at today's prices using today's technology. This indicates that market forces provide adequate financial incentive to develop these resources. However, in addition to this economic assessment, the Department of Energy, in partnership with the industry, is developing advanced technologies that will reduce the costs of recovery and environmental compliance, and increase recovery and environmental protection.
QUESTIONS FROM SENATOR MURKOWSKI

Alaska Oil and Gas

Q2. The Alaskan Natural Gas Transportation Act (ANGTA) directed the President to appoint a Federal Inspector to ensure expedited construction of an Alaskan gas pipeline.

The Energy Policy Act of 1992 abolished that position but transferred the Federal Inspector’s functions and authorities to the Secretary of Energy. These functions and authorities are the keys to expediting construction of the pipeline.

Do you currently have the staff and resources to carry out the function and authorities of the Federal Inspector?

A2. Subsequent to the abolition of the Federal Inspector’s Office by the Energy Policy Act of 1992, there has been little activity related to the proposed natural gas pipeline from Alaska’s North Slope. In the absence of any activity there are no Department staff or resources assigned to perform the functions of the Federal Inspector’s office.

The infrequent requirements for analysis or comment on the Alaskan Natural Gas Transportation System (ANGTS) has been handled by the Office of Fossil Energy and the Office of General Counsel. This same staff has been conducting the initial coordination between our Department and other Federal agencies, as well as consultations between our Department and Canadian government agencies and the State of Alaska in preparation for a possible filing concerning the ANGTS or other North Slope gas project.

Should a filing be made for the ANGTS and it becomes necessary for the Department to exercise the authorities of the Federal Inspector, we would assign qualified staff from other program areas to meet the requirements of carrying out the responsibilities of the Federal Inspector’s authority.

28986
QUESTIONS FROM SENATOR MURKOWSKI

Energy Efficiency

The National Energy Policy indicated that energy efficiency and improved energy
conservation should be made a "national priority."

Q1. How do you as Secretary of Energy plan to translate this "priority" into concrete
action?

A1. The National Energy Policy will build upon our nation's successful track record and
will promote further improvements in the productive and efficient use of energy. Of
the 105 recommendations in the Policy, over twenty of these recommendations
address energy efficiency, either directly or indirectly. These actions promote
conservation in residences, commercial establishments, industrial sites, electrical
power plants, and transportation. Implementing these actions will enable us to
continue our trend of decreasing energy use per dollar of GDP, while improving our
standard of living.

Q2. Other than tax incentives for consumers purchase of new energy efficient technology,
what policy options exist?

A2. This Policy report uses almost every tool available in order to promote energy
conservation. Allow me to provide a few examples from the Policy:

Education: One recommendation directs the EPA Administrator to develop and
implement a strategy to increase public awareness of the sizeable savings that energy
efficiency offers to homeowners across the country.
Information: Another recommendation directs the Secretary of Energy to promote greater efficiency by expanding and extending the application of the Energy Star labeling program.

Executive Directive: This recommendation directs the heads of executive departments to take appropriate actions to conserve energy at their facilities.

Financial Incentives for Industry/Utilities: One recommendation directs the Secretary of Treasury to work with Congress to encourage energy efficiency through Combined Heat and Power projects by shortening their depreciation life.

Standards: This recommendation directs the Secretary of Transportation to review and provide recommendations on establishing Corporate Average Fuel Economy Standards for the U.S. automotive industry.

Federal R&D: This recommendation directs the Secretary of Energy to review and provide recommendations on the appropriate level of energy efficiency program funding.
QUESTION FROM SENATOR MURKOWSKI

Fuel Economy/CAFÉ

The National Energy Policy deferred on the question of increased CAFÉ standards for auto fuel economy until the National Academy can finish its review as directed by Congress last year.

Q1. Are there options to improve auto fuel economy – other than CAFÉ standards – that you will consider?

A1. Yes. The National Energy Policy report indicates that the Department of Transportation should consider, in addition to modified CAFÉ standards, other market-based approaches to increasing the national average fuel economy of new motor vehicles. The Department of Energy is analyzing possible forms of voluntary fuel economy improvement agreements to support the DOT’s consideration of a broad range of approaches. In addition, the report calls for the Secretary of Treasury to work with Congress on legislation to increase energy efficiency with a tax credit for fuel-efficient vehicles. The NEPD Group recommended that a temporary, efficiency-based income tax credit be available for purchase of new hybrid or fuel cell vehicles between 2002 and 2007. The Department of Energy will be working closely with both the Treasury and Transportation Departments to implement these recommendations.
Renewable Energy

As part of the National Energy Policy, you have been directed to carry out a review of all energy efficiency and renewable energy R&D programs – and focus on those that are "performance based."

Q1. Does this imply a greater focus on "proof of concept" demonstration projects over basic research?

A1. No. We will be reviewing all programs to determine their performance and potential in terms of delivering benefits to the public. We will reevaluate those programs that have not made progress toward national energy goals. Likewise, we will be redoubling our efforts in those programs that have shown, and continue to show, good performance and potential in contributing to national energy goals. I expect that when the review is complete we will have a range of activities that are performance-based, including both proof of concept projects and basic research programs. This would be consistent with developing a balanced energy technology R&D portfolio that delivers short-term, intermediate, and long-term energy benefits.

Q2. Are plans under way for such a review and when do you expect such a review might conclude?

A2. On May 23, 2001, I announced the schedule for the review of both the energy efficiency programs and the renewable energy and alternative energy programs. The Department has completed its public comment period and is continuing with it's Strategic program review of EERE programs. Our review will be completed by September 1.
The Honorable Joe Barton  
Chairman  
Subcommittee on Energy and Air Quality  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Enclosed are the edited transcripts of the June 13, 2001, testimony given by Spencer Abraham, Secretary of Energy, regarding the National Energy Policy Report.

Also enclosed is the insert you requested to complete the hearing record.

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

Sincerely,

[Signature]

Dan R. Brouillette  
Assistant Secretary  
Congressional and Intergovernmental Affairs

Obtained and made public by the Natural Resources Defense Council, May 2002
The subcommittee met, pursuant to call, at 9:59 a.m., in Room 2123, Rayburn House Office Building, Hon. Joe Barton [chairman of the subcommittee] presiding.

Present: Representatives Barton, Cox, Burr, Whitfield, Ganske, Shimkus, Wilson, Shadegg, Bryant, Radanovich, Bono, Walden, Tauzin (Ex Officio), Hall, Sawyer; Wynn, Doyle, John, Waxman, Markey, McCarthy, Strickland, Barrett, Luther, and Dingell (Ex Officio).

Also Present: Representatives Eshoo and Harman.
Mr. BARTON. Welcome to the subcommittee, Mr. Secretary. Your statement is in the record in its entirety. We recognize you for such time as you may consume to elaborate on it. Welcome to the subcommittee.

SECRETARY SPENCER ABRAHAM. Mr. Chairman, thank you very much. I appreciated the chance today to hear from so many members and to get some perspective on their considerations and concerns.

And I want to thank you for having done, in my judgment, a remarkably effective job over the last several months, as we have gone through our transition, to work with us at the Department. You have actually reached out to me on behalf of your committee, on both sides of the aisle really, to set in motion practices by which we can work together over the next few months to not just address this issue but the other issues as well.

And I offer the same comments and appreciation to Congressman Tauzin, to Congressman Dingell, and other leaders of the committee. Certainly we wish to do our best to make it a dialog, to make it a good partnership.

Today I would like to make a brief statement. There were
so many issues raised during the comments of the various
members that I would like to do my best to be responsive when
we get to the question period on those issues.

What I would like to maybe just do is take a little bit
of time today to talk about the challenges we face and to
try to briefly summarize how the President with our National
Energy Plan proposes to address those challenges ... days
ahead.

- Today, America consumes 98 quadrillion British thermal
units, or quads as they are called, a year in all forms of
energy. Our domestic production is 72 quads, which means
that the imbalance between demand and supply is made up with
imports.

Between now and 2020 our energy demand is projected to
rise significantly. If the energy intensity of the United
States economy--that is, the amount of energy needed to
generate a dollar of GDP--remained constant over those 20
years, our demand in the year 2020 would rise from 98 quads
per year to 175. Fortunately, we believe that our plan,
current policies, and the combined interests of people on all
forums and all sides of the policy debate will work together
to improve energy efficiency over that period to the point
that the actual energy demand in 2020 can be lowered from 175
to 127 quads.

That means improved energy efficiency can help close much
of the gap between projected energy demand and projected energy production. And we are committed to doing just that.

However, improved energy efficiency alone cannot do the whole job. And for that reason, the United States will need more energy supply. The question is, where do we get that increased supply when over the last decade domestic supply production has remained relatively flat?

To address those challenges both in terms of achieving the efficiency gains we need as well as the supply gains we require, our National Energy Plan has adopted an approach that we believe is balanced and comprehensive. As the President said, we are looking for a new harmony among our priorities. So let me just briefly outline the 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 to gain the energy efficiencies I have talked about. 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 on corporate average fuel economy standards.

Second, our plan calls for diversity in terms of our supply sources. With electricity demand forecast to rise 45 percent between now and the year 2020, we estimated...
that--that is, the Department of Energy's Energy Information Administration estimates the needs for an additional 1300 to 1900 new power plants in this country. Current policy anticipates that over 90 percent of those new plants will be fired by natural gas. A number of members of this committee already have commented on the potential implications of placing so much reliance on a single fuel source. We believe energy security dictates a more balanced approach to new power generation.

In addition to natural gas, the National Energy Plan looks to clean coal generation and nuclear power to give us the broad mix of energy-to-energy support and energy security from traditional sources. But our plan also balances our pressing requirements for the aforementioned traditional source of energy with the need for renewable and alternative sources such as hydropower, biomass, solar, wind and geothermal sources. The plan seeks to increase exploration of domestic sources of oil and natural gas, and it also recommends tax incentives for the use of certain renewables and more focused research on next-generation sources like hydrogen and fusion.

Fourth, our energy plan harmonizes growth in domestic energy production with environmental protection. This 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 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 directs the Environmental
Protection Agency to propose mandatory reduction targets for
the emission of three major pollutants: sulfur dioxide,
nitrogen oxides, and mercury from electricity generation.

We support this balanced approach with 105 recommended
actions covering the full range of energy challenges
confronting this Nation, and indeed the world, from how best
to enhance renewable sources to oil and natural gas
development in the Caspian Sea.

The administration can carry out many of these
recommendations on its own, either through executive orders
or agency-directed actions. We are moving ahead to implement
proposals as quickly as possible.

Just days after the release of our National Energy
Report, the President 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 my own, to take a
variety of actions to improve the way they use energy and to
carry forward critical aspects of this policy. For example, I have instructed our Office of Energy Efficiency and Renewable Energy to carry out a strategic review of its renewable energy research and development programs in light of the recommendations contained in our National Energy Policy.

Hydropower, geothermal, winds, and other renewables are highlighted in our report for the contribution they are making and continue to make to energy security. Promising next-generation technologies will also play a part in solving our energy challenges. Both current and future technologies will be a part of our strategic review.

I have asked that the study begin immediately--and it has--and to be completed by September 1st. And its finding will permit us to recommend appropriate funding levels that are performance based and modeled as public-private partnerships. Twenty of the report's recommendations, however, clearly require direct legislative action, and I think we will find more areas for cooperation than disagreement.

This committee has a long and proud tradition of passing bipartisan energy legislation dating back to the 1970s. I look forward to working with the committee to develop energy policy legislation consistent with those bipartisan traditions.

So I believe that we start with a wide base of agreement.
From what I have heard today, I would say that the agreement is in wider consensus than I might have anticipated. We all recognize energy is a critical challenge. We all recognize that parts of our energy supply and delivery system need enhancement or modernization. We all recognize that conservation and stewardship must go hand in hand with increasing domestic supply.

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 serious energy crisis.

Mr. Chairman, I want to thank the members of the committee for the very kind reception I have received here today, and I do look forward to working with every member of the committee as we move forward, both here at the subcommittee and the full committee, to address many issues including the challenges presented here today.

[The statement of Secretary Abraham follows:]

******** INSERT 2-1 ********

28999

Obtained and made public by the Natural Resources Defense Council, May 2002
Statement of the Honorable Spencer Abraham
Secretary of Energy
before the
House Committee on Commerce
on National Energy Policy
June 13, 2001
Introduction

Thank you Mr. Chairman.

I appreciate the opportunity to come before this committee today 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. Before taking your questions, I would like to make a brief opening statement.

My statement will outline the scope of the energy challenge we face over the next two decades, summarize the approach the President has determined will best address this challenge, and finally emphasize why I am optimistic that we can find a consensus in this country on policies that promote long-term energy security for our citizens.

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 are projected to improve energy efficiency to the point that energy demand in 2020 can be lowered from 175 quads to at least 127 quads.
That means improved energy efficiency can help close much of the gap between projected energy demand and projected domestic energy production and we are committed to doing just that.

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, our National Energy Plan has adopted an approach that is balanced and comprehensive. 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 on Corporate Average Fuel Economy standards.

Second, our Plan calls for a diversity 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 clean coal
generation and nuclear power to give us the broad mix of energy needed to meet
growing demand and support energy security.

Third, our plan balances our pressing requirements for the aforementioned
traditional sources of energy with the need for renewable and alternative sources
such as hydropower, biomass, solar, wind, and geothermal.

The Plan seeks to increase exploration of domestic sources of oil and natural
gas. And it also recommends tax incentives for the use of certain renewables and
more focused research on next-generation sources like hydrogen, and fusion.

Fourth, our energy plan harmonizes growth in domestic energy production
with environmental protection.

This 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 directs EPA to propose mandatory reduction targets for
emission of three major pollutants -- sulfur dioxide, nitrogen oxides, and mercury --
from electricity generation.
Building Consensus

We support this balanced approach with 105 recommended actions, covering the full range of energy challenges confronting this nation — and indeed the world — from how best to enhance renewable sources, to oil and natural gas development in the Caspian Sea.

The Administration can carry out many of these recommendations on its own, either through executive orders or agency directed actions. We are moving ahead to implement proposals as quickly as possible.

Just days after release of our National Energy Report, the President 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 my own, to take a variety of actions to improve the way they use energy and to carry forward critical aspects of his policy.

For example, I’ve instructed our Office of Energy Efficiency and Renewable Energy to carry out a strategic review of its renewable energy research and development programs in light of the recommendations in our National Energy Policy.

Hydropower, geothermal, wind, and other renewables are highlighted in our report for the contribution they are making and can continue to make to energy security. Promising next-generation technologies will also play a part in solving our energy challenges. Both current and future technologies will be a part of our
strategic review. I’ve asked that the study be completed by September 1st. Its findings will permit us to recommend appropriate funding levels that are performance based and modeled as public-private partnerships.

Twenty of the Report’s recommendations require legislative action and I think we will find more areas for cooperation than disagreement.

This Committee has a long and proud tradition of passing bipartisan energy legislation dating back to the 1970s. I look forward to working with the Committee to develop energy policy legislation consistent with its bipartisan tradition.

So, I believe that we start from a wide base of agreement. We all recognize energy as a critical challenge. We all recognize that parts of our energy supply and delivery system need enhancement or modernization. And we all recognize that conservation and stewardship must go hand in hand with increasing domestic supply.

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. I would be glad to take your questions at this time.

END
Mr. BARTON. We thank you, Mr. Secretary. And again we want to welcome you to the committee. The Chair would recognize himself for 5 minutes. We are going to allow each member one round of 5-minute questions. If there are additional questions, we will submit them in writing to the Secretary.

As I said in my opening statement, Mr. Secretary, think you have got the toughest job in the Cabinet, and I really mean that. But my first question is really more of a personal nature. Have there been any pleasant surprises as Secretary of Energy?

Secretary ABRAHAM. Well, I have to confess, Mr. Chairman, the most pleasant surprise has been the sort of bipartisan sympathy with which I have been treated. Both on the Senate side and here today, I have enjoyed both the welcome that I have received to the job and at the same time the cautionary notes from both sides of the aisle, from friends on both sides of the aisle, telling me how much they sympathize with my plight. But for the fact I was previously unemployed, I suspect I might share that viewpoint.

But obviously the job is a very challenging one but, fortunately, I am very happy to report that a number of the appointees, the nominees of the President to major positions, have now achieved confirmation and another group is moving towards that point, and I think as we get our full complement...