

Washington File

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Text: National Energy Policy -- Summary of Recommendations

(Bush administration plan offers wide-ranging policy initiatives)

(4850)

The Bush administration May 17 released a report from the National Energy Policy Development (NEPD) Group, a panel of top government officials directed earlier this year to develop a far-reaching energy plan for the future.

The report analyzes the energy situation from a variety of perspectives -- costs, supplies, infrastructure, conservation, environmental concerns and international relationships. In each area, the NEPD Group makes various recommendations for presidential, regulatory and congressional action.

The section presented here provides a summary of all the report recommendations, except for those regarding global energy alliances.

Those recommendations are summarized in a separate Washington File item.

The full report is available at www.whitehouse.gov/energy/

The following terms are used in the text:

ANWR - Arctic National Wildlife Refuge. This term is used to describe federal lands in Alaska which are under consideration for further oil development.

Billion - 1,000 million

LIHEAP - Low Income Energy Assistance Program

Following is the summary of all recommendations made in Chapters 1-7 of the National Energy Policy (NEP).

(begin text)

NATIONAL ENERGY POLICY SUMMARY OF RECOMMENDATIONS

CHAPTER ONE Taking Stock:

Energy Challenges Facing the United States

The NEPD Group recommends that the President issue an Executive Order to direct all federal agencies to include in any regulatory action that could significantly and adversely affect energy supplies, distribution, or use, a detailed statement on: (1) the energy impact of the proposed action, (2) any adverse energy effects that cannot be avoided should the proposal

be implemented, and (3) alternatives to the proposed action. The agencies would be directed to include this statement in all submissions to the Office of Management and Budget of proposed regulations covered by Executive Order 12866, as well as in all notices of proposed regulations published in the Federal Register.

The NEPD Group recommends that the President direct the executive agencies to work closely with Congress to implement the legislative components of a national energy policy.

The NEPD Group recommends to the President that the NEPD Group continue to work and meet on the implementation of the National Energy Policy and explore other ways to advance dependable, affordable, and environmentally responsible production and distribution of energy.

(Note: All recommendations in this report are subject to execution in accordance with applicable law. Legislation would be sought where needed. Also, any recommendations that involve foreign countries would be executed in accordance with the customs of international relations, including appropriate diplomatic consultation.)

CHAPTER TWO: Striking Home

The Impacts of High Energy Prices on Families, Communities, and Businesses

The NEPD Group recommends that the President direct the Secretary of Energy to explore potential opportunities to develop educational programs related to energy development and use. This should include possible legislation to create public education awareness programs about energy. Such programs should be long-term in nature, should be funded and managed by the respective energy industries, and should include information on energy's compatibility with a clean environment.

The NEPD Group recommends that the President take steps to mitigate impacts of high energy costs on low-income consumers. These steps would include:

- Strengthening the Low Income Home Energy Assistance Program by making \$1.7 billion available annually. This is an increase of \$300 million over the regular FY 2001 appropriation.
- Directing the Secretaries of Interior and Health and Human Services 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 and natural gas prices exceed that trigger price, as determined by the responsible agencies.

The NEPD Group recommends that the President increase funding for the Weatherization Assistance Program by \$1.2 billion over ten years. This will roughly double the spending during that period on weatherization.

Consistent with that commitment, the FY 2002 Budget includes a \$120 million increase over 2001. The Department of Energy will have the option of using a portion of those funds to test improved implementation approaches for the weatherization program.

The NEPD Group recommends that the President support legislation to allow funds dedicated for the Weatherization and State Energy Programs to be transferred to LIHEAP if the Department of Energy deems it appropriate.

The NEPD Group recommends the President recognize unique regional energy concerns by working with the National Governors Association and regional governor associations to determine how to better serve the needs of diverse areas of the country.

The NEPD Group recommends the President direct FEMA to prepare for potential energy emergencies.

- FEMA should work with states' Offices of Emergency Management as they expand existing emergency operations plans to identify potential problems and address consequences of the power shortages. FEMA should use its current Regional Incident Reporting System to identify any situations that might demand immediate attention.

- Using the structure of the already existing Federal Response Plan, FEMA should conduct Regional Interagency Steering Committee (RISC) meetings for states affected by the energy shortfalls. The RISC is a FEMA-led interagency committee comprised of agencies and departments that support the Federal Response Plan. Either an upcoming, scheduled RISC meeting or a special-focus RISC meeting can be held to identify the short-term energy outlook, as well as any expected consequences, in each of the states during the peak summer season.

CHAPTER THREE Protecting America's Environment:

Sustaining the Nation's Health and Environment

The NEPD Group recommends that the President direct the Administrator of the Environmental Protection Agency (EPA) to propose multi-pollutant legislation. The NEPD Group recommends that the President direct the EPA Administrator to work with Congress to propose legislation that would establish a flexible, market-based program to significantly reduce and cap emissions of sulfur dioxide, nitrogen oxides, and mercury from electric power generators. Such a program (with appropriate measures to address local concerns) would provide significant public health benefits even as we increase electricity supplies.

- Establish mandatory reduction targets for emissions of three main pollutants: sulfur dioxide, nitrogen oxides, and mercury.

- Phase in reductions over a reasonable period of time, similar to the successful acid rain reduction program established by the 1990 amendments to the Clean Air Act.

- Provide regulatory certainty to allow utilities to make modifications to their plants without fear of new litigation.

- Provide market-based incentives, such as emissions trading credits to help achieve the required reductions.

The NEPD Group recommends the President direct the Secretary of the

Interior to work with Congress to create the "Royalties Conservation Fund."

- This fund will earmark potentially billions of dollars in royalties from new oil and gas production in ANWR to fund land conservation efforts.

- This fund will also be used to eliminate the maintenance and improvements backlog on federal lands.

The NEPD Group recommends the President issue an Executive Order to rationalize permitting for energy production in an environmentally sound manner by directing federal agencies to expedite permits and other federal actions necessary for energy-related project approvals on a national basis. This order would establish an inter-agency task force chaired by the Council on Environmental Quality to ensure that federal agencies responsible for permitting energy-related facilities are coordinating their efforts. The task force will ensure that federal agencies set up appropriate mechanisms to coordinate federal, state, tribal, and local permitting activity in particular regions where increased activity is expected.

CHAPTER FOUR Using Energy Wisely:

Increasing Energy Conservation and Efficiency

The NEPD Group recommends that the President direct the Office of Science and Technology Policy and the President's Council of Advisors on Science and Technology to review and make recommendations on using the nation's energy resources more efficiently.

The NEPD Group recommends that the President direct the Secretary of Energy to conduct a review of current funding and historic performance of energy efficiency research and development programs in light of the recommendations of this report. Based on this review, the Secretary of Energy is then directed to propose appropriate funding of those research and development programs that are performance-based and are modeled as public-private partnerships.

The NEPD Group recommends that the President direct the Secretary of Energy to promote greater energy efficiency.

- Expand the Energy Star program beyond office buildings to include schools, retail buildings, health care facilities, and homes.

- Extend the Energy Star labeling program to additional products, appliances, and services.

- Strengthen Department of Energy public education programs relating to energy efficiency.

The NEPD Group recommends that the President direct the Secretary of Energy to improve the energy efficiency of appliances.

- Support the appliance standards program for covered products, setting higher standards where technologically feasible and economically justified.

- Expand the scope of the appliance standards program, setting standards for additional appliances where technologically feasible and economically justified.

The NEPD Group recommends that the President direct heads of executive departments and agencies to take appropriate actions to conserve energy use at their facilities to the maximum extent consistent with the effective discharge of public responsibilities. Agencies located in regions where electricity shortages are possible should conserve especially during periods of peak demand. Agencies should report to the President, through the Secretary of Energy, within 30 days on the conservation actions taken.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress to encourage increased energy efficiency through combined heat and power (CHP) projects by shortening the depreciation life for CHP projects or providing investment tax credits.

The NEPD Group recommends that the President direct the Administrator of the Environmental Protection Agency (EPA) to work with local and state governments to promote the use of well-designed CHP and other clean power generation at brownfields sites, consistent with the local communities' interests. EPA will also work to clarify liability issues if they are raised at a particular site.

The NEPD Group recommends that the President direct the EPA Administrator to promote CHP through flexibility in environmental permitting.

The NEPD Group recommends that the President direct the Secretary of Transportation to:

- Review and provide recommendations on establishing Corporate Average Fuel Economy (CAFE) standards with due consideration of the National Academy of Sciences study to be released in July 2001. Responsibly crafted CAFE standards should increase efficiency without negatively impacting the U.S. automotive industry. The determination of future fuel economy standards must therefore be addressed analytically and based on sound science.

- Consider passenger safety, economic concerns, and disparate impact on the U.S. versus foreign fleet of automobiles.

- Look at other market-based approaches to increasing the national average fuel economy of new motor vehicles.

The new NEPD Group recommends that the President direct the Secretary of Transportation to review and promote congestion mitigation technologies and strategies and work with Congress on legislation to implement these strategies.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress on legislation to increase energy efficiency with a tax credit for fuel-efficient vehicles. The NEPD Group recommends that a temporary, efficiency-based income tax credit be available for purchase of new hybrid fuel cell vehicles between 2002 and 2007.

The NEPD Group recommends that the President direct all agencies to use technological advances to better protect our environment.

--The Administration remains committed to investing in Intelligent Transportation Systems (ITS) and encourages the private sector to invest in ITS applications. This Department of Transportation (DOT) program funds the development of improved transportation infrastructure that will reduce congestion, such as traveler information/navigation systems, freeway management, and electronic toll collection. ITS applications reduce fuel associated with travel.

--The Administration remains committed to the DOT's fuel-cell-powered transit bus program, authored by the Transportation Equity Act for the 21st Century (TEA-21). This program demonstrates the viability of fuel-cell power plants for transit bus applications.

--The Administration remains committed to the Clean Buses program. TEA-21 establishes a new clean fuel formula grant program, which provides an opportunity to accelerate the introduction of advanced bus propulsion technologies into the mainstream of the nation's transit fleet.

The NEPD Group recommends that the President direct the EPA and DOT to develop ways to reduce demand for petroleum transportation fuels by working with the trucking industry to establish a program to reduce emissions and fuel consumption from long-haul trucks at truck stops by implementing alternatives to idling, such as electrification and auxiliary power units at truck stops along interstate highways. EPA and DOT will develop partnership agreements with trucking fleets, truck stops, and manufacturers of idle-reducing technologies (e. g., portable auxiliary packs, electrification) to install and use low-emission- idling technologies.

The NEPD Group recommends that the President direct the Secretary of Energy to establish a national priority for improving energy efficiency. The priority would be to improve the energy intensity of the U. S. economy as measured by the amount of energy required for each dollar of economic productivity. This increased efficiency should be pursued through the combined efforts of industry, consumers, and federal, state, and local governments.

The NEPD Group recommends that the President direct the EPA Administrator to develop and implement a strategy to increase public awareness of the sizable savings that energy efficiency offers to homeowners across the country. Typical homeowners can save about 30 percent (about \$400) a year on their home energy bill by using Energy Star-labeled products.

Chapter Five Energy for a New Century: Increasing Domestic Energy Supplies

The NEPD Group recommends that the President direct the Secretaries of Energy and the Interior to promote enhanced oil and gas recovery from existing wells through new technology. The NEPD Group recommends that the President direct the Secretary of Energy to improve oil and gas exploration technology through continued partnership with public and private entities.

The NEPD Group recommends that the President direct the Secretary of the Interior to examine land status and lease stipulation impediments to federal oil and gas leasing, and review and modify those where opportunities exist (consistent with the law, good environmental practice, and balanced use of other resources).

- Expedite the ongoing Energy Policy and Conservation Act study of impediments to federal oil and gas exploration and development.

- Review public lands withdrawals and lease stipulations, with full public consultation, especially with the people in the region, to consider modifications where appropriate.

The NEPD Group recommends that the President direct the Secretary of the Interior to consider economic incentives for environmentally sound offshore oil and gas development where warranted by specific circumstances: explore opportunities for royalty reductions, consistent with ensuring a fair return to the public where warranted for enhanced oil and gas recovery; for reduction of risk associated with production in frontier areas or deep gas formations; and for development of small fields that would otherwise be uneconomic.

The NEPD Group recommends that the President direct the Secretaries of Commerce and Interior to re-examine the current federal legal and policy regime (statutes, regulations, and Executive Orders) to determine if changes are needed regarding energy-related activities and the siting of energy facilities in the coastal zone and on the Outer Continental Shelf (OCS).

The NEPD Group recommends that the President direct the Secretary of the Interior continue OCS oil and gas leasing and approval of exploration and development plans on predictable schedules.

The NEPD Group recommends that the President direct the Secretary of the Interior to consider additional environmentally responsible oil and gas development, based on sound science and the best available technology, through further lease sales in the National Petroleum Reserve-Alaska. Such consideration should include areas not currently leased within the Northeast corner of the Reserve.

The NEPD Group recommends that the President direct the Secretary of the Interior work with Congress to authorize exploration and, if resources are discovered, development of the 1002 Area of ANWR.

Congress should require the use of the best available technology and should require that activities will result in no significant adverse impact to the surrounding environment.

The NEPD Group recommends that the President direct the Secretary of the Interior to work with Congress and the State of Alaska to put in place the most expeditious process for renewal of the Trans-Alaska Pipeline System rights-of-way to ensure that Alaskan oil continues to flow uninterrupted to the West Coast of the United States.

The NEPD Group recommends that the President direct the Secretary of Energy to propose

comprehensive electricity legislation that promotes competition, protects consumers, enhances reliability, promotes renewable energy, improves efficiency repeals the Public Utility Holding Company Act, and reforms the Public Utility Regulatory Policies Act.

The NEPD Group recommends that the President encourage FERC to use its existing statutory authority to promote competition and encourage investment in transmission facilities.

The NEPD Group recognizes the importance of looking to technology to help us meet the goals of increasing electricity generation while protecting our environment. To that end, the NEPD Group recommends that the President direct the Department of Energy to continue to develop advanced clean coal technology by:

- Investing \$2 billion over 10 years to fund research in clean coal technologies.
- Supporting a permanent extension of the existing research and development tax credit.
- Directing federal agencies to explore regulatory approaches that will encourage advancements in environmental technology.

The NEPD Group recommends that the President direct federal agencies to provide greater regulatory certainty relating to coal electricity generation through clear policies that are easily applied to business decisions.

The NEPD Group recommends that the President support the expansion of nuclear energy in the United States as a major component of our national energy policy. Following are specific components of the recommendation:

- Encourage the Nuclear Regulatory Commission (NRC) to ensure that safety and environmental protection are high priorities as they prepare to evaluate and expedite applications for licensing new advanced-technology nuclear reactors.
- Encourage the NRC to facilitate efforts by utilities to expand nuclear energy generation in the United States by uprating existing nuclear plants safely. - Encourage the NRC to relicense existing nuclear plants that meet or exceed safety standards.
- Direct the Secretary of Energy and the Administrator of the Environmental Protection Agency to assess the potential of nuclear energy to improve air quality.
- Increase resources as necessary for nuclear safety enforcement in light of the potential increase in generation.
- Use the best science to provide a deep geologic repository for nuclear waste.
- Support legislation clarifying that qualified funds set aside by plant owners for eventual decommissioning will not be taxed as part of the transaction.
- Support legislation to extend the Price-Anderson Act.

The NEPD Group recommends that, in the context of developing advanced nuclear fuel cycles and next generation technologies for nuclear energy, the United States should reexamine its

policies to allow for research, development and deployment of fuel conditioning methods (such as pyroprocessing) that reduce waste streams and enhance proliferation resistance. In doing so, the United States will continue to discourage the accumulation of separated plutonium, worldwide.

The United States should also consider technologies (in collaboration with international partners with highly developed fuel cycles and a record of close cooperation) to develop reprocessing and fuel treatment technologies that are cleaner, more efficient, less waste-intensive, and more proliferation-resistant.

The NEPD Group recognizes there is a need to reduce the time and cost of the hydro-power licensing process. The NEPD Group recommends that the President encourage the Federal Energy Regulatory Commission (FERC) and direct federal resource agencies to make the licensing process more clear and efficient, while preserving environmental goals. In addition, the NEPD Group recognizes the importance of optimizing the efficiency and reliability of existing hydropower facilities and will encourage the Administration to adopt efforts to-ward that end.

- Support administrative and legislative reform of the hydropower licensing process.

- Direct federal resource agencies to reach interagency agreement on conflicting mandatory license conditions before they submit their conditions to FERC for inclusion in a license.

- Encourage FERC to adopt appropriate deadlines for its own actions during the licensing process.

CHAPTER SIX Nature's Power:

Increasing America's Use of Renewable and Alternative Energy

The NEPD Group recommends that the President direct the Secretaries of the Interior and Energy to re-evaluate access limitations to federal lands in order to increase renewable energy production, such as biomass, wind, geothermal, and solar.

The NEPD Group supports the increase of \$39.2 million in the FY 2002 budget amendment for the Department of Energy's Energy Supply account that would provide increased support for research and development of renewable energy re-sources.

The NEPD Group recommends that the President direct the Secretary of Energy to conduct a review of current funding and historic performance of renewable energy and alternative energy research and development programs in light of the recommendations of this report. Based on this review, the Secretary of Energy is then directed to propose appropriate funding of those research and development programs that are performance-based and are modeled as public-private partnerships.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress on legislation to expand the section 29 tax credit to make it available for

new landfill methane projects. The credit could be tiered, depending on whether a landfill is already required by federal law to collect and flare its methane emissions due to local air pollution concerns.

The NEPD Group recommends that the President direct the Secretary of the Interior to determine ways to reduce the delays in geothermal lease processing as part of the permitting review process.

The NEPD Group recommends that the President direct the Administrator of the Environmental Protection Agency to develop a new renewable energy partnership program to help companies more easily buy renewable energy, as well as receive recognition for the environmental benefits of their purchase, and help consumers by promoting consumer choice programs that increase their knowledge about the environmental benefits of purchasing renewable energy.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress on legislation to extend and expand tax credits for electricity produced using wind and biomass. The President's budget request extends the present 1.7 cents per kilowatt hour tax credit for electricity produced from wind and biomass; expands eligible biomass sources to include forest-related sources, agricultural sources, and certain urban sources; and allows a credit for electricity produced from biomass co-fired with coal.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress on legislation to provide a new 15 percent tax credit for residential solar energy property, up to a maximum credit of \$2,000.

The NEPD Group recommends that the President direct the Secretaries of the Interior and Energy to work with Congress on legislation to use an estimated \$1.2 billion of bid bonuses from the environmentally responsible leasing of ANWR for funding research into alternative and renewable energy resources, including wind, solar, geothermal, and biomass.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress to continue the ethanol excise tax exemption.

The NEPD Group recommends that the President direct the Secretary of Energy to develop next-generation technology -- including hydrogen and fusion.

--Develop an education campaign that communicates the benefits of alternative forms of energy, including hydrogen and fusion.

--Focus research and development efforts on integrating current programs regarding hydrogen, fuel cells, and distributed energy.

--Support legislation reauthorizing the Hydrogen Energy Act.

The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress to develop legislation to provide for a temporary income tax credit

available for the purchase of new hybrid or fuel-cell vehicles between 2002 and 2007.

The NEPD Group recommends that the President direct the Administrator of the Environmental Protection Agency to issue guidance to encourage the development of well-designed combined heat and power (CHP) units that are both highly efficient and have low emissions. The goal of this guidance would be to shorten the time needed to obtain each permit, provide certainty to industry by ensuring consistent implementation across the country, and encourage the use of these cleaner, more efficient technologies.

CHAPTER SEVEN America's Energy

Infrastructure: A Comprehensive Delivery System

The NEPD Group recommends that the President direct the Secretary of Energy to work with the Federal Energy Regulatory Commission (FERC) to improve the reliability of the interstate transmission system and to develop legislation providing for enforcement by a self-regulatory organization subject to FERC oversight.

The NEPD Group recommends that the President direct the Secretary of Energy to expand the Department's research and development on transmission reliability and superconductivity. The NEPD Group recommends that the President direct the Secretary of Energy to authorize the Western Area Power Administration to explore relieving the "Path 15" bottle-neck through transmission expansion financed by nonfederal contributions.

The NEPD Group recommends that the President direct the appropriate federal agencies to take actions to remove constraints on the interstate transmission grid and allow our nation's electricity supply to meet the growing needs of our economy.

--Direct the Secretary of Energy, by December 31, 2001, to examine the benefits of establishing a national grid, identify transmission bottlenecks, and identify measures to remove transmission bottlenecks.

--Direct the Secretary of Energy to work with FERC to relieve transmission constraints by encouraging the use of incentive rate-making proposals.

--Direct the federal utilities to determine whether transmission expansions are necessary to remove constraints. The Administration should review the Bonneville Power Administration's (BPA's) capital and financing requirements in the context of its membership in a regional RTO, and if additional Treasury financing appears warranted or necessary in the future, the Administration should seek an increase in BPA's borrowing authority at that time.

--Direct the Secretary of Energy, in consultation with appropriate federal agencies and state and local government officials, to develop legislation to grant authority to obtain rights-of-way for electricity transmission lines, with the goal of creating a reliable national transmission grid. Similar authority already exists for natural gas pipelines in recognition of their role in interstate commerce.

The NEPD Group recommends that the President direct the Secretary of the Interior to work with Congress and the State of Alaska to put in place the most expeditious process for renewal of the Trans-Alaskan Pipeline System lease to ensure that Alaskan oil continues to flow uninterrupted to the West Coast of the United States.

The NEPD Group recommends that the President direct the Secretaries of Energy and State, coordinating with the Secretary of the Interior and the Federal Energy Regulatory Commission, to work closely with Canada, the State of Alaska, and all other interested parties to expedite the construction of a pipeline to deliver natural gas to the lower 48 states. This should include proposing to Congress any changes or waivers of law pursuant to the Alaska Natural Gas Transportation Act of 1976 that may be required.

The NEPD Group recommends that the President support legislation to improve the safety of natural gas pipelines, protect the environment, strengthen emergency preparedness and inspections and bolster enforcement.

The NEPD Group recommends that the President direct agencies to continue their interagency efforts to improve pipeline safety and expedite pipeline permitting in an environmentally sound manner and encourage FERC to consider improvements in the regulatory process governing approval of interstate natural gas pipeline projects.

The NEPD Group recommends that the President direct the Administrator of the EPA to study opportunities to maintain or improve the environmental benefits of state and local "boutique" clean fuel programs while exploring ways to increase the flexibility of the fuels distribution infrastructure, improve fungibility, and provide added gasoline market liquidity. In concluding this study, the Administrator shall consult with the Departments of Energy and Agriculture, and other agencies as needed.

The NEPD Group recommends that the President direct the Administrator of the Environmental Protection Agency and the Secretary of Energy to take steps to ensure America has adequate refining capacity to meet the needs of consumers.

--Provide more regulatory certainty to refinery owners and streamline the permitting process where possible to ensure that regulatory overlap is limited.

--Adopt comprehensive regulations (covering more than one pollutant and requirement) and consider the rules' cumulative impacts and benefits.

The NEPD Group recommends that the President direct the Administrator of the Environmental Protection Agency, in consultation with the Secretary of Energy and other relevant agencies, to review New Source Review regulations, including administrative interpretation and implementation, and report to the President within 90 days on the impact of the regulations on investment in new utility and refinery generation capacity, energy efficiency, and environmental protection.

The NEPD Group recommends that the President direct the Attorney General to review existing enforcement actions regarding New Source Review to ensure that the enforcement actions are consistent with the Clean Air Act and its regulations.

The NEPD Group supports the President's budget proposal to provide \$8 million to maintain the two-million-barrel Northeast Heating Oil Reserve. Operated by the private sector, the Reserve helps ensure adequate supplies of heating oil in the event that colder than normal winters occur in the Northeast United States.

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