

**NATIONAL ENERGY POLICY REPORT OF THE
NATIONAL ENERGY POLICY DEVELOPMENT
GROUP**

HEARING
BEFORE THE
SUBCOMMITTEE ON ENERGY AND AIR QUALITY
OF THE
COMMITTEE ON ENERGY AND
COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED SEVENTH CONGRESS

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NATIONAL ENERGY POLICY REPORT OF THE NATIONAL ENERGY POLICY DEVELOPMENT GROUP

WEDNESDAY, JUNE 13, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
SUBCOMMITTEE ON ENERGY AND AIR QUALITY,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:59 a.m., in room 2123, Rayburn House Office Building, Hon. Joe Barton (chairman) presiding.

Members present: Representatives Barton, Cox, Burr, Whitfield, Ganske, Shimkus, Wilson, Shadegg, Pickering, 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.

Staff present: Sean Cunningham, majority counsel; Jason Bentley, majority counsel; Joe Stanko, majority counsel; Bob Meyers, majority counsel; Andy Black, policy coordinator; Pete Kiely, legislative clerk; Erik Kessler, minority professional staff member; Sue Sheridan, minority counsel; and Allison Taylor, minority counsel.

Mr. BARTON. The subcommittee will come to order.

We want to welcome you, Mr. Secretary. We want to welcome you to your first official appearance before the Energy and Air Quality Subcommittee of the Energy and Commerce Committee.

Today, we are going to hear your views on the national energy policy. Last month, the President's National Energy Policy Development Group, which you are a very important member of, sent a report to the President, to the Congress and to the country about what we should do about our Nation's energy policy. I have actually read the report, cover to cover, looked at the tables and the annex. I am sure my other subcommittee members have studied the report in some detail, and I personally think that it is a balanced approach and a good prescription for what this country needs.

The word balance is used a lot today in Washington, and my guess is we are going to hear it used a few more times today. The plan that has been presented to the Congress and the country is a balanced plan. It is a truly comprehensive plan for a national energy policy. It includes conservation, energy efficiency, renewables and other alternative sources of energy. They are highlighted in

the plan. It also alludes to the need for more use of coal, nuclear power, hydroelectric power, natural gas and crude oil.

One of the things that is pointed out in the report is that our Nation is a net importer of energy. Just as we have seen in California, which is a State that is a net importer of electricity, when we have a supply demand imbalance, that could cause problems.

Many of the nations that we import our energy supplies from, like Canada, are allies and good friends. The same could be said for Mexico, our neighbor to the south and others who are not directly located on our borders. We maintain good relationships with and would assume that in times of trouble we will maintain that relationship, but that is not always the case. For example, we import over a half a million barrels of crude oil from Iraq, a nation that we went to war against less than 10 years ago and a nation which we continue to have economic sanctions against.

Our energy policy for the last decade, in my opinion, has been neglected. We have really neglected the supply side of the equation. And what we have seen is literally that we have begun to pay the piper with higher prices across the board in heating oil, crude oil, gasoline, natural gas and electricity.

I don't think we are in a crisis. I do think we have a serious problem, and I think to solve this problem we need to use every element of an energy policy, put it on the table, study it, vote on it and move forward.

Many people have said that conservation renewables are the answer and the only answer. I have yet to meet a Member of Congress who is anti-renewable. There may be one or two, but I don't know who they are. The problem with renewables is that if you exclude hydroelectricity, they supply $\frac{2}{10}$ ths of 1 percent of a quad of energy for our Nation. A quad is a quadrillion Btus, and we use a hundred quads a year of energy. So we can quadruple or increase tenfold renewables, and we are still not going to make a significant gap any time soon in our energy supply situation.

Many other people talk about conservation. Conservation is extremely important, and our Nation has become more conservative of its energy uses. Our energy efficiency is one of the best in the world. Obviously, it could do better. Chairman Tauzin has indicated that the first part of the energy package we are going to move in this committee is a conservation package, and I am sure he will talk about that in his opening statement.

So we are not ignoring conservation and energy efficiency, but, again, if you have a growing nation with a growing economy, you have to have growing supplies of energy also.

Two of the components of your comprehensive policy that we are very supportive of are the renewal of nuclear power and perhaps increased use of hydroelectric power. We hope to move the hydroelectric relicensing bill in this committee very soon. We also hope to move legislation with regards to the nuclear industry, specifically high-level nuclear waste and Price-Anderson insurance reauthorization. Hydro and nuclear have no air emissions at all. New nuclear technologies and developments and incremental hydroelectric capacity can help promote our energy security, and we should not ignore them.

Finally, we have come to our fossil fuels. They are the bad guys in the energy debate, because of their emissions and the fact that some folks think that we simply just use too much oil and we shouldn't do that. We can't take them off the table, however, because they provide, between natural gas and oil, about two-thirds of our total Nation's energy use. And in transportation, it is even a higher number. Our transportation infrastructure is almost totally dependent on oil and its derivatives, i.e., gasoline and aviation fuel. So we are going to have to take a look at our conventional fuel sources in that area.

Similarly, we have to look at coal. Our Nation has become the Saudi Arabia of coal. No Nation has more coal reserves than the United States of America. We need to solve the emissions problem with coal, but coal has to be a part of the supply equation, also.

Energy has not normally been a partisan issue, and I hope that it is not going to be a partisan issue in this committee and in this Congress. Republican consumers and workers need electricity, gasoline and energy, just as Democrat consumers and workers need electricity, gasoline and energy.

In the past, members of this subcommittee and the full committee have studied energy issues on a bipartisan basis and passed energy legislation on a bipartisan basis. I happen to think that the members of the subcommittee are the most educated and knowledgeable in this Congress, and I would hope that we can—and I certainly intend to work with Mr. Boucher and I know Mr. Tauzin intends to work with Mr. Dingell, to put together a bipartisan energy package.

Secretary Abraham, I sincerely want to welcome you today. We have already formed, in my opinion, an extremely close working relationship. You have got a very, very difficult job. In fact, I think you probably have the most difficult job in this Cabinet, because energy is such an important issue, and it is an issue that has to be dealt with. It can't be put off the table.

So I look forward to your comments, but, more importantly, I look forward to working with you, the Vice President, the President, EPA and the Department of Interior to really put together a comprehensive energy package.

[The prepared statement of Hon. Joe Barton follows:]

PREPARED STATEMENT OF HON. JOE BARTON, CHAIRMAN, SUBCOMMITTEE ON ENERGY AND AIR QUALITY

Today, the Energy & Air Quality Subcommittee holds another in its series of hearings on national energy policy. We welcome today the new Secretary of Energy, Spence Abraham.

Last month, the President's National Energy Policy Development Group, of which Secretary Abraham is an important member, sent a report to the President and to Congress. I have read the report cover to cover, and I hope Subcommittee Members have, as well as members of the press whose job it is to describe it.

The word "balanced" is used a lot in Washington, but must certainly be used here today. This is a balanced plan for a truly comprehensive energy policy. Conservation, energy efficiency, renewables, and other alternate energy all have their place in the plan, as they do in our national policy. Coal, nuclear, hydro, natural gas, and crude oil also have their place in the plan, as they do in the real world today.

Our nation is a net energy importer. Just as California needs to erode its supply-demand imbalance in electricity, our Nation needs to do the same for energy as a whole. Many of the Nations we import energy from, such as Canada, are allies and good friends. Others, we maintain good relationships with, and will usually work with us in times of trouble. But not always. Still others, such as Iraq, love our de-

pendency upon energy imports and look to leverage our liability against us. This year, our average imports of crude oil from Iraq exceed half a million barrels per day.

Energy policy has been neglected. Our supply has not grown as it should. Within the last several seasons, we have begun to pay the price, with price spikes in heating oil, crude oil, gasoline, natural gas, and, of course, electricity.

In this time of crisis, or in this troubling time, (if some will not let us say "crisis"), we must put every element of an energy policy on the table and ignore nothing. Renewables other than hydro are only a very small part of our energy inventory, and in many cases the technologies are not yet economically competitive—but we should not ignore them, and we should, in fact, encourage renewable technologies.

Our gains in conservation and energy efficiency have been impressive. Today, we are among the most energy-efficient Nations in the world. But we cannot ignore further developments in conservation and energy efficiency, and find ways to achieve them without hurting consumers and businesses.

Nuclear and hydro energy have two great advantages for consumers, environmental groups, and lawmakers—both have no air emissions. New nuclear technologies and developments in incremental hydro capacity can help promote our energy security, and cannot be ignored. In some parts of the country, hydro supplies more than a third of our electricity. Nuclear supplies one-fifth of our electricity nationally, and more than thirty percent in New England and the Mid-Atlantic.

Finally, our fossil fuels continue to play an incredibly important role in the generation of electricity, the fueling of our cars, and the production of goods and services for American consumers. None of them should be taken off the table, and we should pursue, not neglect, using our natural resource advantages in a comprehensive plan. Our Nation has been called the "Saudi Arabia of coal". No Nation with such a gift is wise to ignore it.

Energy is not naturally a partisan issue, and it should not be partisan here. Republican consumers and workers need electricity, gasoline, and energy for manufacturing, just as Democratic consumers and workers need the same. Members of this Subcommittee from both parties have studied energy issues for a long time and have a great understanding of what needs to be done. As we prepare legislation subsequent to the Administration's proposal, I want to do so on a bipartisan basis. I know the Ranking Member, Mr. Boucher, is ready to do the same.

Secretary Abraham, I welcome you today. You have already shown yourself a good study and a forceful advocate. Our Subcommittee jurisdiction includes a great deal of your department, and we look forward to working with you. This is a critically important time—we must get the Nation back on track towards energy stability. The plan you will discuss today appears to me to be a good one and will accomplish that goal.

Mr. BARTON. Mr. Boucher is not here today. He is in markup on the broadband bill in the Judiciary Committee, so we would go to the full distinguished committee ranking member, Mr. Dingell, for an opening statement.

Mr. DINGELL. Mr. Chairman, thank you; and I commend you for this hearing.

I am delighted to welcome my friend and fellow citizen of Michigan, Secretary Abraham, to appear before this committee. We are grateful that you are here, Mr. Secretary; and we understand that you have been busy and that sometimes it takes a little while to getting around to come up here and visit with your friends.

In any event, I would like to say that I am pleased that our agenda has shifted from a debate over whether to abolish the Department of Energy or to sell off the Strategic Petroleum Reserve to a more prudent and national debate over the national energy policies. And I want to commend you again, Mr. Chairman, for initiating this hearing and proceeding.

I am not envious of the task which confronts you, Mr. Secretary. California consumers face astronomical prices, rolling blackouts and a dysfunctional market, which is causing real problems, and we can see them extend as far east as the crest line of the Rocky Mountains.

I would like to note that we are not likely to see this situation resolving itself, particularly as regards to the dysfunctional state of the market in California. Gasoline prices have climbed this year, and they can get worse, particularly if California's electricity problems forced a shutdown of a refinery or two or three in the Western United States or if individual refiners decide to hold a little back to encourage a modest boost in their bottom line, as the Federal Trade Commission reported they did last year.

In the Pacific Northwest, which is dependent upon federally funded hydroelectric power, the lack of adequate snowfall and rain leaves you with the unenviable task of having to choose between industries like aluminum manufacturing, which is historically dependent upon cheap, subsidized electricity, or the commercial and recreational fishing industries, which depend on the continued existence of salmon and other species that are being wiped out by these same hydroelectric plants. Of course, these are just a few of the short-term issues.

The long-term issues involve equally difficult choices. How do we export national gas resources in the Rocky Mountains without trampling on the rights of hunters or adversely impacting the concerns of the people in the area? This is a question here, then, of do we give FERC imminent domain authority, as the administration suggested, as the only and the best way to assure electric transmission lines get built? If we do so, what is the way that we define the amount or the way in which those easements are given by eminent domain?

Is there a new way to ensure capacity without trampling on the environment, the rights of the States, the rights of private property owners? How do we convince our American people that the offshore drilling process poses absolutely no threat to the protection of the substantial coastal resources or the substantial revenues that they receive each year from fisheries and coastal tourism? What is the proper mix of initiatives to increase supply and initiatives to reduce the demand through improving efficiency?

Now, America is in a peculiar position of being blessed with rich and abundant resources of natural energy. However, any production of these resources must be tempered by a sound approach. We simply cannot blindly drill, dig and detonate our way out of today's energy crunch. Clean and safe production of coal and nuclear energy affords us a great opportunity to strengthen American energy's reserves and to reduce our dependence on imports. We should explore these options and not dismiss them out of hand, but to do this we must have a real commitment to bipartisanship and no more lip service.

In 1991, when I was chairman of the committee, we started work together here on both sides of the aisle with a Republican President to put together the Energy Policy Act of 1992. It was hard, it was fierce, and it wasn't glamorous, and it wasn't easy, but it was serious work, and it required a serious and sincere bipartisan effort, which, believe it or not, this committee produced. The result of that effort led to the energy policy that has for the better part of the decade served as our energy policy.

Today, we are faced with the same tough job, and I hope that we can generate the necessary commitment to bipartisanship.

As we begin to consider the President's energy policy, I can't help but note that it was developed in secret. The Vice President's task force continued to stonewall Congressman Waxman and me at every turn in our request for the records of meetings in which the policy was discussed. They even refused to cooperate with the General Accounting Office, which is also investigating the development of that policy.

I believe the American people deserve to know how their energy policy was put together and who had a seat at the table. Mr. Secretary, I hope that you can persuade the powers in the White House to play straight with the public and with us by providing the necessary information and by seeing to it that we have an open and a transparent and a proper process for moving forward in this matter.

The administration's first attempt to push its energy policy has not yet met with a ground swell of support. Why? Perhaps because it is light on substance and perhaps because it is light on conservation and perhaps because it is heavy on glossy photos and reproductions. Balanced is not a word that does that document justice. I think it is time to put aside glossy books and break out the chalkboard so we can get together to talk about charting a balanced legislative approach to the Nation's energy concerns.

Mr. Secretary, I stand ready to work with you and with our distinguished subcommittee chairman and to try, as I did before, to put together a truly meaningful and bipartisan legislation on energy. I hope that all will join in this effort. Thank you.

[The prepared statement of Hon. John D. Dingell follows:]

PREPARED STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MICHIGAN

Thank you, Mr. Chairman. I am pleased that we have been able to arrange for my friend from Michigan, Secretary Abraham, to come before this Subcommittee. We have earnestly attempted to have you here sooner but, as often happens at the beginning of an Administration, things sometimes take longer than we want or expect.

I would observe that I am quite pleased that our agenda has shifted from a debate over whether to abolish the Department of Energy to a debate over our Federal Energy policies.

I am not envious of the task ahead of you, Mr. Secretary. California consumers face astronomical prices and rolling blackouts as a result of a dysfunctional market. One, I would note, that is not likely to remedy itself. Gasoline prices have climbed this year and could get worse, particularly if California's electricity problems force the shutdown of a refinery in the West, or if individual refiners decide to hold a little back to encourage a little boost in their bottom line, as the Federal Trade Commission reported they did last year.

In the Pacific Northwest, which is dependent upon federally-funded hydroelectric power, the lack of adequate snowfall and rain leaves you with the unenviable task of having to choose between industries like aluminum manufacturing, which are dependent upon cheap, subsidized, electricity, or the commercial and recreational fishing industries, which depend upon the continued existence of salmon and other species of fish that are being wiped out by these hydroelectric plants.

Of course, those are just some of the short term issues. The long term issues involve equally difficult choices. How do we exploit natural gas resources in the Rocky Mountains without trampling on the rights of hunters? Is giving FERC eminent domain authority—as the Administration has suggested—the only and best way to assure new electricity transmission gets built, or is there a way to ensure new capacity without trampling on the environment, the rights of states, or the rights of private property owners? How do you convince the American people that off-shore drilling poses absolutely no threat to the substantial revenues they receive each year

from coastal tourism? What is the proper mix of initiatives to increase supply and initiatives to reduce demand through improving efficiency?

America is blessed with rich and abundant sources of natural energy; however, any production of these resources must be tempered by a sound approach. We simply cannot blindly dig, drill, and detonate our way out of today's energy crunch.

Clean and safe production of coal and nuclear energy affords us the real opportunity to strengthen America's energy reserves and lessen our dependence on foreign imports. We should explore these options, not dismiss them out of hand. But to do this we must have a real commitment of bipartisanship, not more lip-service.

In 1991, when I was Chairman of this Committee, I started work with colleagues on both sides of the aisle and a Republican President to put together the Energy Policy Act of 1992. It wasn't glamorous work, it wasn't easy work, but it was serious work that required a serious and sincere bipartisan effort. The result of that effort led to the energy policy that has, for the better part of a decade, served as our energy policy.

Today we are faced with the same tough job; sadly we seem to lack the same sincere commitment to bipartisanship.

As we begin to consider the President's energy policy, I can't help but note that it was developed in secret. The Vice President's task force continues to stonewall Congressman Waxman and me at every turn in our simple request for records of meetings at which the policy was discussed. They have even refused to cooperate with the General Accounting Office, which is also investigating the development of the policy. The American people deserve to know how their energy policy was put together and who had a seat at the table. Mr. Secretary, I hope you can persuade the powers that be at the White House to play straight with the public, and with us, by providing this information.

The Administration's first attempt to push its energy policy has not been met with by a groundswell of support. Why? Because it was light on substance and conservation and heavy on glossy photos and productions. Balanced is not a word that does the document justice.

It is time to set aside the glossy book and break out the chalkboard so that we can get about charting a balanced legislative approach to the Nation's energy concerns.

I stand ready to work now, as I did before, to put together truly meaningful and bipartisan legislation on energy policy.

Mr. BARTON. We thank the distinguished full committee ranking member.

We now recognize the full committee chairman, the distinguished gentleman from Louisiana, Mr. Tauzin, for his statement.

Chairman TAUZIN. I thank the chairman and particularly want to welcome and thank the Secretary of Energy, the Honorable Spencer Abraham, for being here with us today and beginning this official dialog.

I want to echo Mr. Dingell's sentiments, first of all. We worked before in a bipartisan fashion; and, Mr. Dingell, we will again. We can differ on how well balanced that policy recommendation we have seen is and how well balanced our product is going to be, but I happen to think it is an extraordinarily well balanced set of recommendations, Mr. Secretary, and we intend to even improve on that as we go forward.

Let me first say that every day, every week, every month since I have been privileged to sit on the chairmanship of the full committee and work with Mr. Barton as a subcommittee chair along with his ranking members and Mr. Dingell, we have been preparing for this moment. Our staffs have been working quietly. We, of course, have interacted with the Vice President's task force, and we are prepared to begin moving an energy proposal through this Congress and through this committee, and it will be comprehensive, and it will be balanced.

I want to make a few quick points about it. First of all, on the Crossfire show that I recently appeared on, Bill Press asked me if

it wasn't true that we Republicans were making up this crisis just to help our oil buddies, implying this was some sort of vast right wing conspiracy, designing a crisis that we might need to artificially correct.

Let us test that argument. For the Nation to have a correct and sound and decent energy policy, Americans ought to know that they have a secure supply of energy, that they have a reliable supply of energy, that the energy provided to them is affordable and that it respects environmental and conservation objectives of our country. It is a four-point test. And the question we should ask ourselves is, do we indeed face a crisis in any one or all of those four elements?

Well, first of all, we are much too dependent on foreign sources, and Joe mentioned it. When we are buying oil from Iraq and turning it into jet fuel to go out and bomb Iraqi radar sites, there is something illogical about that. To be 60 percent dependent upon others for every gallon of gasoline we produce is not a very secure world I want my children to grow up in. Americans need to be a little more secure in our supplies than we are today, particularly when we would like our energy to be affordable. Why should we rest believing that we can trust others to price it fairly for us when we depend upon them for those supplies?

Is it reliable? Well, we have seen the cracks in the reliability system. We have seen pipeline failures that led to a series of events of price spikes and incredible shortages in the Midwest last winter, and we have seen the California situation.

We know that other potential problems lie in the electric grids and the pipeline systems and the marketing systems by which we receive our energy. We know about the boutique fuels problem and those market dislocations, and we understand that Americans are very concerned about the reliability of supplies when the lights go out in California and the lights are shining in some other part of America, that is not the America that we have fought for and dreamed for and wished for our children.

We want all Americans to share equally in secure, reliable sources; and when gasoline prices go up to \$3 for a family that is struggling to survive and has to have transportation to get their kids to school or go to work, as we live further and further, in many cases, from our employment because of urban sprawl and traffic congestion, do we really have affordable energy in this country? When people can't afford to heat their homes, keep their homes cool in the summer in my part of the country, and people are dying of the cold and the heat in the summer, that is not the America I think we all dream for, fight for and live for.

When in fact we all have concerns that we haven't paid enough attention to conservation, that we have become a gas guzzling society again, and we recognize we can do an awful lot more to be prudent about the way in which we use energy in this country, really doing our job in conservation, in protecting the environment in that regard.

The answer to all those questions is that we are not yet in crisis, but we are approaching it.

And here are four good points, quickly.

One, I am delighted we have an administration that wants to be proactive here. This committee wants to be proactive. Too often, the Congress is reactive to a crisis. America shouldn't have to wait before in the long lines at the gas station and before Americans simply can't afford to pay their utility bills and utilities go bankrupt and lights go out before we take action. All the signs are there. We have a crisis in every one of those four categories, and I am so pleased that we are prepared to be proactive instead of reactive for a change. That is exciting to me.

Second, I know this plan has been criticized as being a gift to the administration's friends in the energy industry. This is a consumers' energy wish list when you read that list. It is a consumers' energy wish list. It is new ways in which consumers can take control of this marketplace by reducing demand, by conservation and renewable sources, by literally impressing upon Americans the fact that if we are going to use energy we ought to produce more of it for ourselves instead of depending upon reliable sources. And it is so broad that it reaches every aspect of potential security and reliability and affordable sources of energy for our country, and that is exciting to me.

I think consumers ought to take some real joy in the fact that Congress is finally going to be debating a bill that is going to help consumers feel comfortable that they can have reliable, affordable sources of energy that won't damage and destroy the environment and will focus on consumers' obligations to be more prudent in the use of that energy in America.

Third, I find very few controversial features of this plan. Now I know the press has focused on the controversial features, and we are going to do that in our political debates here. We always do that. But so much of this plan is noncontroversial. So much of it ought to fly through this committee, Mr. Chairman, because this committee knows how to work across the aisle when we have got a good plan for America. We are going to do that, Mr. Secretary.

Finally, I am delighted we have a legislator in the position of Secretary of the Department of Energy. You understand this legislative process and you know the role of the legislator in crafting and drafting and producing the legislation that backs up the proposals and the principles that the Vice President has articulated in the draft plan. You know that relationship. You respect it. You are someone we can trust in that process; and I feel extraordinarily comfortable with your expertise, your knowledge, your presentation of the issues that, as I have seen them in the press over the last several weeks and months, and we are going to have a great relationship as we move, I think, a comprehensive energy plan that indeed focuses on energy security, reliability, affordability and protection of our environment and now conservation objectives.

Thank you, Mr. Secretary.

[The prepared statement of Hon. W.J. "Billy" Tauzin follows:]

PREPARED STATEMENT OF HON. W.J. "BILLY" TAUZIN, CHAIRMAN, COMMITTEE ON
ENERGY AND COMMERCE

I would like to thank Chairman Barton for holding this important hearing. I would also like to thank our distinguished witness, the Secretary of Energy, the Honorable Spencer Abraham.

We're here today to talk about the President's proposal for a National Energy Policy. Some have tried to criticize the President's report—unfairly I believe. Anyone who's read the report sees right away that this is a balanced, responsible proposal.

The problems we're experiencing today are the result of a lack of a systematic, comprehensive approach to energy policy and our national security. It's been almost a decade since we've looked at the big picture and thought critically about reducing our Nation's energy demands and about how we're going to meet our energy needs.

People have criticized the report as being an energy industry wish list. This is more appropriately called an energy consumer's wish list. This report is loaded with policies that will protect the environment, encourage efficiency, promote renewables, and ensure affordable energy for all Americans for years to come.

It is refreshing that this report talks openly and honestly about how we plan to meet our Nation's energy needs. Not only does it talk about renewables and new pollutant standards, but it also talks about the source of more than half our Nation's electricity—coal. A number of my colleagues on the other side of the aisle would have to agree with me that any discussion of how we intend to meet the energy needs of the 21st century must involve coal. The questions are how do we make it cleaner and more efficient. The President's proposal answers those questions.

It also talks honestly about nuclear power. Two large nuclear power plants came back on line earlier this month in California, and prices for wholesale power dropped dramatically. Ask Californians if they would like to have more nuclear power plants now.

The bottom line is, this report is loaded with potentially bipartisan solutions to our Nation's long-term energy problems. Politics aside, there is a lot here that we can all agree must be done. There are very few things in this report that are controversial.

I thank the Secretary and the Administration for the hard work they've done putting this proposal together. And I look forward to working with my colleagues across the aisle when considering these recommendations in a bipartisan fashion.

Mr. BARTON. Thank you, Mr. Chairman.

Now in the absence of Mr. Boucher to give the ranking minority statement, Congressman Markey of Massachusetts, one of our distinguished members.

Mr. MARKEY. Thank you.

Welcome, Mr. Secretary. Welcome to the committee.

There is a part of the last few months that reminds me of my favorite television show when I was a boy, which was Rocky and Bullwinkle. At the end of every Rocky and Bullwinkle, there used to be this little segment where Mr. Peabody, this dog scientist, used to take this little freckled-faced, red-haired boy Sherman into the way-back machine, and in the way-back machine, they used to go and study fractured history from the long ago past; and to a very large extent that is what is happening here in this administration.

Back in 1976, when I was being elected to Congress, the average automobile got 13 miles per gallon. The auto industry said it was technologically impossible to make automobiles more efficient, although when I asked my father, pop, what was your first car, he said it was a model A, 1930, 46 years before. I said, what did it get for mileage? And he said, well, 12, 14 miles a gallon. I said, how about the Ford Fairlane out there? He said, well, 12, 14 miles a gallon. Forty-six years later.

Well, this Congress passed laws mandating that automobiles double their fuel efficiency in the next 10 years, and they did, and it was successful. And 10 years later, by 1986, the price of oil had dropped to \$12 per barrel because we were using our technology to be successful.

The United States only has 3 percent of all the oil in the world. OPEC has 76 percent. That is our weakness. We should drill in

nonenvironmentally sensitive areas all over the United States, even on public lands, and Bill Clinton increased that over what President Bush and President Reagan had done in the 1980's and early 1990's. We believe in that. But we cannot compete with them in terms of drilling. And the administration's proposal to go to the Arctic National Wildlife Refuge, to go to other environmentally sensitive lands as an answer to this, quote, unquote, crisis is, in my opinion, morally wrong, ethically wrong, generationally wrong.

Is there a national electricity crisis? No, there is not. Is there a crisis in California because of a law which was framed very poorly and historic drought in the Pacific Northwest? Yes, there is. Do the States which touch California as a result have serious problems? Yes, they do. Does the rest of the country have an electricity crisis? No, it does not.

Is the answer to drill in the Arctic to build a pipeline which will come down to California, to a State that doesn't use oil to generate electricity? No, it is not. That oil would only go into SUVs to get 14 miles per gallon that should be getting 25 and 30 miles per gallon, because there has been an amendment attached to every appropriations bill for the last 7 years since Newt Gingrich took over which prohibits the Congress—prohibits looking at SUVs because of the increased fuel economy standards.

It is hot outside today, very hot here in Washington. Forecasts are that it will go up to 92 degrees. People don't like to walk outside on days like today, because for that every 15 minutes that we are walking outside, there is about 2 hours of energy that just drain out through the soles of their shoes. They lose their energy. People like to stay inside on days like today. They don't like to walk around and take their breaks. That is the kind of day it is in Washington.

Now, 35 percent of all electricity used in the United States on days like today is air conditioning. In Texas, it is 75 percent of all electricity used in the summer is air conditioning.

Now, if you have got a crises and you are trying to solve it, wouldn't you look at air conditioning? Well, this administration did, pursuant to a law which I passed as the chairman of this subcommittee back in 1986, a law which mandated that a rulemaking take place which increases the efficiency of air conditioners. The Clinton Administration finished that rule about 5 months ago. This administration looked at that rule and said, oh, that would be too onerous a burden to impose upon the air conditioning industry. We can't impose that standard.

Now, this is, by the way, the very administration in a way-back machine that is trying to argue that we can technologically construct the technology that can knock down every Chinese and Russian missile, a thousand at a time if necessary, coming in the middle of the night at 1,000 miles an hour. But if you ask them if it is possible to increase the standards for air conditioners by 30 percent, which the second largest manufacturer in the country, Goodman, is already meeting, they say, oh, that is technologically impossible. How could you impose such a burden upon the air conditioning industry?

So when we talk of Star Wars, there is no technological barrier that we can't break because of our national security. But when we

talk about energy, every technological burden, every technological hurdle is too high. Suddenly, the technological giant becomes a low-tech lilliputian.

Well, ladies and gentlemen, the budget of this administration reflects that. One, their plan is a Trojan horse being used by the energy companies to take off of the books health and environmental laws which the energy companies have bitterly opposed for a generation. And, second, there is underfunding for renewables and for conservation. And where it is in their budget they tie it to drilling in the Arctic National Wildlife Reserve, in the most precious reserve that we should be preserving.

My own feeling is that it is morally wrong, ethically wrong for this generation to not first ensure that every SUV and every automobile and every air conditioner is made efficient over the next 10 years, before we drill in the Arctic wilderness or other precious, environmentally sensitive lands that should be preserved for generations to come.

And, second, that this administration should go to OPEC, and they could demand that OPEC turn on the spigots as they insisted that Bill Clinton do. It is amazing to me that Secretary Cheney continues to maintain that OPEC is not to be blamed for this problem, that it is a refinery issue inside the United States, even though our refining capacity has increased a million barrels a day over the last 10 years, while OPEC has reduced production by 2.5 million barrels a day since January in their announcements. If OPEC increases their production, this energy crisis, quote, unquote, largely will disappear. That is the reality. There is a direct correlation between the production as it is perceived by the marketplace and the price at the pump.

So we are at an historic juncture. We believe that we should work together with the majority to construct a policy which will work for all regions of the country, but we cannot allow for a Trojan horse to be constructed which will be primarily used just to destroy health and environmental laws.

I thank you, Mr. Chairman, and I ask unanimous consent that Mr. Waxman's opening statement be included in the record at this point.

Mr. BARTON. Without objection, so ordered.

The Chair wants to announce there is a pending vote, but we are going to continue the opening statements and try to not have a recess.

The rules of the committee allow the ranking members 5-minute opening statements. All other members are allowed 3-minute opening statements. We are going to try to adhere to the 3-minute rule for the remainder of the opening statements.

The Chair would recognize Mr. Ganske for a 3-minute opening statement.

Mr. GANSKE. Thank you, Mr. Chairman.

Well, following Mr. Markey always gets my energy level going, and we could just plug in Mr. Markey to increase our—

And I wanted to thank you, Mr. Secretary, for being with us today. This is really an important issue. I had a constituent pull me aside in the supermarket recently, and she said, you know, I am all for the environment, but I also—I don't want to freeze in

the winter, and I don't want to cook in the summer. And in Iowa, which I represent, it is estimated that in just a few years we will have energy shortages, and unless something is done about that, we will be seeing blackouts like they are experiencing in California. So we need to do something about this.

I do want to take this opportunity to thank this administration for making I think a very environmentally sound decision, and that was EPA administrator Christi Whitman's decision not to grant California a waiver on the clean air standards. Whitman said, quote, the administration is concerned about the risks of MTBE and drinking water in California and other States. Clean air and clean water are equally important. We do not want to pursue one at the expense of the other.

And whereas I hear some of the members of the other party talking about this administration being for, quote, big oil, I would point out that big oil was not exactly enthusiastic about this administration's decision. But I think it was a wise one, and I am mentioning this, because it also has energy implications.

As Mr. Markey pointed out, we are very dependent on foreign oil. It is important to have renewable fuels as part of our energy policy. Ethanol and soy diesel and other types of renewable fuels help us reduce our dependence on foreign oil. In addition, when those plants grow, they take carbon dioxide out of the atmosphere instead of releasing stored CO₂ into the atmosphere.

That doesn't mean that coal shouldn't be part of the solution. We do need to devote additional research and development funds for helping ensure clean coal technology, for example.

In terms of natural gas, you know, we are butting up against supply problems, and we do need to increase this. Most of the environmental groups would agree that natural gas is the cleanest burning fuel. In fact, the Sierra Club is already on the record as being in favor of a pipeline—natural gas pipeline from Prudhoe Bay. So we ought to look at that, and we ought to look at some more refinery capacity. We ought to look at, specifically, more pipelines and high power lines. This committee has jurisdiction over interstate energy issues, especially in the transmission area; and I think that is important. We need to work in a bipartisan way to solve those energy problems.

Just the other day in Iowa, I took my son out to the golf driving range. We hit some golf balls. I will tell you, the wind was blowing across that field at about 40 miles per hour, and we ought to devote resources to expanding wind as a part of the energy solution.

I have looked over the administration's proposals, and I believe that this committee will work in a bipartisan fashion with the administration to have a balanced policy. But, you know, we haven't had much of a policy for the last 8 years, and it is time now to move on, solve some problems, stop the old, tired, bitter partisan politics that we have seen cause so much gridlock in this town for a long time.

With that, I will yield back.

Mr. BARTON. We thank the gentleman from Iowa.

We would recognize the gentleman from Pennsylvania for a 3-minute opening statement, Mr. Doyle.

Mr. DOYLE. Thank you, Mr. Chairman; and thank you for reconvening the subcommittee's efforts to move forward with a cohesive approach to solving our Nation's most pressing energy challenges.

I want to welcome Secretary Abraham and look forward to hearing his thoughts on how DOE's mission relates to the directives of the national energy report, as well as to the administration's budget request.

As we have learned from California's current energy crisis and its relationship to the State's electricity deregulation plan, it is critical for all aspects of energy policy to interface appropriately with the other. It is critical that we have consistent and complementary policies in place that enable us to achieve our energy goals in a thorough and timely manner, and the key to consistent and complementary policies is providing adequate funding to support research and development efforts.

Unfortunately, the national energy report and the administration's budget request fall short in this regard. For example, the increase of attention to and the funding of clean coal technologies comes at the expense of other important fossil energy research. Thus, when the national energy report and the administration's budget request is looked at carefully, I see an approach being advocated that actually discourages research into new, more efficient, more environmentally sound technologies. In my view, our national energy policy should pay special attention to those technologies that are likely to provide a significant payoff relative to increased efficiencies and potential for market contribution.

I am particularly interested in seeing a number of technologies play a more prominent role in the formation of our national energy policy, including gas turbines, fuel cells, methane hydrates and combined heat and power. We must set a more aggressive schedule for heightening R&D efforts in these areas. Additionally, we must set benchmarks and clearly articulate what success is within the context of our national energy policy. If we do not sufficiently define success, we have no real means of monitoring progress.

Like a lot of people, I was taken aback by the absence of concrete, specifically detailed goals in the national energy report. Again, how can a policy proposal be appropriately reviewed for consideration if a quantifiable objective or criteria for success is not identified? And how does one justify the indiscriminate shifting of funds away from critical programs that support the types of research oftentimes outlined as important in the national energy report?

It would appear that, in many respects, the national energy report, as well as the administration's budget request, does not adequately address our Nation's most pertinent energy concerns. At this point, we don't have a balanced approach to a national energy policy but a lopsided one.

It is of the utmost importance that the final product produced as a result of our discussions on a national energy policy be a balanced one. We all know the energy demands that exist, and we must utilize a diverse portfolio in meeting these demands.

It is not, however, the time to cherry-pick among sources. As I have mentioned earlier, our national energy plan must be cohesive, and we must have consistent and complementary policies in place.

We must continue to improve efficiency and safety of traditional sources, such as coal, gas, oil and nuclear, while also providing R&D support to new alternative technologies that enable them to come to market; and we must not accept the status quo when it comes to conservation efforts.

As always, I am hopeful that we will be able to reach some agreement on these matters. I would like to think that the Department of Energy and the administration will work closely with the Congress on all energy policy. What we eventually decide upon will affect all Americans, and we should all work together toward that goal.

Thank you, and I look toward to hearing from you, Mr. Secretary.

Mr. SHIMKUS [presiding]. The gentleman yields back his time.

I want to yield to the gentlewoman from California so she can make her opening statement and get to her vote.

Ms. HARMAN. Thanks to the chairman and thanks to the regular chairman, Mr. Barton, for letting me sit on these subcommittee hearings every time. It is important, as a Member from California, certainly to me and my constituents, that we move forward with responsible legislation.

I am pleased to welcome the person testifying before us this morning, because Secretary Abraham was a senator before he got there and understands why the anguished voices of constituents make such a difference. I think that as you sit and listen to us today, Mr. Secretary, you will hear the voices of 34 million Californians, all of whom are saying, why can't we have relief from the staggering electricity bills?

I think one of the answers is available to you in your capacity as Secretary of Energy and in my more complete statement, which I want to submit for the record—

Mr. SHIMKUS. Without objection.

Ms. HARMAN. [continuing] I include that recommendation.

We just heard from Mr. Doyle and we heard from Mr. Ganske before about the need to invest in renewables. It is our budget that has been cut, Mr. Secretary. The investment in renewables has been cut by 50 percent in the 2002 budget. The investment in energy efficiency has been cut by 30 percent. All the statistics show that these programs pay off.

And I just want to close on this note, Mr. Chairman. I will be offering an amendment in full committee when we mark up the Barton bill to restore the 2002 funding to the 2001 level. I hope on a bipartisan basis this committee will support it and, better yet, that the Energy Department will trump me and urge the restoration of these programs first. Because I think that you can get this done without the need for this committee to act. And if you get this done, 34 million people in California will say thank you.

One final comment. The Vice President was here yesterday speaking to a bipartisan group of the California delegation. I raised this issue then. He did not respond at all. He said nothing about this subject. I hope since it is within your jurisdiction, Mr. Secretary, that you will bring it to his attention again. It should be part of your national energy plan, and it will bring tangible, practical relief right now to 34 million Californians.

Thank you very much, Mr. Chairman.

Mr. SHIMKUS. I thank the gentlewoman, and she better scoot if she is going to get there.

I recognize myself for the allotted time; and I want to thank you, Mr. Secretary, for coming and joining us today. It is an interesting time to talk about energy, which some of us on the subcommittee have been doing for 5 years now; and it is good to see Joe back there as a trusted staffer who served with us and helped me out many times. And, Joe, welcome.

I basically say, you know, this country has to make a decision. If it wants to use electricity, we have to generate it. If we want low-cost gasoline, we have to drill for it, we have to transport it, and we have to refine it. So, in some ways, we might be looking back in time when we had to make those decisions in the past, and those are the same decisions in the future. The basic economic supply and demand equations work, and they work in the ability to distribute resources the best way at the cheapest cost if you allow the markets to work.

I want to also publicly thank the administration and applaud their decision denying the waiver for the Clean Air Act for California trying to get out of the Clean Air Act. The decision will continue to mean cleaner air for California, lower gasoline prices for those areas in the country that add oxidents to their gasoline, and it will help our Nation's farmers.

I also think it builds on this debate as far as a national energy portfolio, and it will be a constant message that I will talk about as having some internal ability to produce our own fuels. Of course, the biofuels movement is big and strong, as you know, here on the Hill, and we will really want to play a key role in a national energy policy.

I would also like to commend the administration on this energy plan, especially their commitment to clean coal technology. The State of Illinois and Southern Illinois University in particular have been at the forefront of using clean coal technology funds to find cleaner ways of burning coal. SIU is currently working on a low emission boiler system in Elkhart, Illinois, to reduce emissions from coal plants; and of course DOE is involved to some extent in that project.

This focus on clean coal technology by the administration shows that you can balance the environment with supply and price so that we have clean, reliable, affordable energy.

I also want to add, in addition to the diverse portfolio of fuels, that we need to talk about nuclear power, and of course Illinois is a major nuclear power State with about I think 10 generating facilities, one in central Illinois that is close to my district. But we also have a facility in the deep southern part of the State of Illinois that is the only U.S. uranium conversion facility. If it closes, we would have to rely on foreign countries for our uranium to power nuclear plants. National securitywise, I think that is very dangerous.

I have been talking with your agency on the conversion plan. It was called Converdine in my metropolitan—down in the State of Illinois.

I know that I have mentioned this many times before, but I feel I need to say it again. The previous administration's fuel choice was natural gas, mainly because it burns cleaner than other sources of fuel. While they were promoting natural gas, they were also limiting where and how we get at creating a scarce resource. And a lot of these high natural gas prices are a part of the high prices this summer, and they were the high cost of heating homes in the fall that many of us experienced. The result has been much higher than anticipated prices and a shortage of fuel. The President's energy plan calls for us to have a diverse fuel mix that uses all our Nation's fuels, not just one.

I notice in your testimony that you focus on energy efficiency, and you probably know this committee will be taking up conservation energy efficiency legislation soon. What I focus on in the efficiency issue is getting coal power plants greater than 35 percent, and if we increase that, that helps a wide range, from the three pollutant strategy also of the carbon dioxide issue.

Also, efficiency in the transmission grid will be very, very helpful. I think that is a place where we can put research and development.

I have gone over my time. Many of my colleagues have come back. I thank you for this opportunity; and, with that, I will yield back my time.

[The prepared statement of Hon. John Shimkus follows:]

PREPARED STATEMENT OF HON. JOHN SHIMKUS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ILLINOIS

Good afternoon, Mr. Chairman and to all whom have shown up this morning. I am looking forward to this hearing today.

First of all I would like to thank Secretary Abraham for testifying this morning. I would like to take this opportunity to applaud the administration's decision to deny a waiver from the Clean Air Act for California. The decision will mean cleaner air for California, lower gasoline prices for those areas of the country that add oxygenates to their gasoline, and it will help our nation's farmers. I think it also builds on the Bush Administration's plan to increase domestic sources of energy. This decision was a win for the environment, a win for the consumer and a win for rural America.

Second, I would like to commend the Administration on this energy plan, especially their commitment to clean coal technology. The State of Illinois, and Southern Illinois University in particular, have been at the forefront of using clean coal technology funds to find cleaner ways of burning coal. SIU is currently working on a low emission boiler system in Elkhart, IL to reduce emissions from coal plants. This focus on clean coal technology by the Administration shows that you can balance the environment with supply and price, so that we have clean, reliable and affordable energy.

I know I have mentioned this many times before, but I feel the need to say it again. The previous administration's fuel of choice was natural gas, mainly because it burns cleaner than other sources of fuel. While they were promoting natural gas, they were also limiting where we were able to get it, creating a scarce resource. The result has been much higher than anticipated prices and a shortage of fuel. The President's energy plan calls for us to have a diversified fuel mix that uses all our nation's fuels, and not just one.

I notice in your testimony that you focus on energy efficiency, and as you probably know this committee will be taking up conservation and energy efficiency legislation soon. What I also hope the administration will focus on is making energy more efficient at the generation and transmission stages. Currently some utilities are testing superconductors to transmit electricity more efficiently. Right now coal efficiency is only about 35%. By improving the efficiency of how we burn coal and how we transmit power, we can supply more power without adding as many generation facilities or without increasing pollution. We have seen nuclear power plants becoming much more efficient, I believe the 103 nuclear plants that are on-line today, produce more

power than the 110 nuclear plants than were on-line 10 years ago. I hope the administration will continue to focus on this area as well.

Thank you.

Mr. SHIMKUS. I will go to the gentleman from Ohio, Mr. Sawyer, for 3 minutes.

Mr. SAWYER. Thank you very much, Mr. Chairman.

I have a longer statement, but I would like to join with my colleagues in welcoming Secretary Abraham and saying thank you for being here and by saying that I really welcome the proposal that you and the President have formulated with regard to national policy. I share my colleague's concern that it needs work, that it—I believe it is too narrow. I think there are some arenas that need sharper focus, and there are other elements besides supply that need emphasis.

But we can all agree that the country will require new sources of oil and natural gas and that our capacity to produce electricity to meet our needs remains important. But we also need to find better ways to get energy to people to actually create regional markets and to improve the efficiency with which we consume it. In short, we need energy policies that reflect the complexity of the problem that we are trying to deal with and not simply its urgency. As we have learned from California, it is vastly more important that we do it right than that we do it immediately.

Let me just concentrate for a moment on the transmission network. Without real improvements, it seems to me we won't be able to move significant amounts of energy from new plants to waiting customers, and competitive regional markets will remain an illusory goal that is just beyond our grasp. There is a lot of work that needs to be done to have genuine markets for electricity; and, at least so far as I have read, there are only limited suggestions in the published plan that I have seen so far to deal with that problem.

We really need a transmission system that resembles an interstate highway and not just a collection of two-lane blacktops. We need an equitable method for building new transmission capacity. We need to remove bottlenecks. We need to establish reliability standards for companies so that we have reserve energy on hand, to a standard that allows companies to be competitive but which has high expectations to avoid the kind of problems we have seen in California. We need rules that encourage investment in transmission lines by also guaranteeing that all suppliers have equal access to that interstate highway.

And something that we really haven't talked much about but I think is an important part of this, we need to encourage modern transmission technology so we can carry more electricity more efficiently over existing rights of way, as well as finding ways to site new rights of way.

In short, Mr. Secretary, I join you in suggesting that we need a thoughtful, diverse national energy policy to provide for our future needs. We need a policy that recognizes energy efficiency as the great untapped energy resource that it is and uses it to reduce our need to burn more and more fuel. It is a policy that will capitalize on our ingenuity by encouraging investment in innovative energy

technologies, a policy that creates infrastructure for the delivery that matches the scale of our interstate highway system.

We have a great opportunity before us, and I just want to say thank you for your being here and for the work that we are beginning today.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Tom Sawyer follows:]

PREPARED STATEMENT OF HON. TOM SAWYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Thank you, Mr. Chairman. I would also like to thank Secretary Abraham for coming today as we begin to discuss a national energy policy. Let me begin by saying that I welcome the proposal that President Bush made last month for a national policy. I welcome the debate that is beginning. The President has helped focus the nation's attention on the need to develop a comprehensive approach towards energy issues. Unfortunately, the President's plan is overly narrow, unfocused, and emphasizes the wrong element. He presents the nation's current energy situation as predominantly a problem of supply. But we should not allow ourselves to have a false sense of security that we can rely on increasing energy production to take care of our future energy needs.

We can all agree that our country will require new sources of oil, electricity and natural gas. But we also need to find better ways to get that energy to people and businesses, and to improve the efficiency with which we consume it. In short, we need energy policies that reflect the complexities of the problems that we face and not merely the perceived urgency. As we have learned from California, it is vastly more important that we do it right than that we do it just now.

The President is placing faith in the ability of energy companies to provide a large enough supply of energy to satisfy our continuously expanding demand for energy. It reminds me of the faith with which California officials embraced their electricity restructuring plan. That wasn't good enough. We must confront our need to be far more efficient in our use of energy, and confront our need to build an infrastructure of pipelines and transmission lines that is capable of getting energy to the people who need it.

On the subject of electricity, the President's plan suggests that 1,300 new power plants will need to be built by 2020, an average of more than one new plant a week. But the President avoids mentioning a recent Department of Energy report (*Scenarios for a Clean Energy Future*) that shows that approximately half of those new plants will not be necessary if energy efficiency measures are put in place. The President also suggests that relaxing environmental regulations will help by allowing the oldest and dirtiest plants to produce more power. Reviving old plants is not a necessary step. More plants are being planned and built, including nearly 14,000 Megawatts over 1998 levels in Ohio alone.

Moreover, without significant changes to the electrical transmission network, we still will not be able to move significant amounts of electricity from the new plants to waiting customers, and competitive regional markets for retail sales will remain an illusory goal beyond our reach. The President has made only the most limited suggestions to improve the electrical transmission system. There is far more work that needs to be done to have genuine markets for electricity. We need a transmission system that resembles an interstate highway, not a collection of 2 lane blacktops. We need an equitable method for building new transmission capacity in order to remove bottlenecks in the movement of electricity. We need to establish reliability standards for companies selling power so that they have reserve energy on hand to make blackouts less likely. We need rules that encourage investment in new transmission lines, while also guaranteeing that all suppliers have equal access to the new interstate transmission highway. And we need to encourage modern transmission technology to carry more electricity more efficiently over existing rights of way.

California stands as a cautionary tale to us as we develop the electrical aspects of a national energy policy. Those of us in the rest of the country cannot just continue to expect that we will avoid the fate of California. We cannot expect that building enough power plants will be the singular and sufficient way out of the electricity problems that we face. It is not. Two important ingredients are missing from that approach. First, we need the efficient transmission highway system that I mentioned before. Second, we require policies that allow federal and state authorities to enforce the rules of the electricity marketplace. But those authorities must have

the will to enforce the rules. So far I have not seen a demonstration of that will from the FERC.

With regard to national energy policy as a whole, the President inaccurately protests that “we’re running out of energy in America,” and so his first response is to follow his instinct to try to expand the supply of traditional energy sources. We cannot simply build power plants and drill our way out of our country’s energy problems. California embraced a faulty law because they thought that a functioning market for electricity would emerge from whatever plan they put together. Similarly, we must look beyond the President’s instinct to focus on supply as the simple solution to our energy problems.

We need a thoughtful, and diverse national energy policy to provide for our future needs. We need a policy that recognizes energy efficiency as the great untapped energy resource that it is, and uses it to reduce our need to burn more and more fuel; a policy that capitalizes on our ingenuity by encouraging investment in innovative energy technologies; a policy that creates an infrastructure for the delivery of energy that matches the scale of our interstate highway system. We have a great opportunity before us to create such a comprehensive and diverse policy, and we should not squander it.

Mr. SHIMKUS. I thank the gentleman for his punctuality.

Now I turn to the Vice Chair of the full committee, Mr. Burr.

Mr. BURR. Thank you, Mr. Chairman.

Mr. Secretary, welcome. This is indeed an honor to have you here, and this committee plans to work very closely with the Department.

Let me also thank you for one additional thing that I think has been overlooked. I think through the President’s—the administration’s report and through the efforts of you, everything is on the table as it relates to energy policy. It is amazing to me as I hear opening statements how different the view of the world is, especially as it relates to energy. Clearly when we look through different windows, Members of Congress see different things, just like the American people see different things.

I want to pledge to you on behalf of this committee that we are going to be three things to the Department of Energy. We will be responsive to the needs that you see and that the country sees in energy needs; we will always be balanced in our approach to all the issues that deal with issues in the Department of Energy; and we will be tough, tough on our oversight of the many responsibilities that fall under the Department of Energy.

I want to commend the administration and yourself for what I think is truly a comprehensive energy policy. Though it has been referred to as a “slick book,” I will tell you that it is comprehensive.

Congress is a makeup of the American people. This product in the end will have a test of this subcommittee. It will have a test of the full Energy and Commerce Committee. It will have a test of the House and the Senate; and, ultimately, it must pass the test of a majority of the American people, because that is the system our Founding Fathers designed.

So regardless of whether they are supporters or detractors, in the end it will become law if a majority of America is supportive of it; and that is a system that we have trusted for quite a while.

I could give the same speech that Mr. Sawyer just gave on transmission, but it would be the same. It is a shame we had to go together, because I think we are the two most passionate people as it relates to that national highway that we need for electricity transmission, to make sure that the security is there.

And I would tell you that there was one point of Mr. Markey's statement that is wrong. Every region does not have a crisis today. Every region is susceptible to a crisis tomorrow, because the infrastructure is not there to move power like we need to.

Mr. Secretary, let me thank you once again. This energy policy will be developed within the legislative branch. We will work closely with the administration, but it will have the input of the American people through its representatives every step of the way, and I pledge to you our commitment to work with you on that process.

Thank you, Mr. Chairman. I yield back.

Mr. BARTON. I thank the gentleman from North Carolina.

I would recognize the gentleman from Ohio, Mr. Strickland, for a 3-minute opening statement.

Mr. STRICKLAND. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Mr. Secretary, I suspect you are prepared to answer questions for me regarding the Portsmouth gas diffusion plant, because you know how important that facility is to the workers, communities and the economy of southern Ohio; and I appreciate, Mr. Secretary, the attention that you have given to that facility thus far.

However, I would like to speak to the bigger picture, and that is the importance of maintaining a reliable and economic nuclear fuel industry in our country. Undoubtedly, USEC's premature decision to cease production at Piketon raises important energy policy questions.

The report issued by the National Energy Policy Development Group in May, and I quote, recommends that the President support the expansion of nuclear energy in the United States as a major component of our national energy policy. I don't disagree with that recommendation, but I believe it is incomplete, because it ignores our need to maintain a reliable and economic domestic fuel supply.

USEC's decision last June to shut down the Piketon plant leaves us with only one operating gaseous diffusion plant in this country, located in my friend Ed Whitfield's district in Paducah. We heard testimony in this subcommittee on March 27 of this year that advanced technology nuclear reactors will result in a trend toward higher assay fuel. The Paducah plant is not licensed to enrich above 5 percent assay, while the Piketon plant is licensed to enrich up to 10 percent. Yet Piketon has ceased to produce any product.

I hope, Mr. Secretary, that you can help me understand the administration's—what I perceive to be incomplete approach to boost nuclear power supplies. It makes no sense to me to have a national energy policy that calls for increasing domestic energy supplies and specifically supports the development of advanced nuclear reactors yet ignores the fact that in the near future there could be no domestic nuclear fuel supply to meet the demands of these new reactors.

Currently, we depend upon Russia for 50 percent of our nuclear fuel, and USEC is proposing to import even more fuel from Russia's commercial vendors. And last fall the Nuclear Regulatory Commission issued a report that predicts that the Paducah plant may cease to be economically viable after 2003.

In October of last year, the previous administration proposed a research effort on advanced centrifuge technology at the Oak

Ridge, Tennessee, site. This initiative includes the use of the modern but now empty gas centrifuge facilities at Piketon for a centrifuge pilot plant. Experts at Oak Ridge suggest that new gas centrifuge mechanisms using carbon fiber components could be perfected and deployed at a cost of \$52 per separative work unit, thus making this a globally competitive technology.

Presently there is no private sector approach emerging to ensure that the domestic uranium enrichment industry remains competitive in the world market. It seems to me there is a role for the Federal Government here; and before his election, President Bush agreed. In fact, on October 4, 2000, then Governor Bush wrote to Governor Taft and stated, "If I am elected President, my administration will aggressively explore how the workforce and the facilities at the Piketon site can continue to serve our national interest. I believe that our Nation must continue to pursue research and development of new technologies for the use of uranium enrichment."

Mr. Secretary, I was disappointed that the report from Vice President Cheney's Energy Policy Group did not address the fact that the U.S. is growing increasingly dependent on foreign supplies for its nuclear fuel, upon which 20 percent of our Nation depends for the electricity it uses. To my knowledge, the report does not in any way illuminate a path forward for enrichment technology that would honor the commitments made in the October 4 letter by Mr. Bush—President Bush.

Mr. BARTON. If the gentleman could wrap it up. He is about a minute and a half—

Mr. STRICKLAND. Yes, sir. One more sentence.

Mr. Secretary, we can see the handwriting on the wall, and I am hopeful that you, sir, will address these concerns and share with us the administration's approach to ensure a reliable and economic supply of nuclear fuel before a new crisis is upon us.

And, once again, I thank you for what you have already done, sir.

Mr. BARTON. We thank the gentleman from Ohio and commend him on his stalwart efforts on behalf of the Portsmouth plant. He has been ever vigilant on that and continues to be so.

The gentlelady from California, Mrs. Bono, is recognized for a 3-minute opening statement.

Mrs. BONO. Thank you.

Mr. Chairman, the ongoing electricity energy in California is a sign of trouble for the Nation as a whole. As you well know, our energy infrastructure is crumbling. Its supply is not keeping up with increased demand. In California, we have learned these lessons the hard way. But while the State must accept most of the blame associated with its efforts to deregulate, I believe the Federal Government has an obligation to show guidance and leadership as well.

In many ways, Washington has helped. Mr. Chairman, under your and Chairman Tauzin's leadership, this subcommittee approved a bill which would have brought additional supply online, while showing compassion for those unable to afford these high rates, by adopting my amendment to increase aid under LIHEAP. In fact, many of the concepts in your bill were implemented by both President Bush and Governor Davis. However, I also believe the Federal Energy Regulatory Commission should have and still must

be more aggressive in issuing reimbursements in bringing both electricity and gas prices to just and reasonable rates.

And I believe that while this administration has done a commendable job in looking toward the long-term, I call upon it to continue working with congressional leadership and California Members to address the short-term needs of our State.

Mr. Chairman, the National Energy Policy Report contains many valuable recommendations.

I was quite pleased to see additional emphasis placed upon increasing energy conservation and efficiency. Specifically, your recommendation of a temporary efficiency-based income tax credit for the purchase of new hybrid fuel cell vehicles is very much in line with H.R. 1864, which I have introduced with Congressman Dave Camp. I look forward to the administration's support of this legislation.

In addition, I applaud the report's recommendations to increase America's use of renewable and alternative energy such as biomass, wind, geothermal and solar. The increased use of landfill methane, for which I have also introduced legislation, is also a step in the right direction. California's 44th Congressional District has long been a leader in alternative energy and I look forward to seeing expanded growth in this area.

Our country must take a comprehensive and serious look at long-term energy policy if we are to maintain a robust economy and ensure an adequate supply of power to fuel continued economic growth. I look forward to continuing to take on this challenge with the administration.

I look forward to Secretary Abraham's appearance here today and I thank him for coming.

Mr. BARTON. I thank the gentlelady. We would go to the gentlelady from Missouri for a 3 minute opening statement. Congresswoman McCarthy.

Ms. MCCARTHY. Thank you Mr. Chairman. I am going to put the text in the record. I am just going to mention a couple of things because of having worked with you over the years—

Mr. BARTON. Without objection.

Ms. MCCARTHY. [continuing] you know probably how I feel about many of these issues.

I am delighted, Mr. Secretary, that you are here today in your capacity as our Secretary of Energy and I wanted to share just a couple of thoughts with you because, as the chairman knows, I believe that we can create a win-win with this whole issue of energy use. We can address new technologies and make those economic development opportunities for our own companies. We can then export those technologies to developing countries who need not necessarily coal-fired plants but other means of producing and obtaining energy. That would be great for our economy. That would also be great for global warming and would also be great for national security, because we would depend less on imports of foreign sources and we would be creating many more of our own.

So with that in mind, I hope you will comment today on the Department of Energy's revised budget request which calls for less than \$4 million for the renewable energy production incentive. That is the REPI program. The funding request is far short of the

estimated \$14 million that is needed even for eligible projects this year, let alone the \$25 million needed to fully fund the program, and will primarily be a shortfall of funding for landfill gas to energy projects. But landfill gas to energy products significantly reduce emissions of methane, the second most abundant greenhouse gas.

I am working on some legislation to reauthorize and improve the REPI program and to eliminate the bias against landfill gas to energy projects. But the new program will continue to require funding. I hope you can give us your thinking on why the Department has not requested full funding, the program that promotes renewable energy production and reduces significant emissions of greenhouse gases. And beyond that, I look forward very much to your remarks and to the give and take we will have today and as we work together in the future in a bipartisan way to address many of these issues that I know the public expects us to, and to do so in a collaborative effort.

Thank you, Mr. Chairman. I would yield back the balance of my time.

[The prepared statement of Hon. Karen McCarthy follows:]

PREPARED STATEMENT OF HON. KAREN MCCARTHY, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MISSOURI

Thank you, Mr. Chairman, for holding this very important hearing to examine the National Energy Policy developed by the Administration. I am very pleased to have the opportunity to learn from the distinguished Secretary of Energy, Mr. Abraham what the priorities are and their proposed legislation to implement their goals.

By working together in a bipartisan manner, we have an opportunity to create a win-win situation with an energy strategy that invests in alternative energy technologies for use here at home and for export to developing nations. Such a plan fosters economic development, addresses global warming and bolsters our nation's energy security.

Despite the recent attention that the President has been paying to issues such as efficiency and alternative fuels, I remain concerned that there is not a clear commitment to these concepts as a part of the overall national energy strategy. There is a significant discrepancy in the funding requests for research and development into alternative and renewable fuels compared to budget needs. I understand that the Administration has submitted an amended budget request to bolster the amount of funds for renewable energy, biomass, and related activities, but this will only restore the original budget cuts to current levels of funding. This is not a significant commitment to implementing widespread use of these vital energy sources.

I have visited with Dr. James Spigarelli, President of the Midwest Research Institute (MRI) in my district, which is the contract operator of the National Renewable Energy Lab (NREL) in Colorado to discuss the impact of the budget cuts proposed by the President on NREL. While the lab itself is slated to receive about a \$1 million increase for equipment, maintenance and repairs, the lab's research activities are slated to take a \$195-199 million cut in 2001 and another \$140 million in 2002. The research to provide the technology that is needed to address our nation and our global energy needs will be impossible to recapture in the future. Global economic development opportunities will be lost.

I appreciate the Administration's support for investing in new technologies identified by former President Clinton and Vice President Gore to address the problem of global climate change, I share the concerns that have been raised by our citizens and our allies abroad regarding the President's rejection of the Kyoto treaty. By backing away from our international commitments we are going to reverse a decade of progress that has occurred since former President Bush signed the original climate treaty in Rio in 1992.

Our national strategy must help consumers in the near term while making the necessary investments in research and development for all areas of potential energy supply, including alternative fuels and bioenergy, and making each source as clean as possible. This approach, incorporating a commitment to energy efficiency, bio-

mass and conservation will provide a more balanced and diversified fuel mix for the future, bolster our energy security, and help the agricultural economy as well.

I have repeatedly stressed the point during our review of the continuing electricity crisis in California and the West that we, as policymakers, have an opportunity to make a fundamental change in the direction of our national energy strategy that can have a profound effect for generations to come.

We should take this opportunity to learn from the past. A working group of national labs released a report last year entitled, *Scenarios for a Clean Energy Future*, which detailed that a solid commitment to energy efficiency measures could reduce long term energy use by over twenty percent and that nearly twenty-five percent of the energy used in 1999 would have been lost had it not been for the energy efficiency technologies put in place after the Arab Oil embargo of the early 1970s. We have an example of the payoff from a commitment to such research, in this case the Clean Coal Technology program, in my district. Kansas City Power and Light has rebuilt the Hawthorn #5 plant, after a fire two years ago, with some of the latest clean coal technologies that are available to the industry right now.

Mr. Chairman, I had planned to offer amendments during the markup of the Electricity Emergency Relief Act that go to the points I have just discussed and I still intend to pursue these important issues. I believe that the federal government should lead by example, and that we should take the opportunity to learn from our efforts. To that end I will continue to work to address conservation efforts at federal agencies and plan to offer legislation that reauthorizes and improves the Federal Energy Management Program (FEMP).

I also plan to introduce legislation that will require a study and inventory of the existing backup or idle generators at federal facilities across the country so that we can learn what our capabilities are as far as emergency capacity. These older generators could run more often, and cleaner, if they were to run on a mix of biodiesel or be retrofitted to run on natural gas. The technology is available. Emerson Electric is working with California state government authorities to take currently installed diesel gensets and retrofit them to operate on a mixture of natural gas (up to 90%) and diesel, to achieve substantial reductions in NO_x emissions. Further reductions currently being developed could operate these gensets on up to 99% natural gas, with even more emissions reductions. This mixed fuel technology has proven successful on mobile diesel sources, such as municipal garbage trucks. The addition of after-treatment technologies, such as Selective Catalytic Reduction or Auto Catalytic Reduction further reduces emissions of NO_x and PM.

Furthermore, we need to increase our commitment to bioenergy research and development. I plan to champion reauthorization and reform of the Renewable Energy Production Incentive (REPI) program that rural cooperatives and municipal utilities use so that all utilities can make greater commitments to renewable energy and create models that can be replicated across the country. I hope, Mr. Secretary, that you can explain why the Department of Energy has not requested full funding of a program that promotes renewable energy production and reduced significant emissions of greenhouse gases by electric utilities.

Mr. Chairman, our strategy to address climate change can produce a reliable supply of diverse fuels that minimize greenhouse gases and secure our leadership in energy technology to benefit our consumers and to export around the world. I hope that we can continue to work in a bipartisan spirit on these additional efforts. Thank you.

Mr. BARTON. I thank the gentlelady from Missouri. We would recognize the distinguished Congressman from California, Mr. Radanovich, for a 3-minute opening statement.

Mr. RADANOVICH. Thank you, Mr. Chairman. I want to give you my thanks, and also Chairman Tauzin, for having this hearing. I want to welcome you again, Mr. Secretary. Good to see you again. I too look forward to your testimony.

It was mentioned a little bit earlier by someone that ANWR would not solve California's problems, and I do say that they are exactly right. California's problems really are a crisis in leadership, State leadership in California, and although I support drilling in ANWR, that is more for the long-term interests of our Nation, not to solve California's problems.

And I would ask the Secretary and the administration to perhaps advise California—or recommend three things that they can do in

order to get out of their energy crisis. And that is, No. 1, suggest that the Governor get out of the energy purchasing business; No. 2, focus your efforts on making the utilities creditworthy again so that they can in turn be the energy purchaser for energy in the State; and No. 3, do what you can to get the utilities out of the spot market.

It was the utilities being forced into the spot market that caused the problem in the first place. If we get proper leadership in the State of California, maybe those three things will be out of our problem.

Having said that, there still is the issue in California of supply. And I kind of think energy policy is lot like environmental policy in that everybody wants to be green everywhere in the country except in their own backyard. I think the NIMBY attitude or "not my backyard" has been, I think, the cause of a lot of the Nation's energy shortage. And I congratulate you on taking the leadership—and the President—the leadership on developing a policy that makes us more reliant on our own resources and diversifies our base.

So thank you very much. I look forward to your testimony and look forward to your helping in solving some of the national energy problems.

[The prepared statement of Hon. George Radanovich follows:]

PREPARED STATEMENT OF HON. GEORGE RADANOVICH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you for holding this hearing today on the National Energy Policy report.

President Bush is to be commended for bringing the need for a National Energy Policy to the front and center of the nation's attention. The consequences of not having an energy policy that can satisfy our energy requirements on a sustainable basis have revealed themselves in California. There is a need to tell the truth to the American people and lay the basis for a new and viable U.S. energy policy.

There are no easy solutions to energy crises, only hard policy tradeoffs between legitimate and competing interests. The capacity cushion left from the 1970s which allowed us to avoid these decisions is now gone. The fundamental challenge we now face is to sustain economic growth without sacrificing environmental protection.

It is time for Congress to move forward from the debates of the past and develop a balanced energy security policy that addresses both the supply side and the demand side of the energy equation. It is not strategically desirable to remedy our present situation by simply increasing our dependence on a few foreign sources. We need to respect the wisdom of the consumer in making choices about energy use. We need new thinking that focuses on improving the efficiency of the regulatory processes. We need new solutions that are not simply more corporate subsidies and tax credits.

Critical scrutiny of the Department of Energy budget, and of the payback of the investments we have made are essential.

We best serve the interest of the public by avoiding misrepresentation of efforts made in the common interest. The President's policy is a balanced first step, and I look forward to a sincere effort as we address this urgent national issue. Thank you, Mr. Chairman and I await the Secretary's testimony.

Mr. BARTON. The gentleman yield back the balance of his time?

Mr. RADANOVICH. I did.

Mr. BARTON. The Chair would recognize the distinguished gentleman from Louisiana, Congressman John, for a 3-minute opening statement. Congressman John, it looks like, passes. So it looks like we go to Congressman Barrett for a 3-minute opening statement.

Mr. BARRETT. Thank you, Mr. Chairman. Thank you for convening this hearing on the administration's national energy policy.

I also want to thank Secretary Abraham for being here today to offer us more details and answer our questions about this plan.

Spiraling fuel prices in last few years have negatively impacted consumers across the country. In Wisconsin, motorists have faced the second straight season of unreasonably high gas prices, while residents watched their home heating bills double this past winter. And while everybody's pocketbooks are affected, many low-income families and seniors living on fixed incomes have been truly overwhelmed by rising fuel prices.

It is imperative that Congress and the White House work together to address these problems. I think that this will be the first challenge we face with the new make-up of the Senate. I think that we are going to have to work together if we are going to really respond to the needs of this country.

I am particularly concerned about a parochial issue that I am sure Secretary Abraham is familiar with, being from the State of Michigan, and that is the directional drilling under the Great Lakes. I have seen conflicting reports as to what the President's plan intends about that. Obviously I think, Mr. Secretary, as you know from the Michigan side, the Governor of Michigan has moved forward, indicated he is moving forward there. On the Wisconsin side, the Republican Governor and most of us have said this is not something that we are interested in because we believe that the potential costs far outweigh any benefits.

I am also concerned with the President's plan and lack of near-term relief from high prices at the pump and rising heating and cooling bills. During the course of the campaign, I remember the President saying that if he were elected that he would call his associates in the OPEC countries and tell them to turn the spigots on. Obviously, we have not seen that with this administration. In fact, just the opposite has happened. But any truly effective energy plan must include initiatives to assure an adequate energy supply, as well as meaningful demand, management incentives, and adequate environmental and consumer protections.

We must therefore strive to implement an energy policy that emphasizes conservation and energy efficiency, two things that were notably missing when Vice President Cheney first started talking about this issue. Something that also has to be included is measures that preserve our environmental treasures and protects American families from price gouging and unfair market practices. Again I am hopeful, though, that through an open and inclusive debate, we can achieve these goals and craft a sound energy policy that protects the American consumer as well as America's environment.

I would yield back the balance of my time.

Mr. BARTON. We thank the gentleman for that statement. We would go to Congresswoman Wilson of New Mexico for a 3-minute opening statement.

Mrs. WILSON. Thank you, Mr. Chairman. I thank you for holding this hearing and the series of hearings that we have had on energy policy over the last 5 months. And I thank you, Mr. Secretary, for being here and joining us today.

We haven't had an energy policy in this country for over a decade. I think that the President's plan is a good analysis and a very good first step at beginning to develop the first comprehensive en-

ergy plan we have had in this country in an area that has been sorely neglected over the last decade.

Your predecessor made the comment—and he is a New Mexican and he is a former member of this committee—he made a comment in Boston last year when the prices were starting to go up, and when he was asked about it, he said the Federal Government was caught napping. I thought that was a damning indictment of our past energy policy and I am glad we are starting to address it.

We are more dependent on foreign oil today than we were at the height of the energy crisis. Fifty-five percent of our oil is imported mostly from the Mideast, and the fastest growing import source for oil in this country is Iraq. We talk about calling OPEC and demanding they turn on the spigots. Who are we kidding? Our national security is compromised by the fact we are dependent on foreign sources of oil, including from countries whose interests are vastly different from our own.

We made tremendous progress in this country on conservation and energy efficiency over the last 20 years and we will not give up on that progress. That reduces the demand and preserves our precious supply.

So where do we go from here? We need a balanced, comprehensive, responsible energy strategy for this country. And I think it has four elements:

The first is conservation. It must be a pillar of any strategy that we put together. There is no going back on the quality of life that we all enjoy. And I come from a State, New Mexico, that supplies uranium and coal and oil and natural gas. We do some of the most far-reaching nuclear research in the country. And I have several nuclear reactors, all experimental, in my district. I also come from the most beautiful State in the Nation. We are not going to compromise that balance.

We have wonderful air, wonderful water, wonderful lives, and we are going to keep it that way. We are naturally conservative and will continue to be.

The second part of this strategy is supply. We must diversify and increase our supply. Mr. Secretary, I am going to want to talk to you a little bit about natural gas and our increasing reliance on natural gas for the production of electricity, because we risk getting ourselves into a situation 20 years from now where we are heavily dependent on natural gas, do not have enough domestic supplies of natural gas because we failed to diversify the production of electricity, including nuclear power.

It is now time to take nuclear energy out of the “too hard” column and reconsider the role of nuclear power in this country.

The third part of the strategy—conservation, supply—the third is infrastructure. We don’t have the infrastructure today and the pipelines and the transmission lines and the refineries to get the energy where it is needed, when it is needed. We need to address that as a Nation both at the national policy level and also within industry.

And the fourth part: government reform. There has been too little discussion of this, I think, but the reality is that when we are in a crunch is when people focus on the issue and where you probably get attention as a Cabinet Secretary in the White House and

around the Cabinet table. But the interagency mechanisms that have existed since 1947, 1948, in this country on national security that force the Defense Department and the State Department and the CIA and everyone else to work together on national security don't exist for energy policy. So when we are not in troubled times, the Department of the Interior, the Department of Agriculture, the BLM, or the Department of Transportation can make——

Mr. BARTON. The gentlelady needs to wrap it up.

Mrs. WILSON. Yes sir. They make independent decisions that affect our supply of energy. We need to reform government so that can no longer happen. And I thank the chairman for his indulgence.

[The prepared statement of Hon. Heather Wilson follows:]

PREPARED STATEMENT OF HON. HEATHER WILSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NEW MEXICO

Mr. Chairman, once again, thank you for your leadership on the critical energy issues our nation is facing and for holding this very important hearing on the National Energy Policy. This hearing is critical in moving this committee forward on the development of the legislation that will comprise our comprehensive energy plan.

It is time to move from the discussion of the short-term energy issues facing California to a strategy and policy that will support the entire nation. It is time to put aside the debate and discussion of price caps, alleged price gouging, and insufficient energy supplies today and move to a higher level where we can debate and discuss the energy future of our nation. We have been without a national energy plan for far too long—we are suffering the results of that lack of planning today. This energy mess that we are in can not be resolved overnight...it will take planning, hardwork, and a lot of compromise. The Presidents National Energy Policy is a first step in moving forward to plan, hardwork, and compromise.

Our energy policy needs to provide reliable, affordable clean energy to support an expanding American economy, growing population, and a rising standard of living. The comprehensive energy legislation that we are developing should enable all Americans to know that: When you flip the switch, the lights should go on, When you fill up at the gas station, the price should be reasonable and not driven by a foreign dictator; When you go to work, you should have energy to produce the goods and services that make jobs, serve customers and improve our quality of life; When you come home, you should enjoy clean air, clean water, and clean land with your family.

I believe that:

- We can meet America's energy needs while making our environment cleaner and healthier.
- We need a balanced, long term, common sense approach. We can ease some of the crunch, but there are no quick fixes to problems that were years in the making.
- Most Americans do not believe there are quick solutions.
- We must reduce our reliance on single foreign sources of oil to protect our national security.

The Presidents National Energy Policy has many valuable elements—in fact members on both sides of the isle are saying that there are more things they agree with than they disagree about. The issues we disagree about are the ones we need to continue to debate. The Presidents plan is consistent with what our long-term strategy needs to be:

- *Conservation:* Continue to reduce demand and improve energy efficiency through incentives, standards and leveraging technology
 - Conservation must be a pillar of our energy strategy.
 - In fact, Republicans want to reduce use of energy and the waste of precious resources. We are, naturally, "conservative".
 - Technology and innovation has reduced energy use and the impact of exploration on the environment. We need to continue R&D to advance technologies.
- *Supply:* Diversify and increase energy supply while protecting the environment. Nuclear, clean coal, distributed generation, and renewable energy must all be components of our supply.

- There is a strong trend toward natural gas-fired electric generation. While cleaner than other options and sometimes less costly, it would be a mistake to rely solely on natural gas for expanded generation.
- A new national energy policy will have to balance competing interests—in this case, the need to protect the environment and public health with the need to make sure America’s energy needs are met. Nuclear energy is integral to meeting our needs.
- I want to emphasize the need for nuclear energy to be a part of the energy strategy—for too long nuclear energy has been in the too hard column. Today, nuclear power is safer and produces more power than it did 10 years ago. Most of the technologies we see in nuclear plants around the world were developed in America, through the Navy nuclear program or for the commercial nuclear power industry. America lost its technological edge in nuclear power and we need to regain it. Research in new designs and improved efficiencies can change the economics of nuclear power and retain America’s position. Nuclear power is critical to addressing our increased energy demand and our continued need for clean air.
Our energy portfolio must include nuclear power and nuclear power must be addressed in any national energy policy that Congress crafts.
It’s time to take nuclear energy out of the “too hard” column.
- *Infrastructure*: Modernize and expand the nation’s energy infrastructure including safe pipelines, adequate transmission and refining capacity, and clean power plants.
- *Organization*: Integrate federal energy, environmental and economic, and foreign policy development so that we avert future crises over the long haul. This is a key issue: the lack of organization and integration in energy, environmental, economic, and foreign policy has been a major cause of the current energy crunch.

From what I have read I, would say that the Presidents plan is not perfect—but it is a great step forward. There are a number of elements that need additional debate: ANWR, CAFE standards, the use of tax incentives, transmission siting and others. However, the plan contains the key elements that must be in a national energy policy. Working together we can refine this plan and develop legislation for a comprehensive energy policy. If we are successful, this may be one of our most important accomplishments for our future, our economy, our national security and the future of our children

I look forward to Secretary Abraham’s testimony and the discussion in this committee. Once again, Mr. Chairman, thank you for your leadership and hard work and I look forward to moving forward on comprehensive energy.

Mr. BARTON. Thank the gentlelady from New Mexico. The gentleman from Maryland, Congressman Wynn, is recognized for a 3-minute opening statement.

Mr. WYNN. Thank you, Mr. Chairman. Thank you for calling this hearing on what is obviously a very important issue, and I am very pleased the Secretary is here to talk to us. I don’t really have a lengthy opening statement. I do have a couple issues, though, that I would mention in the hopes that the Secretary would address them in the course of his comments this morning.

The first is what I refer to enforced fair and reasonable prices in the California situation. There is, of course, a lot of contention on the subject of price caps, but it seems to me there is in fact authority to address this concern that hasn’t been utilized, despite the fact that there is substantial evidence of price gouging. And the first response has generally been, well, the market is dysfunctional.

It is my hope that FERC will step up to the plate. If they did so, perhaps Congress would not have to do so. And I think the administration ought to comment on the subject of fair and reasonable prices.

Second, on nuclear waste—and I kind of piggyback on what my colleague said earlier—it is part of the mix and ought to be part of the mix, but there is a problem and that is nuclear waste disposal. We are behind in resolving this issue. I would very much

like to know the administration's position on nuclear waste disposal, because it seems to me that it is impractical to expand the use of this energy source unless we resolve the disposal issues that currently exist.

And finally on the subject of drilling in ANWR, I subscribe to the belief that the amount of oil there is probably not sufficient to address our energy concerns in a realistic way. However, to the extent that the administration believes that this ought to be part of the mix, I would be very curious to find out if the administration is committed to a ban on exports of ANWR oil. Which is to say, it wouldn't make much sense to bring the oil out of the ground only to export it abroad to make higher profits, thus worsening the situation in California, as opposed to—and the rest of the country for that matter—as opposed to resolving it.

So I would be very concerned about your policy on a ban on export of ANWR oil. Again, we are delighted to have you here and I look forward to your comments. I return the balance of my time.

Mr. BARTON. The Chair would recognize Mr. Walden of Oregon for a 3-minute opening statement.

Mr. WALDEN. Thank you Mr. Chairman, and thank you for holding this hearing.

Mr. Secretary, thank you for being here. I spent quite a bit of time reading through the National Energy Policy that the Vice President and you and the President put together. I want to commend you for the work that went into this and for the recommendations that are contained herein. It is clearly one of the most comprehensive energy policies this Congress has seen in many years and gives us a good blueprint from which to build a policy that will make America energy independent for the future.

I am especially pleased at some of the recommendations related to alternatives to conservation. And even though we have made great progress, as you delineate in here, on conservation efforts and have saved greatly, and even though we have cleaned up the air considerably from what was the case in the 1970's, more work can be done, more incentives can be put in place.

In my own district we rely 70 percent on hydropower for generation of power. Of course, that has its own issues related to fish, which are very important and that we are dealing with in the Northwest. But there are issues related to the 4(h)(10)(c) credits that I would appreciate getting your opinion on, because I think we have clearly come upon the point in the process where Bonneville should be able to access those fish credits.

Additionally, Bonneville, as you may know, has gone out and secured and gotten commitments for over 2000 megawatts of wind power which can be very important in a hydrosystem. So to the extent the administration is supportive of incentives to increase these alternatives, whether it be geothermal or solar or wind, they can provide an extra cushion, and certainly with a hydrosystem and wind projects, allow us to store power, as you know, in the water and allow us to shape the power curve. So I think that is important.

I am also interested in your views related to the RTO in the West as well as the need to allow Bonneville additional Treasury borrowing authority so that it can keep pace with its aging facility,

so we don't end up with a Path 15 type problem in the Pacific Northwest.

So, Mr. Secretary, I look forward to your testimony. I appreciate your work on this issue. I commend the administration for their rapid response in less than 5 months to this problem that has been with us for two decades.

Mr. BARTON. The Chair would note that Mr. Waxman's statement has been, by unanimous consent, been put into the record at the request of Mr. Markey. But Mr. Waxman is here, so we will give them 3 minutes to elaborate on the statement that is already in the record.

Mr. WAXMAN. Thank you very much, Mr. Chairman. I am pleased to welcome the Secretary to our hearing. This is our first chance to examine the President's energy policy. And as a Californian, I want to express concern over this plan and also the administration's stubborn resolve to ignore, I believe, ignore the concerns of Western families; not just California, but Oregon and Washington.

We have in the proposal from the administration an industry wish list of regulatory changes and the very real needs of Californians are going unmet. First of all, the President has refused to do anything meaningful to address the incredible price gouging that we are seeing in California and the West. Wholesale electricity prices have skyrocketed and the administration's political supporters have benefited enormously, but due to Federal inaction Western families are going to be left footing the bill, and regional economies may be sacrificed in the process.

And also, yesterday the Bush Administration denied California's request for a waiver from the Clean Air Act's oxygenate standard. This is a mind-boggling decision. Democrats and Republicans I think unanimously asked for this waiver. It benefits ethanol producers that they were denied this waiver, who support keeping things as they are, but it means more expensive gasoline, possible shortages, possible pollution of our drinking water.

I have deep concerns about the President's policy with regard to the environment as part of his energy proposal. And all these things I put into my opening statement, which I will make part of the record, but I wanted to start off this hearing by expressing some real reservations I have, Mr. Secretary, about the proposal: whether it is a balanced one; whether California and the West is being ignored, if not treated very poorly. I yield back the balance of my time.

Mr. BARTON. We thank the gentleman from California. I would recognize the distinguished gentleman from Arizona, Mr. Shadegg, for a 3-minute opening statement.

Mr. SHADEGG. Thank you, Mr. Chairman. I commend you for holding these hearings, and, Mr. Secretary, I welcome you here. The topic of this hearing is National Energy Policy, but all too often at congressional hearings we talk over the head of the average American. It seems to me it is worth some time to focus on what National Energy Policy means for the average citizen. As my colleague from New Mexico pointed out, we have had no energy policy in this country for at least a decade, and probably two.

But what are, then, the consequences of that? Well, as she pointed out, we are excessively dependent on foreign sources, more dependent than during the energy crisis. Fifty-five percent of our oil is imported, and we are growing more dependent every week on supplies from Iraq. It is the fastest growing source.

We have not done what we need to do and what we can and must do to conserve and to improve efficiency. But also we have not done what we need to do to develop domestic sources, and we have not built the refining capacity that this country desperately needs.

All of these failures have direct and real consequences for the average American citizen. What it means for them is that they are paying incredibly high heating fuel bills, they are paying incredibly high gasoline bills, so high that they aren't able to take vacations they wanted to take, they can't use their automobiles. And they are facing extremely high electricity bills.

To add insult to this injury, we are in a situation where many of them, at least in California and the western part of the country where I live face the prospect of blackouts and rolling brownouts. It seems to me the administration has done the Nation a great favor by focusing this country on the need to have a National Energy Policy and to have that policy be a balanced policy. It is critically important that we look at all of these things. Sure, we must look at conservation and efficiency, but we also have to look at domestic production and refining capacity.

With regard to the topic of price caps, price caps will not reduce a single unit of energy. Indeed, the shortage we face right now is not because prices have been too high, the shortage we face right now is because we are way too dependent on foreign sources and way too reliant on having to go somewhere else for our energy.

It is critically important that we face this crisis and we face it now. Not in the short run, but the long run is where these consequences will hit us the worst.

I commend the administration on its proposal. I think it has done an excellent job in bringing it forward as quickly as it has. I look forward to working with you and the President. I think the American people have to recognize that they pay the price for excessively high electricity bills and excessively high gasoline bills. Those are the consequence of no energy policy, and the long-term payoff of a good energy policy such as the President proposed is reasonable gasoline prices, reasonable electricity prices, and a supply that we can all rely upon. I thank the gentleman and yield back my time.

Mr. BARTON. I thank the gentleman from Arizona. We will now take a 3-minute opening statement from the distinguished ranking member of the full Science Committee, Mr. Hall.

Mr. HALL. Mr. Chairman, thank you very much. I won't even take the full 3 minutes. I just would tell the Secretary, welcome and thanks for the job you are doing and for the job you are going to do.

We are going to need your expertise. We need your intervention. We need you to referee as we try to solve the California problem. And we are going to do it, but we have got to do it together. Sometimes we have to figure up what it is going to take, raise that amount, and go on to the next problem, because that is the major issue facing this country right today, I think is how to solve the

California dilemma. And I think we need not to dwell on how we get there, either side of what it takes to get there, and get out of there and get it settled is what this Congress wants to do, and I am sure it is what this President wants to do.

I want to thank you and extend my thanks to the President for the tax cut that we approved here early one Saturday morning not too long ago.

And I would just tell you for my own people, I represent the oil field there in Texas, gas patch down through Tyler, Kilgore, and that area. And we need some things, we need—the first thing I did when I came up here was to try to amend and set aside Carter's Fuel Use Act. It was a bad act at the time and it was disastrous, but we I think repealed most of it by the mid-eighties. We still need to allow expansion of geological and geophysical, G&G cost, and delay work on the rental payments. We need a 5-year net operating loss carried back for independent producers. That is—the Tax Reform Act of 1986 got that one. That is the act that President Reagan and Rostenkowski passed, and one of them knew what was in it, and it wasn't Reagan. Otherwise, that probably wouldn't have made it through. And we need to eliminate the new income limitation on percentage depletion for marginal wells, and we have a lot of those. I think all in all, we just need to go all out for every type of energy that is out there and drain and squeeze the most out of it, get the quickest relief we can get, pull our hat down over our ears, and ride it out.

I yield back my time.

Mr. BARTON. Does the gentleman yield back the balance of his time?

Mr. HALL. I can talk a little longer if you want me to.

Mr. BARTON. I would want you to, but I am not sure we have the time for that.

The gentleman from Mississippi, Mr. Pickering, is recognized for 3 minutes.

Mr. PICKERING. Mr. Chairman, thank you, and I want to commend your leadership and that of Chairman Tauzin. I want to thank the Secretary and the President for putting forward the principles and a plan that I think can be a catalyst and facilitate our work here on this committee. I believe that there is no more important issue facing our country economically and from a national security point of view to have a present but also long-term plan that will address every component.

To those who want to isolate one component over another, or criticize one as not being enough, it has to be all parts, it has to be conservation, it has to be efficiency, it has to be new environmental technologies, but it also has to be new production, new supply. And I think that your plan is common sense and comprehensive and it addresses all components of it.

I look forward to working with you as we put together the various working groups, and I believe in a bipartisan way that we can begin addressing the long-term energy needs of our country in a sound and balanced way. I look forward to working with the chairman on this.

I yield back.

Mr. BARTON. Thank you. Thank the gentleman. There is no other member on the Minority side of the subcommittee. We have Ms. Eshoo of the full committee. We would recognize Mr. Cox of the subcommittee, and then go to Ms. Eshoo of the full committee. Mr. Cox is recognized.

Mr. COX. Thank you, Mr. Chairman. Welcome, Secretary Abraham. Your predecessor, Energy Secretary Richardson, famously said we have not had an energy policy for the last 8 years. You and the National Energy Policy Development Group in less than 5 months have put together a National Energy Policy. When you take on big challenges, particularly those that have been left unattended for so long, you raise big issues, big questions, and you generate big criticism. You are to be commended for your courage in doing so, but especially for your leadership in doing so.

This report comes to us at a time when we are more dependent than ever on unstable sources of Mideast oil. As Governor Davis has pointed out, in California we have built no new facilities to produce electricity for years. For far too long, not just in California but across the country, we have been relying upon literally resting—or, not literally—figuratively resting upon our laurels, relying upon an aging electricity infrastructure and power grid, even as our new economy makes us more dependent than ever in unprecedented ways on electricity for every aspect of our lives.

I want to commend you, as others have here today, for presenting a comprehensive and balanced approach that focuses equally on the need for conservation and on the need for stable new supplies.

We have many questions for you, Mr. Secretary, as you know, but I think it is most important that we hear your testimony. I thank you for appearing before us today.

Mr. BARTON. I thank the gentleman from California and wish him the very best in his recovery from his incident. No other member of the subcommittee being present—

Mr. COX. You are talking about my foot, right?

Mr. BARTON. I was specifically—I am told it was a 3-inch splinter went through your foot.

Mr. COX. Eight inches.

Mr. BARTON. The gentlelady from California, Ms. Eshoo, is recognized for 3-minute opening statement. Welcome her to the subcommittee.

Ms. ESHOO. Thank you, Mr. Chairman. I always appreciate your hospitality and your legislative courtesy since I am not a member of the subcommittee, but I do appreciate it. And I want to welcome the Secretary here. I think this is your maiden voyage here at the Congress committee, and I look forward to working with you on a whole variety of issues.

I am just going to keep this extraordinarily brief because I have more questions to ask than I have a statement to make. I would like to say for the record, Mr. Secretary, as your Department and the administration rolls out a National Energy Policy, that as a Californian we find some shortcomings.

I know that my colleague, Mr. Waxman, has spoken about the issue of nonwaiver for California. We still hope that we can change that. That is a very important issue and it is something that we

can do on a bipartisan basis. This crosses party lines. So I hope that we can change that.

The other issue they I want to raise, of course, is the issue of energy and the energy crisis in California. I have some very direct questions to ask you. I look forward to a later time, because I know that all of the members of the subcommittee have to go first.

So thank you for coming to us. I wish you well in your position. It is important not only for Americans today but for future generations that have yet to enjoy what God has blessed us with, and I hope that at the end of the reshaping of this policy that we will find that between the print, because we are the trustees for future generations and I hope the administration will see to that as well.

Thank you, Mr. Chairman.

Mr. BARTON. Thank you, Congresswoman Eshoo. That concludes the opening statements of all members present. The Chair would ask unanimous consent that those members not present have the requisite number of days to put their statement in the record at the appropriate place. Is there objection? Hearing none, so ordered.

[Additional statements submitted for the record follow:]

PREPARED STATEMENT OF HON. STEVE LARGENT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF OKLAHOMA

Mr. Chairman, thank you for holding this morning's hearing to examine the Administration's National Energy Policy Report. The Subcommittee is fortunate to have with us today Secretary Abraham—Mr. Secretary welcome.

I've carefully read the Administration's comprehensive energy plan and I want to commend Vice President Cheney and the other members of the National Policy Energy Development Group for their fine work.

Let's face it, we're in a serious energy crunch. Electricity prices are sky high in California and the West. Gasoline prices in some parts of the country are nearing \$2 a gallon. And we're more dependent now on foreign oil than ever before. Who does this impact? Everybody. Why? Because to my knowledge energy, be it oil, gas, coal, nuclear, hydro, solar, wind, biomass, or geothermal has no racial, religious, gender or political bias.

As I stated earlier, I've read this plan and from my perspective it appears to offer a thoughtful and well-balanced approach to meeting our nation's energy needs.

It spells out in careful detail what most of us who took econ one in college should already know. When you have an increase in demand coupled with a shortage of supply—the result is scarcity with a corresponding rise in prices.

The President's plan provides a blueprint on how to increase supplies from a variety of domestic energy sources. Since 65% of our nation's energy resources will continue to come from oil and natural gas, it's only logical that the plan would seek to maximize those energy sources.

However, contrary to the critics claim that this proposal does little to promote renewable and alternative energy, take a closer look. There are thirteen separate recommendations promoting cleaner burning fuels. By contrast, the House Democratic Caucus Energy plan has four.

The plan takes into careful consideration American's environmental concerns while also promoting energy efficiency and conservation. It addresses America's energy infrastructure and delivery system and lays out a global strategy to enhance our national security and improve international relationships.

The National Energy Policy Report is approximately 140 pages long. In that 140 pages there is nothing that could be interpreted or construed as politically partisan.

The same cannot be said for the House Democratic Caucus Energy Task Force's "Principles for Energy Prosperity." As a matter of fact, the first sentence of the document reads as follows: "Democrats reject President Bush's misguided notion that America must sacrifice the environment in order to maximize energy production."

After I finished reading "Principles for Energy Prosperity" I began to wonder if the House Democratic Caucus Energy Task Force and the Democratic Congressional Campaign Committee were one in the same.

Mr. Chairman, I look forward to hearing Secretary Abraham's thoughts and ideas as to what role this Subcommittee can play in developing a comprehensive long-term energy strategy.

PREPARED STATEMENT OF HON. ED BRYANT, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF TENNESSEE

Mr. Chairman, I would like to thank you for holding today's hearing and I would also like to thank our Secretary of Energy, the Honorable Spencer Abraham for appearing before the Subcommittee to report on the proposals of the National Energy Policy Development Group. I look forward to hearing Secretary Abraham's testimony and I welcome the opportunity to learn more about the Bush Administration's long-term energy proposals.

I believe energy is the single most important issue Congress will deal with this year. As I have attended town hall meetings in my district and met with constituents, it seems that the high prices they have been paying for fuel and power has been a resounding theme. Our nation's energy crisis has left no family or business untouched. Whether it is homeowners, manufacturers, small businesses, or farmers, everyone has been hit hard by rising demand for energy and decreasing supplies.

Let's make no mistake, our nation has been without a comprehensive national energy policy for the past eight years. President Bush had been in office little more than 100 days when the Administration unveiled a blueprint for our long-term energy needs. The President's energy plan increases the supply of safe, reliable domestic energy while promoting a clean, safe and healthy environment.

I agree with President Bush that our nation's energy problems must be addressed through a variety of means, including increasing supplies of traditional fossil fuels, developing alternative sources of energy, and promoting conservation. It won't be easy, nor will it occur quickly. But we have the technology and enough resources to meet our energy needs for decades to come.

The recommendations of the National Energy Policy Group go a long way toward realizing our energy goals. As a Member of this Subcommittee, I look forward to beginning work on shaping energy policy legislation that reflects the President's proposals. I know our Subcommittee will work together in a bipartisan fashion to pass a comprehensive national policy because the President's recommendations are right and they will make our nation stronger. Again, thank you Chairman Barton for holding this important hearing, and thank you Secretary Abraham for your presence here today.

Mr. BARTON. The Secretary needs to leave by 1 p.m., so we are going to take a break for 4 minutes and then we are going to be back so that we can let the Secretary testify and then ask questions. So we are going to take a 4-minute break, then we are going to be right back here in 4 minutes.

[Brief recess.]

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.

**STATEMENT OF HON. SPENCER ABRAHAM, SECRETARY, U.S.
DEPARTMENT OF ENERGY**

Mr. 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 in the 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 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 1. 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 1970's. 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 prepared statement of Hon. Spencer Abraham follows:]

PREPARED STATEMENT OF HON. SPENCER ABRAHAM, SECRETARY OF ENERGY

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 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, 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 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 clean coal generation, nuclear power, and hydropower 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 traditional sources of energy, such as oil and natural gas, with the need for renewable and alternative sources such as 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.

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, I 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?

Mr. 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 toward that point, and I think as we get our full complement of office positions filled that will obviously make my job perhaps a little easier.

Mr. BARTON. Well, let me ask you a little tougher question, then. You are a former Senator from the great State of Michigan. You are very aware that CAFE is not a place you eat in a restaurant, it is Corporate Average Fuel Economy, a fairly controversial issue in your home State. The President and the Vice President and you have come out strongly for conservation. Your proposal as it stands would shave 48 quads of energy from the projected increase in demand if we did nothing in terms of conservation.

Do you have any thoughts that you would care to share with the subcommittee on what a reasonable balanced increase in corporate average fuel economy standards might be that this subcommittee should consider legislatively?

Mr. ABRAHAM. Well, our position as reflected in the plan, is to recommend that the Secretary of Transportation, who under statute has responsibility with respect to CAFE standards, makes recommendations and it is in his domain to do so.

But let me just say I think—Congressman Dingell isn't here, but he and I have worked together on this issue on behalf of our constituents, but we have worked together on behalf of the American citizenry more broadly, with regard to CAFE in recent years. We effected last year a compromise in the Senate that called upon the National Academy of Sciences to make CAFE recommendations by this July, in time for this year's considerations of the Appropriations Committee. It was an appropriate step to have taken last

year. We acknowledged that in the recommendations in the President's report.

I think as you look at the actions taken, without any governmental mandates, by the auto industry, you see a move in the direction of hybrid vehicles designed to improve fuel efficiency. There are two things I would pose to Members of Congress—and now maybe I am speaking more because of previous roles than I am of my current one. When one considers what might be the ultimate standards to take into account, first the issue of safety; and second, the issue of the disparity, the potential disparity effect on American versus foreign manufacturing of changes. I think we need to proceed ahead if we are going to change the fuel efficiency standards consistent with those very important considerations.

The National Highway Transportation Safety Administration in the past has indicated that reducing the weight of vehicles has a direct correspondence to traffic fatalities. Gannett News Service in 1999 did a study in which they concluded that 46,000 Americans have lost their lives as a consequence of changes in the size of vehicles that came about in efforts to meet CAFE standards. I hope any changes would be considered against that backdrop. I also recognize that there can be advantages that changes in the fuel efficiency standards might provide to nondomestic manufacturing. Any sort of change that might occur must have an even, rather than an uneven, impact on the various sources of manufacturing.

Mr. BARTON. Okay. This last is not a question as much as it is a comment, something to think about. The energy policy proposal that the President and the Vice President, you and the other Cabinet secretaries have put forward, shows in the year 2020 we expect to consume 127 quads of energy equivalent in this country. You also show that your policies, if enacted, would save 48 quads of energy from what the projected demand would be if we didn't have any conservation measures. You have a supply side to your policy but it is not quantified.

I don't think we want to become totally energy independent. I have not heard the President or yourself or the Vice President say we should be independent, but I would like to work with you and the other administration officials to come up with a quantifiable target for supply in terms of quad, how many additional quads of oil, natural gas, electricity, coal, nuclear. And think, as a starting point, that you want to save 48 quads. If our supply component were some—it shouldn't be 48 quads increase, but something that gives us a target to shoot for as we go through the process. Would you be willing—

Mr. ABRAHAM. Let me point out, first of all, the difference that would be remaining is not 48, it would be 29 quads. Let me also say that the gains you just alluded to are ones we believe will happen with these policies, but also with existing policies in place. We would like to go further than that. I hope we can. And we will look forward to working to gaining even further efficiencies.

At the same time, we chose not to try to specify, to make a guess, to pick fuels of choice or sources. We know what the current projections look like. And as I indicated, right now, absent any changes, almost all of, for example, the electricity generation increase we are likely to achieve over the next 20 years would be natural gas-driv-

en increases. And a number of people have already commented on the potential implications of relying on a single source for most of the increase.

What we propose is the notion of balance between sources, both traditional as well as renewable, but also between traditional sources, so that electricity, for example—to try and be brief here, the current Energy Office Administration projections from our Department's independent arm is that as natural gas would increase, would see a decline in the role of hydropower and nuclear energy in electricity generation over the next 20 years and a very slight increase in the role of renewables.

We chose not to try to specifically pick between those different sources, but our view was to try to put in place policies that would not place total dependency on natural gas but would allow nuclear and hydro and renewables to play more robust roles than predicted and projected today.

Mr. BARTON. Thank you. I am not trying to put you on the spot. I know the natural gas industry says that they would like to be around 30 TCF in natural gas by the year 2010, 2015. The coal people have some targets in terms of their increase if we can help them on clean coal technology.

We don't expect the oil industry to gain supply, we are hopeful we can we can do steady state. So really looking more at hydro-electric, renewable, and some of the others, and nuclear, to give us some targets. You have a better chance to hit the target if you know what the target is. I mean, every now and then, you just shoot up in the air and you hit something. But most of the time you have got to aim at it. So I just need some help in aiming. I figured you are a pretty good marksman.

With that, I would recognize Mr. Markey for 5 minutes.

Mr. MARKEY. Thank you, Mr. Chairman very much. I have two posters that I would like to show the committee. The first is from a report by the Federal Government. This is the report on January 11, 2001—from the Report of the Commission to Assess United States National Security Space Management, an organization which was chaired by Secretary Donald Rumsfeld. The figure is credited to the Headquarters Air Force Space Command. It is captioned, "Space Systems Will Transform the Conduct of Future Military Operations." It shows various high-technology systems anticipated being used by the United States, much of which will be coordinated by the Department of Energy in laboratories of Los Alamos and Livermore.

The Commission was established by Public Law 106-65, and in the National Defense Authorization Act for Fiscal Year 2000.

The second poster that I would like to show you is an air conditioner from the Web page of Goodman Manufacturing. As I mentioned earlier, this already meets the standard that the administration suspended as too onerous. Unlike national missile defense, the technology is virtually off the shelf today. And also, unlike NMD, we know it works because Goodman has already tested it for us in the marketplace.

Now, this is something that Federal employees are going to put together. Pretty complex, huh? Technologically sophisticated. This is something the private sector is already doing. Now, I would like

to believe that the FEC employees are capable of doing this, but I technologically believe it is highly unlikely that we will be shooting down, in a minute and a half, Chinese and Russian missiles heading into our country in the middle of the night anytime soon.

On the other hand, Mr. Secretary, your administration has decided to roll back the 30 percent improvement in air conditioners which the Clinton Administration had promulgated. Now, that is going to increase over the next 20 years the need for 43 additional 300-megawatt plants that will have to be constructed in the United States.

Now, I was the author, Mr. Secretary, of the House bill that gave you the authority to promulgate the national apply and efficiency standards. And one of these provisions is a no rollback provision. The reason I built that in was that the Reagan Administration had actually flouted earlier laws dealing with this subject. So let me read you the language from the statute. It says: The Secretary may not prescribe any amended standard which increases the maximum allowable energy use or decreases the minimum required energy efficiency of a covered product.

Here we are talking about air-conditioners. Now, in rolling back, Mr. Secretary, the final air-conditioning rule adopted by the Clinton Administration, you are in clear violation of this no rollback provision, and you are in violation of that law at the same time that your administration is saying that there is an energy crisis in our country, and you are also saying that we have a national security crisis that is going to call for the abrogation of the ABM treaty so that we can deploy this new technology over the next 5 to 10 years in the United States that will theoretically provide an impermeable, technological protection for our country.

Mr. Secretary, are you willing to review your decision to abrogate the implementation of the fuel economy standards for air conditioners, especially on a day like today where 35 percent of all electricity in America is heading toward air conditioners—in Texas, it is 75 percent of all electricity heading toward air conditioners—in order to adopt a standard which Goodman Manufacturing has already been able to put out there on the marketplace?

Mr. ABRAHAM. Well, as you know, Congressman, there were two standards under consideration. In our judgment, the standard which the Goodman Company was proposing was one that would not allow for a competitive marketplace to exist. And I believe one of the considerations that we are expected to take into account as we evaluate setting these mandated standards is not only what the payback periods would be—that is, to the consumer who has to pay more—and I am not sure what the cost of the Goodman product is; I suspect it is considerably greater than other types of models, which has an impact on the pocketbooks of average families—but also whether or not a competitive market will ensue at the end of the process.

It was not only our judgment, but also, the conclusions reached both by the previous as well as the current Justice Department that there were significant issues with respect to the competitive disadvantages in the marketplace to other manufacturers. This is a case where, in fact, there was a considerable difference between

perspectives as to whether or not such a competitive market would exist.

What I would say to you is this. We were asked when we came into office to review three rules that were, in our judgment, according to our legal counsel, not in a final stage to have triggered the provisions you have just mentioned. We would be glad to share with you the legal considerations that we have followed. But two of the three we kept in place, and in this case we have suggested that instead the rule ought to be a 12 versus a 13-sere air conditioner standard, both because it would more effectively address this question of market competitiveness and at the same time be a little more friendly to the pocketbooks of average Americans.

But at the same time, I would note in response to your point that in our National Energy Plan, in chapter 4 of the conservation chapter, we have been asked and our agency has been directed to seek to expand the standards in both products in which we already have assessed and placed standards, as well as to expand the number of products that we would consider.

Mr. MARKEY. I think the chairman—

Mr. ABRAHAM. I take that seriously, and one of the priorities for us is to review appliance standards, but to determine if additional ones should be considered, as well as, if we go forward into the future, whether or not air conditioners will fall into this or not. We will see.

Mr. BARTON. You can tell that the Secretary was a former Senator. He tends to give us a lot of answer for a short question.

Mr. ABRAHAM. Well, it was not meant to be a patronizing—

Mr. BARTON. I didn't say that.

Mr. ABRAHAM. [continuing] or filibustering.

Mr. MARKEY. I will just say this, Mr. Secretary.

Mr. BARTON. Briefly, because we have got a lot of members and theoretically only an hour to go.

Mr. MARKEY. In my opinion, Mr. Secretary, we do have an electricity crisis in California. It is not a national crisis, but there is an electricity crisis in California. We need solutions. So far your solutions have been giving us a faith-based electricity policy. You will pray for us across the country, but not give us specific solutions. There is no near-term solution, you say.

But when it comes to where electricity goes, and it is primarily at the air conditioners in the summer in most of the States in the United States, you have decided not to, in fact, impose a tough standard on air conditioners and have rolled back, in my opinion illegally, a final rule promulgated by the Clinton Administration that will make it much more difficult for us in the long term to have our country solve this electricity situation, and I think it is an historic mistake which the administration has made.

Thank you, Mr. Chairman.

Mr. BARTON. Before we go to Mr. Shimkus, just so we have the complete record, could you put in the record what the current air conditioner efficiency standard is, what the Clinton Administration proposed, and what the Bush/Cheney Administration has promulgated?

Mr. ABRAHAM. Mr. Chairman, I would be glad to do it, and I think people are seeing that we are calling for a significant in-

crease, approximately 20 percent, in the efficiency of air conditioners. As was noted, if people want more efficient air conditioners, today they can go out and purchase them, and I think perhaps some will.

Mr. BARTON. But we need the specific numbers.

Mr. ABRAHAM. I will do that, sir.

[The following was received for the record:]

Authority	NAECA ¹		January 22, 2001 Final Rule		July 2001 Proposed Rule	
	Seasonal Energy Efficiency Ratio (SEER)	Heating Seasonal Performance Factor (HSPF)	Seasonal Energy Efficiency Ratio (SEER)	Heating Seasonal Performance Factor (HSPF)	Seasonal Energy Efficiency Ratio (SEER)	Heating Seasonal Performance Factor (HSPF)
Split system air conditioners	10	n/a	13	n/a	12	n/a
Split system heat pumps	10	6.8	13	7.7	12	7.4
Single package air conditioners	9.7	n/a	13	n/a	12	n/a
Single package heat pumps	9.7	6.6	13	7.7	12	7.4
Space constrained products other than through-the-wall	10/9.7 ²	6.8/6.6 ²	reserved ³	reserved ³	12 ⁴	7.4 ³
Through-the-wall air conditioners and heat pumps: split systems	10 ⁵	6.8 ⁴	reserved ³	reserved ³	10.9	7.1
Through-the-wall air conditioners and heat pumps: single package	9.7 ⁶	6.6 ⁵	reserved ³	reserved ³	10.6	7.0

¹NAECA, the National Appliance Energy Conservation Act of 1987, Pub. L. 100-12.

²Not considered as a separate product class in NAECA, the standards for split system and single package air conditioners and heat pumps apply.

³These were space-constrained products, defined in January 22, 2001 notice (66 FR 7196-7197), for which minimum SEER and HSPF values had not been determined. Had the January 22, 2001 rule become effective, SEER and HSPF values would have been determined in a supplemental final rule.

⁴Not considered as a separate class in the July 2001 proposed rule, the standards for split system air conditioners and split system heat pumps apply.

⁵Not considered as a separate product class in NAECA, the standards for split system air conditioners and split system heat pumps apply.

⁶Not considered as a separate product class in NAECA, the standards for single package air conditioners and single package heat pumps apply.

Mr. BARTON. Because my understanding is you have supported an increase in the efficiency.

Mr. ABRAHAM. Right. That is correct.

Mr. BARTON. But not as high a number as the outgoing Clinton Administration proposed. Isn't that correct?

Mr. ABRAHAM. That is right.

Mr. BARTON. The gentleman from Illinois. And we are going to try to continue so that we don't shut the hearing down. So if you folks want to go vote and then come back, that would be appreciated.

Mr. Shimkus for 5 minutes.

Mr. SHIMKUS. Thank you, Mr. Chairman, and the rules—the numerous rules and regulations promulgated by the last administration as they left off, this is one of those last-minute, in the dark of the night, surprise, and you have this. So I think it is meritorious to review those.

But what is interesting, this is really an ideological debate, because my friend from Massachusetts—I am sorry he left, but there are votes—is that the market has already responded to higher efficiency standards. The market is what we are trying to make sure works. We need to have a diversified fuel portfolio so that the market can best choose the right fuel for the right use. If you continue to put all your eggs in one basket, which we have done over the past 8 years, which is natural gas, you don't have the flexibility for

the market to choose the best fuel for the best use, and so that is why I applaud the administration.

One of the last-minute rules that this administration did not promulgate, which they had ample opportunity to, was the California waiver. The Clinton Administration had a full 18 months to make a decision on the California waiver but chose to leave office without taking a position. The last technical submissions from the State of California concerning its petitions were submitted in February 2000, a full 11 months before the end of the Clinton Administration. I could only assume that the Clinton Administration did not see—there was no meritorious position, otherwise it would have been lumped in with all those other last-minute rules and regulations.

But it is a great debate, because what it does is it has supposed clean air advocates arguing against clean air, and I know this is kind of an EPA thing, but it is timely, and it has supposed pro-oil individuals against big oil.

So, again—but make no mistake, there is one proethanol Member of Congress. There is many of us, but there is one right here supporting ethanol, so I am not trying to, you know, hide my true colors. But the reality is the whole debate is fascinating from the aspect of those who support clean air are talking against ethanol and the oxygen standard, and those who should be siding with big oil actually sided against big oil.

But I do think, as in my opening comment, having internal ability to refine and have natural resources of fuel helps decrease our alliance on foreign oil, and I think that is very, very important.

And I have to respond also to the other comment on the national missile defense. Just because this is one Member of Congress—first of all, it is not designed to shoot down every missile that will be launched from every country at one time. It is designed to be able to knock down a rogue nation, a terrorist missile attack. And this is one Member of Congress who will—I am willing to take that one shot of a bullet hitting a bullet if it means protecting Los Angeles, California, or Chicago, Illinois, or Washington, D.C. I am not going to be the person who says, no, I didn't think that was important enough. I am going to let that go.

So to my friends on the left who don't—who doesn't think national security and the ability to defend our people is that important, I would say it is probably the primary role of the Federal Government is to protect its citizens.

Now I will go on two issues. I am going to continually focus on the biofuels component of a National Energy Policy. Although in southern Illinois, we do have marginal wells. We have abundant coal reserves. We do have, as I said, the reprocessing uranium facility that is in the deep south in Metropolis, Illinois, but, of course, ethanol and biodiesel have been projects that I have undertaken. And a couple years ago we were able to help pass an addition to the Energy Policy Conservation Act, which allowed the fuel addition of biodiesel to be considered to help decrease our reliance on foreign oil.

We have another piece of legislation that has been submitted within the last couple of weeks to affect the—and it really is through the Transportation Committee, but for your information, it

does tie in, because any time we use biofuels in any percentage, mixture with petroleum-based fuels, it decreases our demand for the petroleum-based product. That is why ethanol is helpful. That is why biodiesel is helpful.

And if it can help clean the air—I would just want to put on record, Mr. Secretary, so you know, that we have dropped legislation on the Congestion Mitigation Air Quality Act, which would allow, you know, credit for fuel usage of a renewable fuel additive so that you can get credit for the using of biodiesel or ethanol in these highly dense transportation corridors that are congested, and there is a clean air aspect. There is a renewable fuel aspect and all the great things that are involved.

The last thing that I will mention, since I am the only one talking, and no one else is around—

Mr. BARTON. We have Mr. John and Mr. Cox here.

Mr. SHIMKUS. How am I doing on time, Mr. Chairman?

Mr. BARTON. You are 23 seconds over.

Mr. SHIMKUS. Well, then I yield back my time.

Mr. BARTON. All right.

The gentleman from Louisiana is recognized for 5 minutes.

Mr. JOHN. Mr. Secretary, thank you very much for coming. Being from Louisiana, which is a producing State, I really understand the industry as a whole and its impacts from a local economic standpoint; and as a Member of Congress for the last 6 years, I understand energy on the national level and its importance to our economic security, and to our national security among other things.

I would like to put this debate into very easy-to-understand components that all make up a comprehensive energy policy. No. 1, I think you have to find it. No. 2, you have to refine it. And No. 3, you have to transport it. And each one of those components, as simple as they may seem, is a very critical component of delivering an energy policy that I think all of America wants.

And I would like to focus just a little bit on the transportation part of my breakdown. Now, it is my understanding that in California, the pipelines that lead to the border can deliver a lot more natural gas, but once they get to the border, they get choked out, and from that situation other complications happen.

I would like to focus in on the transportation part of the administration's policy and how you envision meeting our delivery needs. Whether it is pipelines for natural gas that fuel electric power plants or electric transmission lines, without them, you really have a bottleneck and a problem. I think this is a very important part of the whole energy debate. Some people in America seem to be focused on the production side, because it is high profile, especially on Federal lands, and other things that seem to be a political powder keg. But I think transportation of whether it is electricity, gas or crude is very important. Could you elaborate on that, please?

Mr. ABRAHAM. Well, just a broad statement, I would just say that we have devoted an entire chapter of the energy plan to the infrastructure challenges we confront, for a good reason, which is that if we increase supply, or even just maintain current supply levels, if we have lack of capacity to deliver the supply, as you have indicated we have—

Mr. JOHN. That is my point exactly.

Mr. ABRAHAM. [continuing] it affects price. It obviously affects shortage issues as well.

In the plan we are making a number of recommendations. With regard to the pipelines, the President directs Federal agencies on an interagency basis to try to work together for the purposes of designing and developing recommendations to expedite the permit process that is involved in pipeline siting.

He also has encouraged FERC to consider improvement in the regulatory process which governs the approval of these interstate systems. And we also endorse Senator McCain's legislation with regard to pipeline safety.

At the same time, on the transmission side, we have a number of recommendations which play a fairly active role in development, because with regard to electricity transmission, we face a greater challenge, and that challenge comes about because of the fact that there is no Federal authority to site electricity transmission. We have that capacity with respect to oil pipeline, natural gas pipeline at the Federal level. We do not have that power with respect to electricity.

What we have in this country is an electricity transmission system that was largely constructed at a time when a local power plant serviced its community. It was not developed for long-haul transmission. It was not developed for a national energy or electricity market. As we have strived for more competition in the marketplace of electricity, we have done so primarily with regard to price control issues. And California has obviously had one type of experience, Pennsylvania another.

But even as we deregulate on the price side, we still have the challenge if there isn't a sufficient number of sellers available or buyers or vice versa, and so what we are talking about, and actually interestingly it was, I think, well stated by Congressman Sawyer's remarks—in his remarks, of the notion of moving toward a national highway system for electricity.

What we propose is several steps to get there: Step number 1, an analysis by my Department to try to determine where we need more transmission, where we need more interconnectivity.

Second, a process that would involve encouraging the FERC to develop a rate structure system that would encourage, through rates, the construction of the additional transmission.

Third, for us to consider the benefits of a national grid. That is for the Department to make a review of that and recommendations.

Also looking at the Federal facility, such as the Bonneville Power Administration to determine whether they need—and somebody—I think Congressman Walden asked about this—whether we need to expand their debt availability so they can participate in construction.

But finally, of asking for us to develop legislation that would provide the Federal Government with an eminent domain power to address situations that might arise where we need interconnectivity.

And there certainly have been many examples in recent years where the—where we are talking about interstate situations where somebody just won't take the action. The authority lies at the State and local level. If a community or a State decides it will not site transmission, it may make a problem far more acute.

We have cities in this country that are limited in terms of how much electricity they can import, considerably constrained in that regard, such as New York. We have States, because of their nature, some—for example, Florida, because of being a peninsula—where we have similar kinds of limits in terms of importation. And within States or within regions, we have these. And I don't see—at least it wouldn't be my vision that the Federal Government, once having identified these problem areas, immediately launch through an imminent domain power, siting program.

Rather, I would hope we could work together to develop legislation that once we identify these, we bring them to the attention of the appropriate regulators at the State and local level; that we work with FERC to perhaps provide a rate structure that encourages transmission development. But there should be at least a last resort option available to us at the Federal level to make sure that we don't have the kinds of challenges that some parts of the country confront, of being in situation where they literally can't import anymore generation where they need it most.

Mr. JOHN. First, let me encourage you to research and study the national electric transmission grid. I think it is meritorious. When you are looking at the economy today and all these e-businesses that are popping up everywhere, you are not sure where they are, and it really doesn't matter. And I think that same mindset may overlap on electricity. If it can be generated somewhere, does it matter where it comes from if it is going to plug into a grid, into a national power grid?

Mr. ABRAHAM. Well, if I could just say—and I know I may be a little bit over here, but if I could just add one other point. In addition it would help us—if we were to resolve these bottlenecks and so on, help us deal with opening a more competitive system, in addition to helping us address situations where there might be an electricity shortage in one area and a surplus in another that right now can't be used to address the shortage.

And also I think it could open the way ultimately for us to address the NIMBY problem, which was referred to by Congressman Radanovich. Right now the reluctance of a community to have any new generation can create a situation with literally—you know, they have a problem there, but they have no option because they can't import any more electricity. There are communities that would like to increase the amount of generation they have, places perhaps where they already are a source, but if there is not enough transmission to get any additional electricity from there to a more grid-intensive area, they don't have that option.

Mr. JOHN. Well, being from Louisiana, I could sure understand that mentality, that we will drill as much as you want down at our end. We understand the jobs that are created.

Finally, let me briefly say that I look forward to working with you as we embark upon this issue. In my eyes, I do not believe that there is a more important issue facing this Congress, and it is not going to be solved this year or next year. There is no silver bullet. There are a myriad of things that have to be addressed in one package. I think energy concerns are a threat to our economy. It is a threat to our prosperity. I think it is a threat to our informational security. And it is something that we need to work on.

Being cochairman of the Blue Dogs, we have recognized that, and we have activated an energy task force, cochaired by our colleague Ralph Hall on the committee and also Max Sandlin, and we are putting together principles of an energy policy. And we are going to invite you to one of our meetings. I think we will play a very important role in this, because it is a very important issue, and I look forward to working with you and thank you for being here.

Mr. WHITFIELD [presiding]. Mr. Secretary, I also want to welcome you to our panel this morning, and I was not here for the opening statements, but we are delighted that you are here. And I particularly am pleased that this administration is placing emphasis on all fuel sources, particularly the emphasis you are placing on clean coal technology, as well as expanding the use of nuclear fuels.

I would like to ask a few questions just on a few parochial issues as well. As you may know, I represent the Paducah gaseous diffusion plant, and I was pleased that the administration had requested \$18 million in the supplemental appropriations bill for environmental cleanup at the Paducah plant. And I know that you can't speak for what will happen here on the Hill, but it is my understanding that at least in you all's view, that the entire \$18 million was to be set aside for the Paducah cleanup. Is that correct?

Mr. ABRAHAM. Yes. That is my understanding.

Mr. WHITFIELD. And then on another issue, I really appreciate the Department's continued efforts to move ahead with the DUF6 conversion plants at both Paducah and Portsmouth. Those plants and the construction are very important obviously in trying to convert the depleted uranium hexafluoride into a more stable product.

As you know, the bids were submitted in March, and it was our hope that an award would be made no later than August. However, it is my understanding that most recent estimates indicate that DOE will not award the contract until about October. Is that your understanding at this point?

Mr. ABRAHAM. I would have to check to see if there is any updated information. I honestly can't tell you a date, but I know that our offices work with yours, and I suspect the information you have just indicated is something that reflects the most recent estimates on our part.

Mr. WHITFIELD. Okay. Good.

Also, I, along with Congressman Strickland of Portsmouth, had written a letter to you regarding the pension benefits for the retired employees at both Paducah and Portsmouth. Recently, the pension benefits for the retirees at Oak Ridge had been increased significantly, but the benefits for retirees at the Paducah and Portsmouth facilities was not increased. I have talked to your staff this morning, and I know that they are going to be working on that. And I just wanted to say to you that it is a very important issue, and we appreciate you taking the time to look into that and get back with us.

Mr. ABRAHAM. Well, we will, and I just would like to acknowledge the work you have done. We have worked with Congressman Strickland as well, as you have indicated and he did in his opening statement, to try to address some of these issues within our complex. Obviously some of the employees are involved that work directly with the Department, but most don't. And we are trying to

be responsive to their concerns, as expressed through you, and we will continue to work with you to accomplish that.

Mr. WHITFIELD. Thank you.

At the time USEC was privatized, they became the exclusive executive agent for implementing the Russian HEU agreement. The National Security Council is reviewing that entire agreement and I know that you will be having input into that. I would just like to make the comment that I think that USEC has done a very good job as the agent for that agreement, and it is my hope that they would be able to maintain the exclusive agency responsibility in that. I know that this is an ongoing process, and I simply just wanted to express my views on that. I am assuming that it is your view that we do need to always have a domestic capability to enrich uranium in the U.S. Do you agree with that?

Mr. ABRAHAM. Well, Congressman, one of the things which we are trying to evaluate in the early days of the new administration is precisely what general policies we are going to outline in these areas.

As you indicated, there is a national security review going on that embraces both the specific issues that relate to the USEC role and, more broadly, the HEU agreement as it pertains to non-proliferation, but also as to the national security implications both with regard to domestic production capabilities, as well as the capacity to import on a long-term basis. So that is all part of the review, and those are definitely considerations that will be taken into account.

Mr. WHITFIELD. Okay. Well, Mr. Secretary, I know that everyone on this committee does look forward to working with you as we try to solve this energy crisis in America and to utilize all fuels available to us. And I see that my time has about expired.

I recognize Mr. Waxman of California for 5 minutes.

Mr. WAXMAN. Thank you very much, Mr. Chairman, and Mr. Secretary. I am pleased to have you here before us.

We want to work together with this administration, but the proposal that we have seen on energy just is so puzzling to me, because you would not get a tighter standard to make motor vehicles more cost-efficient, to get more fuel use more effectively with cars. You wouldn't get as tight a standard on air conditioning, which, if we had the standard that the last administration proposed, would have resulted in 43 fewer power plants from having to be built. We are not going to get other areas of conservation. But instead we are being told, well, we will just have to start drilling in the national Alaska wilderness area, open up all Federal lands.

We are getting some kinds of sources of energy that are being favored. We are getting a subsidy for coal. At the same time the administration is proposing a cutback on funds for renewables. And there is a 30 percent cut in the conservation fund, which is a fund that can be used to make greater efficiency use of electricity and other energy. So it is very troubling.

On the one hand, we are being told there is a crisis, let us drill, let's produce more energy, let us open up our natural resources. We are in a crisis so we need more supply. And yet we don't have the effective ways to use our energy more efficiently and to conserve.

How do you answer that?

Mr. ABRAHAM. Let me try to go through all of those, if we can. First of all, let us just talk about energy efficiency and conservation. There is a major component of this proposal, an entire chapter devoted to recommendations in that area. It ranges from—on the one hand, to call for the expansion of combined heat and power program systems.

Mr. WAXMAN. Well, let me ask you about motor vehicles. That is one of the major sources of use of energy. You said in answer to a previous question that the proposal of this administration is to study tighter fuel efficiency standards. Yet the standards were adopted in the 1970's and implemented in the 1980's, and we are now in the 21st century. Don't we need tighter standards right now to put in place for future motor vehicles, particularly those SUVs?

Mr. ABRAHAM. I would note a couple things. First of all, we already have legislation in place that puts the Secretary of Transportation in charge of making these determinations, and I believe that is really what we have now urged happen. But just remember, of course, over the last several years, there has been a moratorium on funding to, in fact, make any changes with respect to—

Mr. WAXMAN. Well, that is a moratorium the Republicans in the Congress supported—

Mr. ABRAHAM. And it is also a moratorium that we do not call for in this plan. And indeed, I believe that the House—

Mr. WAXMAN. Well, because your plan—

Mr. ABRAHAM. [continuing] Appropriations subcommittee just this week has lifted that moratorium.

Mr. WAXMAN. I know there is no need for a moratorium, that the administration's proposal is to simply send it out for further study by the National Academy of Sciences.

Mr. ABRAHAM. No. That isn't the case, Congressman. I think that, quite the contrary, we envision in this moving forward on CAFE taking into account three factors that I think are important. One, the study which was a bipartisan compromise worked out last year to have the National Academy of Sciences—and I believe in a few weeks they will have their study completed—give us some recommendations that should be incorporated into the consideration and taking into account safety as well as potentially disparate impact on manufacturing.

If 46,000 Americans have died as a result of mandated CAFE standards over the last 20 years, we ought to be looking forward in terms of changing standards to make sure that we do so in a fashion that doesn't—

Mr. WAXMAN. People have died because of CAFE standards?

Mr. ABRAHAM. That is exactly right.

Mr. WAXMAN. How is that happening?

Mr. ABRAHAM. Because we—

Mr. WAXMAN. We have got more cars efficient now than they used to be.

Mr. ABRAHAM. They may be more efficient with respect to fuel, it doesn't necessarily mean they are safer. And the problem, I think, that the National Highway Transportation—

Mr. WAXMAN. You are no longer the Senator from Michigan. You are the Secretary of Energy. That argument never stood the test of—

Mr. ABRAHAM. I am equally interested in the safety of Americans in this job, and what I would say is that the National Highway Transportation Safety Commission has, in fact, found a direct correlation between the weight of vehicles and traffic fatalities that have ensued. It is not my numbers. It is the numbers of NHTSC. It is the calculation done by Gannett News Service, taking into account the data provided.

Now, the issue isn't whether or not we should improve CAFE standards. The question is can we do so without any resultant increase in the unsafety of vehicles. And I—

Mr. WAXMAN. Well, Ford is talking about a vehicle, an SUV, in 3 years that will get 40 miles to the gallon. Do you think they are going to make one that is less safe than the SUVs on the road today?

Mr. ABRAHAM. I am confident they won't. And they didn't need a government fuel efficiency standard to make it. The question is whether or not—what we are calling for is for the process to move ahead with the Secretary of Transportation, who has responsibility under the standards and the statutes in place today to make a decision.

Mr. WAXMAN. My only point is Ford says they have the technology. They can do it. That doesn't mean they will do it. And it seems to me if we want it done, and we want to get the automobile industry to act, we have got to set in place the requirements for them and push them to do it. That is how we got them to move forward on safety, on fuel emissions from automobiles that pollute the air, on greater efficiency. And what I see is this administration telling the automobile industry, don't worry about efficiency standards. We are going to send it to the National Academy of Sciences and study it for a couple more years.

Mr. ABRAHAM. Actually, that is wrong, Congressman. The Congress last year in a compromise on a bipartisan basis sent it to the National Academy of Sciences. Their study is due in a matter of weeks, and when it is done, it will be incorporated in the Transportation Department's statutorily required fuel efficiency determination process.

Mr. BARTON. Okay. The gentleman's time has expired.

The gentleman from Ohio Mr. Sawyer is recognized for 5 minutes.

Mr. SAWYER. Thank you very much, Mr. Chairman.

Mr. Secretary, welcome again. I understand that in your answer to Congressman John, that you discussed in some degree or other the problems with transmission constraints and the need to put a more modern ratemaking structure in place to deal with transmission as a freestanding business enterprise, and you mentioned Federal siting authority. I am not going to ask you to elaborate on that at this point, but I will be interested in looking at your response to Congressman John.

Let me ask you, though, the whole question of RTO formation is proceeding today with large numbers of investor-owned utilities working to comply with the FERC Order 2000. Do you think that we should allow utilities to continue in their current progress toward RTO formations in the free market, or in the interest of avoiding the kinds of constraints that we have seen, formed in

some places in the country, does there need to be a government role in mandating formation in identified places or forcing utilities to divest of transmission—

Mr. ABRAHAM. One of the recommendations in the President's plan as I pointed out to Congressman John, the whole chapter is devoted to the serious infrastructure problems that you identified in large measure in your opening statement. And within there a call for trying to address the reliability issues. The problem that I see in the brief period of time I have been in this job is while we have a variety of, I think, 10 regional reliability associations or councils, there is no teeth in there. There is no authority at FERC to enforce reliability measures so that people have some, shall we say, latitude in terms of how they behave. So we envision presenting legislation that would move in the direction of a national reliability council with real enforcement capabilities as one leg of the puzzle or the stool.

Second, we don't make a specific recommendation toward a mandatory RTO approach. However, with respect to western RTO, in a letter to FERC, I encouraged the inclusion of the Bonneville Power Administration because we felt there would be a benefit from having that process in the Western States. And we see that as a promising way to address some of these transmission issues.

One of the most important assignments I have received as part of the National Energy Plan is the requirement by the end of this year for us to make a national assessment of where bottlenecks exist, to where interconnectivity is required to try to address the national highway system you suggested in your comments. How we get from that completed project to the building and constructing of that is, I think, dependent on, one, a rate structure that incentivizes construction on the one hand and the ability, at least as a matter of last resort, if not otherwise, of the Federal Government to play a role in siting where we have an unwillingness on the part of State and local officials to do so.

My hope is once we identify problem areas, perhaps that will bring some focus on them and cause regulators to make those decisions. But we believe that there needs to be ultimately a Federal role, if necessary.

Mr. SAWYER. Thank you very much.

Thank you, Mr. Chairman.

Mr. BARTON. The gentlelady from Missouri is recognized for 5 minutes.

Ms. MCCARTHY. Thank you very much, Mr. Chairman, and thank you, Mr. Secretary. I know in my opening statement, opening remarks, I posed some thoughts to you, which I am happy to have you get back to me on, budget items.

I want to pursue in this 5-minute window issues that Mr. Whitfield and Mr. Barton both raised, and that is with regard to the study, that strategic review, that is to be completed September 1. And in your remarks you talk about how important it is to maintaining energy security with regard to current and future technologies. I couldn't agree with you more.

But I want to have you elaborate a little bit on what you will do following that study, even though we don't necessarily know fully what we will find in the study. But I am concerned because in the

budget process, which we are underway with here in the Congress, there are some cuts being made, in particular to the National Renewable Energy Lab in Colorado. It is managed by Midwest Research Institute in my district, and I have spoken to the director at length about this, because I believe very much in our energy labs and what they are trying to accomplish and that they are, in fact, key to our future energy security. But the cuts—the lab itself is going to receive about a million dollars increase in equipment, maintenance and repairs, but the research activities are said to take about \$195 to \$199 million cut in 2001 and another \$140 million in 2002.

Will your strategic review be looking at the consequences of those cuts? And what I think personally is that they are very untimely, given the commitment we all seem to share in a bipartisan way here today for, you know, energy security, next-generation technologies, you know, elaborating on what those technologies mean.

You and I both know if you set research back for 3 years or more, you can't just recoup when you finally find some more money. You can't—you just can't pick them up where you left them, and we are—at least in this lab I am familiar with—so close to the technologies that we need—we need to use, we need to export, we need for economic development and energy security and national security. I really think it would be impossible to resume in the future, and it would be a huge loss for us right now.

So this report that is to be completed by September 1, based on your review of it, will you then rethink some of the budget items that have not been addressed, you know, and make recommendations to the appropriators?

Mr. ABRAHAM. Mr. Chairman, if I might ask, this is an issue brought up by so many members, I would like to just kind of give a very comprehensive response—I will do it as quickly as I can—there were so many components with respect to the renewable energy budget.

Our budget, if you eliminate congressionally directed projects in the renewable energy area from last year's budget, is about \$60 million less than had been in the 2001 final level of appropriations.

The timeframe in which we developed this budget was almost immediate with respect to our arrival in office, and it was not a budget that we had the ability to draw conclusions from the National Energy Plan development, because the budget had to be completed by February 27, and all the details by April 9, and the energy plan wasn't finished until May 17. As a consequence, it put us in a somewhat difficult position within a variety of the budget categories to try to establish priorities.

What we decided to do in this area was to try to identify programs where we saw a clear need for maintaining level funding from previous years, and we did that with respect to hydrogen, with respect to superconductivity, with respect to other areas within the renewable budget, and to retain the core competencies, although at a reduced level, of several other areas, pending guidance from the National Energy Plan, which we have now received.

If you will look at the National Energy Plan, it gives me explicit authority to begin immediately working on a review of both the renewables areas, as well as some of the other areas in the fossil en-

ergy that are somewhat combined for the purposes of making new budgetary recommendations.

Now, the study that I have mentioned actually has two phases to it. The first phase has begun. In fact, our newly installed Assistant Secretary for Energy Efficiency and Renewable Energy, David Garman, is already on the road, having public hearings on a regional basis. The first phase of the study will be done on July 10, and the purpose of having phase 1 was to put us in a position to make recommendations that would apply to the 2002 budget levels. The final project will be completed on September 1, and I would envision that providing us with guidance as we work into the 2003 budget that will be forthcoming next year, although that process within the executive branch is already under way.

I would note for the record, though, that one thing about renewable energy that I hope we can all work together to take into account is that a lot of the research in some of the major areas, particularly wind, geothermal and solar, is very mature. Our Department has spent—we have calculated almost \$6 billion in current dollar terms over the last 20 years on research in these areas, and yet today the contribution to America's total energy supply in those three areas is less than 1 percent. And, in fact, when our Energy Information Administration was asked to estimate what the contribution level would be in 20 years down the road, it was only a little bit more than 1 percent. Now, I don't think any of us want that to be the case.

It seems to me the challenge we have is not only on the research side, but also on the implementation side, and one of the things I have also asked our division, our Energy Efficiency/Renewable Energy Division, to do is to look at and give us recommendations which will have to assure us of steps that ought to be taken to translate into using technologies that have already been largely invested in.

In the budget we have some—or rather in the energy plan, we have some recommendations with respect to tax incentives. For example, expanding the solar energy tax credit to residential as well as commercial applications; an expansion also with respect to biomass; and some others, fuel cell vehicles.

But I think there are other factors involved as well. We have some siting problems that are regulatory in nature rather than research-related with regard to, for example, wind energy farms, because people may not want to have that in some particular part of their State or community. We have, I think, some problems with respect to the uncertainty of some of these tax incentives that have been only put in place in the past for a short duration, and, therefore, it has caused people to not be certain about whether or not there is going to be that available in the future.

We have pricing issues that I think need to be addressed. For example, when you are using solar energy, there are periods when, in fact, you are a net energy generator. You are generating more in the heat of the day than you are using. If we can incentivize or provide people who might use a solar system the opportunity to benefit at those times through net metering, which is available in some places, I think that can cause an expansion of that particular renewable.

And so I think we have got to look at this both on the research side, but also on the application side, or else that 1 percent for those three sources will be the final number, and I don't think any of us want that to be.

Ms. MCCARTHY. Mr. Chairman, since he is addressing his answer to the many members who had raised the issue, may I pursue briefly?

Mr. BARTON. You can ask one more question, and then we go to Mr. Dingell, and we will go to Mr. Walden.

Ms. MCCARTHY. Thank you, Mr. Chairman.

I thank you, Mr. Secretary, and I do hope that the study provides you with the impetus I think we all feel we need to make these other forms of energy competitive and available. We can look to our European friends for help there as well, since they are ahead of the curve on these matters, having had high energy costs far longer than we have.

I wanted to comment or ask your thoughts on revisiting the CAFE standards issue that both the chairman and others have brought up. I am concerned because this committee has taken a look at SUVs and, you know, the danger in them, the design, and perhaps the tire issue. We have taken a good look at that. Are you suggesting there are some—that there are some data available that shows that the deaths due to CAFE standards somehow relate to SUVs, because it was my understanding that SUVs were exempt from those standards?

And second, what is wrong with the Secretary of Transportation and you collaboratively calling on the industry to become more efficient, give them a goal of a mile per gallon per year over the next decade and call upon them voluntarily to meet that goal for energy security and national security, and just send a message that this is what the administration would like to see happen, all the while you are pursuing other studies on just what we can accomplish. I would like your thoughts on both, please.

Mr. ABRAHAM. Let me say with respect to the safety issue, as we address fuel efficiency, I think it is imperative that we also consider safety implications. For those of us who have, you know, looked at these previous studies, what we see is that when fuel efficiency standards came into effect, one of the ways that people met the higher standard—one way that manufacturers can meet a higher standard of fuel efficiency is to make a vehicle lighter.

Now, if a vehicle is lighter, NHTSA has concluded that there is a correlation to more serious accident ramifications, and so I want to make sure that if we do change CAFE standards, that we take that into account and try to make sure the changes aren't ones that bring about any unique consequences on a safety front.

In terms of the industry, you know, first, I think we need to execute the already existing statutory requirements that are in place today, which call upon the Secretary of Transportation to on a—I think it is on an annual basis to make recommendations with respect to fuel efficiency. Those have been basically stopped because of the moratorium on funding, but from what I gather, the moratorium is not likely to be—the ban or whatever is not going to be in this year's appropriations. At least it doesn't seem to be at this point on the House side.

Ms. MCCARTHY. Mr. Secretary, if I might speak from my heart, since I arrived here in 1995, the auto industry has been all over me to support legislation, to deny those CAFE standard changes. I think that it has stopped not because of budget issues, but because of politics, and I think that is why I suggested that you and the Secretary of Transportation call on the industry to be a partner in this instead of trying to politically keep it from happening.

Mr. ABRAHAM. Well, my point was only that the appropriation process has prevented the Transportation Department from taking the action that is otherwise statutorily called upon. I do believe the point you made with respect—or perhaps it was Congressman Waxman made with regard to industry now moving forward to actually have on the road more fuel-efficient SUVs even sooner than a time-frame likely would be mandated is a step in a very positive direction, and I think we would encourage that. And I hope that we will see the entire industry move in that direction, but do so in a safe way, do so in a way that doesn't have a disproportionate impact on whether it is American workers' jobs that are also affected.

Ms. MCCARTHY. Well, it is probably very appropriate that the President is in Europe this week, because he will see a whole lot of fuel-efficient cars, and perhaps his staff can gather some of the data on the hazards and dangers of those.

But, again, thank you, Mr. Chairman, for your indulgence in this time, and I yield back.

Mr. BARTON. Thank you.

The gentleman from Michigan is recognized for 5 minutes, Mr. —

Mr. DINGELL. Mr. Chairman, I thank you for your courtesy.

Mr. Secretary, these are friendly questions, and I think they will be susceptible of yes or no answers, and in view of the time limit, I hope you will be able to give me that yes or no.

Mr. ABRAHAM. Well, I am very hesitant to say no, I am sure.

Mr. DINGELL. In response to my May 14 letter on various waste issues, you attached a chart, indicating the program would experience a funding shortfall in fiscal year 2002. If I read this correctly, I would say that it tells me that you will fall nearly \$6 billion short between fiscal year 2002 and the repository opening of 2010. Is that correct, Mr. Secretary?

Mr. ABRAHAM. We believe—I am sorry. I can't answer that issue yes or no. We believe that we will have a funding path toward a 2010 completion, assuming that—

Mr. DINGELL. But the chart says you will have a shortfall.

Mr. ABRAHAM. We are committed—

Mr. DINGELL. It is your chart, Mr. Secretary.

Mr. ABRAHAM. Congressman, we are committed to moving forward to request adequate funding to meet the construction of—

Mr. DINGELL. I want to address—

Mr. ABRAHAM. [continuing] If we, in fact, feel we can make the recommendation.

Mr. BARTON. Will the gentleman from Michigan yield, and we will give you additional time, because I want to back you up on this.

Mr. DINGELL. Well, I will be happy to yield to the Chair then.

Mr. BARTON. Would the Secretary be willing to work in a bipartisan fashion with Congressman Dingell and myself and Mr. Tauzin and others to use a nuclear waste fund for the purpose which it was intended, which would mean that we have to remove the budgetary cap that was imposed, I think, 6 or 7 years ago?

Mr. ABRAHAM. Mr. Chairman and Mr. Dingell—

Mr. BARTON. Because that is what Mr. Dingell is getting at. His committee did that in our nuclear waste bill in the last Congress.

Mr. ABRAHAM. It would be my view that those funds which were contributed by ratepayers through their companies should be used for exactly those purposes.

Mr. BARTON. Thank you.

Mr. DINGELL. Now, if we don't do something about this, the administration has to do something like putting it off budget, because there are nearly \$10 billion in unexpended ratepayers' monies that are supposed to be spent for the waste repositories Congress intended. Will you send legislation up to take this waste fund off budget?

Mr. ABRAHAM. We have begun discussions with the Office of Management and Budget to try to address how this can be done. We actually began those discussions in this year's budget period, but we did not have sufficient time to complete them. But I have been working with Director Daniels to try to move in a direction that would provide some sort of methodology for us to have access to those dollars.

Mr. DINGELL. You are now being sued for failure to proceed by the electrical utility industry, and it is my personal judgment you will lose all of those lawsuits, Mr. Secretary. When you lose, what are you going to do?

Mr. ABRAHAM. First, let me just say when the chairman asked me earlier what were the pleasant surprises of this new job, he didn't ask what the unpleasant ones were, and one of them was that I have been sued more—

Mr. DINGELL. Your unpleasant surprises are without limit.

Mr. BARTON. It was a holdover suit. It is not you personally.

Mr. ABRAHAM. For one, I have been sued more than I ever had planned to be in my life; and second, I would just say that the ranking member had warned me about virtually all of these matters before I took the job, so I was on notice.

But obviously we believe that as the first step in the process, we need to address the issue that pertains to a site characterization and recommendation. Whether or not I can make that recommendation will be based on sound science. I believe if we begin moving forward, if the conclusions that we reach after getting the science are that we can make a recommendation to the President to seek license—a license to go forward with the Nevada site, that that will have a profound influence on a number of these issues, including the nature of lawsuits in the future.

Mr. DINGELL. Now, Mr. Secretary, I would note that EPA has issued standards for protecting public health and the environment at Yucca Mountain. If it proves scientifically suitable, can you meet the environmental standards that have been described to you or for you by EPA?

Mr. ABRAHAM. Congressman, our—the process that I intend to go through once the site characterization science is presented to me will be aimed at determining not only whether or not to make the recommendation, but whether or not, in fact, we can meet the standards that are set. We accept these as very stringent, tough standards. There is no question that they are. I will certainly make the determination based on my evaluation of those standards against the science that we receive. I believe that it is feasible for us to meet those standards based on at least my preliminary examination of them, but I don't feel I should rush to judgment until I have actually received the site characterization information.

Mr. DINGELL. Statutory standards on this point?

Mr. ABRAHAM. I am sorry?

Mr. DINGELL. Will the Congress have to enact statutory standards on this point because of the inability to meet the standards or to—or to proceed under the standards of the Department because of technical difficulties in doing so?

Mr. ABRAHAM. At this point, I mean, there is no question, Congressman, that the standards that EPA has set are ones that go beyond either what the National Academy of Sciences or the Nuclear Regulatory Commission had established or suggested. They are very stringent tests, and certainly our capacity to meet them would—I would hope—resolve any issues with respect to safety and environmental implications of the site.

I don't at this point have a recommendation for legislation.

Mr. DINGELL. So you can't answer yes or no.

Now, Mr. Secretary, are you using your authority under section 403 of the DOE Reorganization Act to propose a rule which FERC would provide relief for—under which price relief would be provided for California by FERC?

Mr. ABRAHAM. No.

Mr. DINGELL. No.

Do you plan to send up a comprehensive electric restructuring bill?

Mr. ABRAHAM. We have been asked as a part of the President's energy plan to do so. The answer is yes. We have not begun the actual development of that legislation, because it is—one of our goals is to work with the committee and with counterparts on the Senate side as we determine the approaches that would be receptive here.

Mr. DINGELL. The plan also recommends legislation, quote, clarifying Federal and State regulatory jurisdictions. I would note that consensus on this has proved impossible. Can you tell me whether your bill would preempt State jurisdiction on transmission matters if you send such legislation up here?

Mr. ABRAHAM. I am not sure that it would be contained in the same legislation that would deal with electricity restructuring, but as I said in the answers to questions from Congressman Sawyer and Congressman John, we believe that there are an enormous number of bottlenecks that exist in this country where transmission siting is desperately needed. We have no Federal authority to do so. I would—our first step in the process is going to be to try to evaluate where exactly the most significant needs exist for either additional transmission or interconnectivity. On the basis of that

type of an evaluation, we also hope to present legislation that would, in fact, provide the Federal Government with some eminent domain authority to try to address these problems, although, as I said in my earlier comments, I would hope that would be only in a last resort rather than as a first impression.

Mr. DINGELL. Would you give this authority to FERC, which has done an abominable job of implementing current law, or would you vest that authority in someone else?

Mr. ABRAHAM. We have not made a determination.

Mr. DINGELL. The plan also advocates repealing the Public Utility Holding Company Act of 1935. Would you support consideration of this issue as a part of a comprehensive bill, or do you favor PUHCA repeal on a stand-alone basis?

Mr. ABRAHAM. We support PUHCA repeal. The President indicated that in his campaign, and it is part of his platform. We have not made a determination as to whether or not to include it in—it would be certainly in the legislation we intend to draft, but I understand that in the Banking Committee of the Senate, it has moved forward as a freestanding vehicle, and I guess it is our intent to try to work with Congress to determine what the most effective way would be to accomplish that objective.

Mr. DINGELL. Now, I would note—

Mr. BARTON. This is going to have to be the gentleman's last question.

Mr. DINGELL. And I thank you, Mr. Chairman. You have been very courteous, and I appreciate your kindness.

I would note that FERC concludes that market power is being exercised or actually abused in California's wholesale markets. Is this a good time to have PUHCA repeal in view of that, because PUHCA has a number of consumer protection provisions in there which apparently need somebody other than FERC to address?

Mr. ABRAHAM. Well, we still support the position with respect to PUHCA repeal. I would say that—and would note for the record that it is only since February of this year that we have actually addressed the issues of unjust and unreasonable prices in California with calls for refunds that have now totaled some \$124 million to those people who have been forced to pay these unjust and unreasonable rates.

I think that—and the administration supports FERC's taking its responsibility seriously to, in fact, call for such refunds, and I would urge them to continue to vigilantly pursue that.

Mr. DINGELL. Thank you, Mr. Chairman. I appreciate your patience.

Mr. BARTON. Thank you.

We are going to recognize Chairman Tauzin. The Chair is going to announce that Mr. Walden, Mr. Doyle, Mr. Luther and Mr. Strickland, have you asked questions yet? All of the members who are present at 1 p.m. will be given 5 minutes of oral questions. Any member that arrives after 1 p.m. will put their questions into the record, because the Secretary does have a 1 p.m. appointment. So we are probably going to end up here until about 1:30.

With that, Mr. Tauzin, the full committee chairman, is recognized.

Chairman TAUZIN. Thank you, Mr. Chairman.

Mr. Secretary, let me first remind you something you may not be aware of. One of the first bills I introduced upon my entry to Congress back in the early 1980's, was to repeal PUHCA and the reason then is still the reason now. It is an outdated piece of legislation that inhibits some utility companies, and only some utility companies, from making efficiency investments that are critical to their consumers, and I include in that energy carburetion, which is one of the carburetions that serves the utility consumers of my district who are restricted in their capacity to make necessary efficiency investments. We are not living in the 1930's and 1935, 1940's when that sort of legislation made some sense. Today it doesn't make sense in a marketplace of competition, and I would encourage the administration to stick with that position, and hopefully we can get it done 1 day.

I want to talk to you a little bit about some of the plans we have in the committee and get your thoughts on it. First of all, we have focused on the higher-than-necessary gasoline prices in our marketplace that consumers are having to deal with. And as part of our plans we hope to address very early what we consider to be an element of a marketplace that is unnecessarily raising gasoline prices for people, and that is the extraordinary number of blends and different blends and seasonal blends of boutique fuels in our country. And we would very much like to introduce and hopefully pass legislation somewhat standardizing that process so that if SIPs clean air requirements of the various communities do require some boutique fuel to help in the air cleanup, that they might have a single or several boutique fuels to choose from, rather than as many grades and varieties. Second, that there might be some easy way to go from winter to summer blends without emptying the tanks 1 day and having to fill them up the next day and having consumers face empty fuel tanks when they go to the marketplace.

Does your Department agree with us that that is an area we ought to address sooner than later?

Mr. ABRAHAM. Well, I think it needs to be addressed, and I would note that in the President's plan, the Environmental Protection Agency Administrator has asked to address it. We have talked before about the refinery capacity limitations that we have as a Nation, the fact that no new refinery has been built in 25 years, the last one down in your district.

Chairman TAUZIN. You visited it—

Mr. ABRAHAM. Which we visited the other day.

Chairman TAUZIN. Thanks for going there.

Mr. ABRAHAM. The problems of strained capacity are obviously exacerbated to the extent that refineries have to produce all these multiplicity of fuels. But the problem, of course, is that if you have a problem—which we did in Michigan last summer when a pipeline near Jackson burst. A neighbor can't borrow from a neighbor, and a refinery doesn't have the ability to adjust because of these kinds of challenges. So we do support moving—

Chairman TAUZIN. In fact, Daniel Yergen called it the Balkanization of the American fuel marketplace, because when somebody runs short, a pipeline breaks or a refinery is down or a ship has a collision in a harbor, we automatically have shortages and spikes like we saw in Chicago and Milwaukee last year, and that some ra-

tionalization of that marketplace would make a lot of sense right now. And we are going to try to do that. We would ask your support in finding the right formula that gets us there.

Mr. ABRAHAM. Well, there is no question there is a market liquidity problem.

Chairman TAUZIN. The second thing is there has been a lot of political discussion about whether or not this administration and this Congress is going to support a very deep and broad conservation effort as part of the energy package. Obviously you heard the chairman of the subcommittee announce that we intended to make it one of the very first things we do in this committee. The secretary of natural resources in Louisiana, when asked to comment to the administration on our recommendations to the national policy, led off with conservation, with the argument that every Btu of energy conserved is one you don't have to repeat in production over time, and that we ought to move to see as much demand reduction as we can get in a marketplace. Do you concur with that kind of a strategy?

Mr. ABRAHAM. Yes, I do, and as you and I have spoken, there is the issue of waste as a consequence of some of these reliability issues. One of the recommendations in our—in our plan has the Department of Energy moving immediately to consider expansion, for instance, in research in areas like superconductivity, where we believe that conservation achievements are most realized.

Chairman TAUZIN. In fact, we saw that in Detroit. One of the electric companies is now deploying superconductive—so they are here already. We know some of those advances are here. I am going to see a demonstration later today from Sandia Labs on a 3-year project that really facilitates net metering where consumers can put up solar panels and actually sell electricity back to the grid when they are not using it instead of trying to store it in batteries. All of that makes great sense, and our thought is that we ought to move first with a package that literally brings together as many good ideas on demand reduction and assistance to energy supplies through conservation and demand reduction and alternatives as a lead item in the package, and then follow it with what else we have to do in all the other more difficult areas to get agreement on nuclear and other fuel production, including hopefully a clean coal technology bill.

Again, do you endorse that strategy? Do you feel like you can work with us on that kind of a plan?

Mr. ABRAHAM. It is for sure that we can, and I would actually say that as a personal matter—I can't speak for the White House on this, I haven't consulted with them, but I think moving forward in the direction you have just outlined as a first step would certainly be a wise course for the committee to follow. There is a lot of common ground—

Mr. BARTON. This will have to be the chairman's last question.

Chairman TAUZIN. I will not have another question. I simply wanted to thank you again. I know this is your first appearance on this side, and we deeply appreciate the time you spent with us, Mr. Secretary. We will spend an awful lot more time together as the months go by.

Mr. ABRAHAM. Thank you. I will look forward to being back.

Mr. BARTON. I thank the chairman.

The gentleman from Pennsylvania Mr. Doyle is recognized for 5 minutes.

Mr. DOYLE. Thank you, Mr. Chairman.

Mr. Secretary, welcome. I have several questions. I think what I would like to do is maybe just get them all asked right up front and then give you some time so that I don't get one question in, and you give me a 4½ minute answer, and he bangs the gavel on me. But we do appreciate you being here.

You said before that there are wide areas of agreement on both sides of the aisle on much of what you are trying to do, and I want to reiterate that. I know that you and I agree that coal is an important energy resource, and that it is going to play a key role in our National Energy Policy, and that we both agree we have to develop more efficient ways to use the resource. Given the abundance we have in the country, it just makes good sense to improve the environmental performance as well as the efficiency of—and the cost of coal-based technologies.

It used to be a lonely group. I think myself, Ralph Regula and maybe Alan Mollohan were a small group of members that were really enthused about this kind of research, and today clean coal technology appears to be back in vogue. Maybe this year we won't have to be fending off so many cutting amendments from our friend from Vermont, Mr. Sanders.

But that being said, I want to raise a concern about the lack of support that we are seeing for newer and more efficient gas turbine generating technologies. I think there is no question that we are going to need gas turbines as part of the electricity—electric generating facilities, regardless of whether we use coal or natural gas as the fuel. In other words, for at least the next generation, the gas turbine is going to be a critical technology in the majority of our electric generating facilities. And I think we need to be mindful of the relationship that exists between clean coal technology and gas turbines. We have to move forward with the development of clean coal technologies, such as integrated gasification combined cycle. But as I understand, today's gas turbines are simply not designed to burn that coal gas that would be produced in such a technology.

So many of us view DOE's next-generation gas turbine program as a critical element for the future use of coal, and that being said, I know that you had made a statement that you thought that that gas turbine program is an example of a program that the Federal Government should not be funding. So one of the things I would like to ask you is wouldn't we be much worse off today if we had not funded DOE's successful advanced turbine program, which concluded last year, and might the Department reconsider supporting the next generation of cleaner-burning gas turbines as part of DOE's R&D budget?

Second, fuel cells. I want to talk a little bit about this, too, because I think this is another area where we hear some parks and fliers language about—in the national energy report about fuel cells, but when you look at the budget request, it causes us some concern. I think that this—the DOE's cooperative program with industry has resulted in enormous improvements in efficiency, while

the program's emphasis on driving down cost is also finally beginning to bear fruit.

And I am particularly proud to have research being done in my district at—Semens Westinghouse has a manufacturing facility in the district, and their solid oxide fuel cell technology, which was jointly developed with support from DOE, is about to result in 250-kilowatt generators, which can be sited in small office buildings or shopping centers to produce electricity with virtually no emissions, and the efficiencies of these fuel cells will start at 50 percent. And in combination with a small microturbine, efficiencies are likely to approach 70 percent. Now, you compare this to our current fleet that is generating efficiencies around 30 or 35 percent.

But when we look at the fuel cell program, we are falling several years behind because of shortfalls in funding, and when you look at the administration's 2002 funding recommendations, they are \$7.5 million less than last year. So my next question is, you know, why aren't we putting more money into fuel cell? And we actually need an additional \$20 million in that line item, not a \$7.5 million cut.

Let me just shift very quickly to one other thing, methane hydrates. I sponsored a bill last year which would—I was the author of the Methane Hydrates Research and Development Act, which was signed into law last year, and we authorized \$47.5 million for funding. We see that the fiscal year 2002 authorization level was \$11 million. You know, if we could just find a way to extract 1 percent of the domestic methane hydrate resources in this country, we could double our domestic natural gas resource base and completely eliminate our dependence on foreign oil sources. This is another area where I think we need to have increased funding, not reduced funding.

And finally, I want to invite you—I know you have been to the NETL facility down in Morgantown, West Virginia. We have one in Pittsburgh, Pennsylvania, too, Mr. Secretary, which I would like to extend an invitation for you to visit so that we can talk about some of the important work that is being done down there. And I look forward to working with you and just hearing your answer on these funding levels.

Mr. BARTON. The gentleman is—

Mr. DOYLE. How did I do, huh? You wouldn't cut the Secretary off in his answer, would you?

Mr. BARTON. I think the gentleman from Pennsylvania set a record. He has literally asked over 5 minutes of pure questions, and I lost count at about the seventh question. So if you could give us a simple yes or no answer, I will—

Mr. ABRAHAM. Yes. No. No. No. And yes.

Mr. BARTON. If you can shortly elaborate.

Mr. ABRAHAM. I will try. First of all, I welcome the invitation to Pittsburgh. We actually at the facility in Morgantown had the Pittsburgh employees on a closed-circuit TV hookup, and we got to see each other sort of from a distance over that, but I would like to do that.

Second, with respect to gas turbines, the issue that we confront in the budget process this year which I asked for further clarification about has to do with what the next generation of turbine re-

search would constitute. The previous program came to an end on large turbine generation. The focus of the second stage was to be mid-sized turbines of a variety that I happen to believe have been already technologically advanced, are in the marketplace. As I understand it, there is a huge backlog that exists for these sort—the second stage of research that at least I believe was being proposed during our budget process.

Again, I mentioned earlier, because of the timeframe in which the budget was developed versus the energy plan, we now have more guidance, which would include some of these areas for us to reconsider. But at least in terms of mid-sized turbines, a lot of the technology already exists. There is a multiyear backup in terms of orders from companies such as GE and Westinghouse that provide these, and I would certainly want to make sure that any kind of additional investment would be an investment in which the taxpayer money is well spent and not, in fact, substituting for money that could be spent in the private sector by companies who seem to already be in the market with these kinds of units.

But I will be glad to follow up on the gas turbine issue that relates to the coal gasification question that you raised.

Third, with respect to fuel cell funding, as you noted, we have a slight decrease in the budget, about \$7 million out of \$50 plus million, but it does not reflect a lack of interest or commitment in terms of the future in this area. I would share your view that distributed energy fuel cell technology, hydrogen research are areas of real promise in terms of R&D funding. And as part of the process that I mentioned earlier with regard to the review that is going on between now and July 10, and the subsequent review through the end of August for 2002, as well as 2003 funding, these will be areas of prime focus as part of that process, and we look forward to getting your input on that as well.

Mr. DOYLE. We look forward to helping you plus those numbers up.

Mr. BARTON. The gentleman from Oregon is recognized for 5 minutes.

Mr. WALDEN. Thank you, Mr. Chairman.

Mr. Secretary, the Northwest Power Planning Council's latest electricity analysis shows that there remains a 17 percent loss of load probability this coming winter in the Pacific Northwest. As you know, stream flows as measured at The Dalles Dam on the Columbia system are about 53 percent of normal due to the drought. Accordingly, Bonneville and other Federal operating agencies in the Columbia Basin need to ensure reservoirs refilled by the end of summer—provided we get any moisture—so that sufficient water will be available to generate electricity this winter.

Do you anticipate the need to issue any secretarial orders this summer, such as mandatory power transfers to California, that would not allow this basin to refill its reservoirs?

Mr. ABRAHAM. No.

Mr. WALDEN. Thank you.

There is also a concern, obviously, about Bonneville's aging electrical transmission grid. They say they need about \$775 million in additional Federal Treasury borrowing authority. Does the admin-

istration plan to support that request or some level of increase in their borrowing authority?

Mr. ABRAHAM. We have recommended in the task force report in the President's plan a two-step process with respect to the transmission needs of BPA. One is the call for an assessment of the—as part of our broader assessment of transmission deficiencies, for a determination to be made. We at the Department, I would just say, based on the work we have done with Steve Wright and others at BPA, believe that there are, in fact, infrastructure needs there, and then based on the conclusions as to the assessment, a reevaluation of the debt service or debt limitation matters. But both of those are called for—both those evaluations, we would expect to complete them fairly expeditiously and make recommendations to OMB accordingly.

Mr. WALDEN. Perfect. Thank you.

I would also like to follow up on the issue of the 4(h)(10)(c) fish credits that Bonneville is going to need to access. As you know, by law 27 percent of the cost of fish recovery requirements in the Federal Columbia system are the responsibility of the U.S. taxpayer, the ratepayers picking up the remainder.

Does the administration support Bonneville's ability to access those fish credits, especially in this year?

Mr. ABRAHAM. Right. And we are analyzing in a variety of ways, as I think you know, the challenge that we face. Just for the record, we are committed to long-term contracts, as you are aware, that were entered into last October to supply, starting this October, some 2,000 to 3,000 more megawatts of electricity than we are capable of generating from within the system. We are looking at a variety of ways to address that differential because of the implications it has for rates that will be reset this fall.

The fish mitigation issue is part of that set of issues we are looking at. The issues of trying to buy down some of the demand have already begun to be addressed, and we are pleased with the process we are making. And so we will continue to work, you know, through BPA to—and with them to try to come up with a resolution.

Mr. WALDEN. Let's go to the RTO West issue. I understand you sent a letter in April to Chairman Abair expressing your support for an RTO West proposal that would include the Pacific Northwest States of Oregon, Washington, Idaho and Montana, and also include Nevada and Utah. In that correspondence you argue for a separate regional RTO for these States, RTO West that is separate, but at the same time coordinated with an RTO that might include California.

I guess my question really involves how all that comes together. For example, has BPA been instructed to ensure that an RTO has the ability to relieve not only constraints between flow paths, but also the flow paths themselves?

Mr. ABRAHAM. Well, we haven't actually engaged in that level of—at least in my office, between the Acting Administrator and I and so on, as to instructions with respect to the role it would play as a participant in a regional RTO. We did feel that there was a benefit to having that participation, which was the basis for the recommendation that I sent to FERC. But as I said in an answer

to an earlier question—I think it might have been Mr. Sawyer’s—you know, we view RTO as being a source of promise with respect to addressing some of the reliability issues and transmission constraint problems. I can’t say today that mandating people’s participation is called for, as I mentioned earlier, but we haven’t—and it is to my knowledge—made any specific instructions as to positions on the issues.

Mr. WALDEN. I think there are some issues beginning to surface about how the ability to transfer—emit power over these systems is sold, managed, and whether there is created economic bottlenecks that can result in congestion pricing that maybe isn’t necessarily a reflection of actual market forces, perhaps lending itself to manipulation that I know you and your agency will be keeping a close eye on.

Let me switch to one other topic, and that is open-loop biomass projects. There is a facility out in Oregon that generates power by combusting the methane in a garbage—in a solid waste facility, storage facility I guess. Given the administration’s new focus on tax credits to spur energy production, would it make sense to extend renewable energy tax credits to open-loop biomass facilities?

Mr. ABRAHAM. That is a very technical question, Congressman.

Mr. WALDEN. It sure is. I was hoping you would have the answer to it.

Mr. ABRAHAM. This administration is already on record as supporting both closed as well as open-loop tax incentives.

Mr. WALDEN. Okay. Very good.

Mr. Chairman, my time has expired. Thank you.

Thank you, Mr. Secretary.

Mr. ABRAHAM. Thank you.

Mr. BARTON. The gentleman from Minnesota, Mr. Luther, is recognized for 5 minutes.

Mr. LUTHER. Thank you, Mr. Chairman, and welcome, Mr. Secretary.

As you know, there has been considerable discussion about the prospects of oil and gas drilling in the Great Lakes, and it is my understanding that you have stated your opposition to offshore vertical drilling in the past. Is this also the official administration position with regard to onshore slant drilling?

Mr. ABRAHAM. Congressman, the comments I made were related to my personal views at the confirmation hearing that was conducted on the Senate side as to Great Lakes drilling. Without any specificity as to the methodology that would be employed, it reflects my view. It was not at the direction of any previous administration policy. In fact, since the hearing happened before we took office, I guess there couldn’t have been. But the position that I took that day reflects my opinion.

I would note that we put no recommendations with respect to drilling in the Great Lakes into the energy report, and so to—since this would be under the Interior Department’s portfolio, I am not sure if they have taken a position or not.

Mr. LUTHER. Does your personal position also include onshore slant drilling, that you oppose that personally?

Mr. ABRAHAM. I have personally taken a position that I don’t support Great Lakes drilling in a broad way. I have not—I have

honestly not investigated the science or the characterizations of the various forms of drilling, and I don't want to take your time, so I will just say that as a general matter or principle, I don't know much about some of research that has been recently conducted.

Mr. LUTHER. Do you know if the administration has a position on either vertical or slant drilling?

Mr. ABRAHAM. I don't know that they do. It was not one of the recommendations in the report, but I would be happy to forward an inquiry to the Interior Department.

Mr. LUTHER. That would be great. I know that during the fall Presidential campaign, Vice President Cheney indicated that technological improvements were making it easier to drill in sensitive areas without damaging the environment. Do you believe that he was including—he was making any reference to areas like the Great Lakes in making those kinds of comments?

Mr. ABRAHAM. I don't know the context in which he made the statement. I mean, it is clearly the case that our Department has invested a fair amount of money in research over a long period of time, although I would say that we have actually reduced the proposal in that area for some of these technology investments, because we think the private sector could be doing this rather than the taxpayers. But I don't know at the same time—I don't know what he referenced. It might have been—I don't know of any statement on the Great Lakes that he has made. It might have been in the context of ANWR or some of the other areas which have been more Federal-focused areas of discussion.

Mr. LUTHER. To then follow up on what your personal position is on this kind of drilling, will you be making a recommendation to the—to the administration, to the President or the Vice President, with respect to drilling?

Mr. ABRAHAM. It is my understanding that there is legislation that has been introduced—you may well be a sponsor of it. I am not sure. As to what the administration might do with respect to commenting on the legislation, I can't say. I have not been part of any discussions so far, although I guess the legislation is fairly recently introduced, at least in the Senate, I think. But I don't know. It would typically not be in our portfolio, although we might be asked to comment.

Mr. LUTHER. You may know that Canada does allow offshore drilling. Is there anything that you could do with respect to Canada in terms of encouraging them not to expand or to outright ban Great Lakes drilling?

Mr. ABRAHAM. I have no idea what the relevant interaction is there. It would seem to me the International Joint Commission has responsibility over these kinds of matters, not this Department. And, again, in the absence of clarity in terms of where the administration's portfolio on this is, I can't say, but I do think it is probably the International Joint Commission that has the jurisdiction.

Mr. LUTHER. Okay. Thank you, Mr. Chairman.

Mr. BARTON. Thank you, Congressman.

Last but not least, we go to Mr. Strickland of Ohio for 5 minutes, and would by unanimous consent ask that he restrict his questions only to the Portsmouth plant. Actually, you can ask anything you want.

Mr. STRICKLAND. Thank you. And, Mr. Chairman, do I understand that we have the privilege of submitting questions which we don't—

Mr. BARTON. Yes.

Mr. STRICKLAND. [continuing] have time to—

Mr. BARTON. You and all the members that are present.

Mr. STRICKLAND. Thank you, Mr. Chairman.

Thank you, Mr. Secretary. You have been kind and patient with all of us, and I certainly appreciate that.

I have here, Mr. Secretary, hundreds of signatures of employees from the Portsmouth gaseous diffusion plant, Mr. Chairman.

Mr. BARTON. Just out of the blue, I could have guessed that.

Mr. STRICKLAND. Mr. Secretary, you came to Ohio on March 1 to announce the DOE's \$125.7 million 2-year package for cold standby at the facility, and at that time you made a commitment for \$20 million to be used for worker and community transition. The press also reported that \$20 million figure. These petitions have been sent to me because there are workers there who have been terminated who feel that they are not getting what was promised and what they have a right to expect. I might say that as a first step, the committee should approve the DOE's request to reprogram and reprioritize \$59 million in fiscal year 2001 funds for cold standby winterization worker transition.

Then on October 4, a month later, only \$8.4 million was reprogrammed for worker transition, and \$2.6 million was allocated for community transition. According to my calculations, that is about \$9 million short of the promised \$20 million, and I was wondering if you could tell me if or when we would receive the additional \$9 million of that resource?

Mr. ABRAHAM. Well, as a first matter, I don't know that any of the monies have been worked out because of the ongoing negotiations that are taking place between USEC and the—and the union. We have been trying to be helpful to that process and obviously have worked with your office, Senator DeWine's and Senator Voinovich's.

In terms of the dollar amounts, I am aware that in this fiscal year, we have approximately \$11 to \$12 million that are available. I am not sure that I can comment as to whether there would be an additional \$8 million. I guess there must be—there may be some discrepancy as to the terminology used with regard to what budget item that comes from.

Mr. STRICKLAND. I guess what puzzles me is the—what I think was widely perceived to be a promise of \$20 million for this purpose, and what I would like to ask you is, can the community and the workers expect that, or has there been some change in the thinking of—

Mr. ABRAHAM. Well, I am not sure. I would have to review for you what the numbers are. What I do recall was making the commitment that—on February 27, I believe you and I met, along with Senators DeWine and Voinovich. I believe Governor Taft was there.

Mr. STRICKLAND. Yes.

Mr. ABRAHAM. And you all asked us to act as quickly as we could to try to free up money to make it possible for us to both move the facility to cold standby and to winterize it, as well as to try to act

to get more money into the system for purposes of community transition matters and other things. The number we talked about was around \$125 million in the short run, and we were able to do that. In fact, we will be able to announce it within about 48 hours, working very hard to get OMB to do so.

As to the allocation of that money, I guess I would have to reexamine what our records show, because the numbers I am familiar with are the 8.4 and the 2.9, I believe. But I would be happy to get back to you.

Mr. STRICKLAND. Mr. Secretary, I am going to be very tenacious on this point, because there are lots of men and women who feel like this government has an obligation to them, and I respectfully request that you take a close look at the promises that were made, the money that has been allocated.

I was also concerned that Federal dollars through the DOE was basically turned over to USEC to develop a plan, and part of what was being required of the workers in order to receive the benefits, these Federal benefits, was to sign a waiver relieving this private for-profit company of any liability. And it seems to me grossly unfair to allow public resources to be used by a private company to leverage a commitment from employees that they will not bring suit against them, which is their legal right. Would you comment on that?

Mr. ABRAHAM. We are in an unusual situation, as you know, in that we are not directly involved in the negotiations between USEC and the union. We have been asked for a variety of ways to help work through the transition period here in terms of the use of Federal dollars. There are some constraints on how those dollars can be used, but to the extent we can be flexible, we have tried to be. But when we work with USEC to provide a proposal to the union, that is what we do, trying to—based on what we consider to be the—you know, the objective.

We haven't had the benefit of working directly with the union to figure out what their specific—to negotiate with them directly, and so we are kind of in an unusual—almost multicushion chrome shop type of relationship, which means that we work with USEC to make money available to them. They then put together proposals to offer the union. The union, as you know, rejected the most recent proposal. I have told our people to go back and come up with a hopefully more appropriate and effective way to address it, and I think we have tried to keep your office up to date on that.

I am hopeful that USEC will—once we have made that presentation—that may even happen today—be comfortable with it and move forward, and I hope at that point that the union will feel it is an acceptable arrangement. If it is not, I don't rule out looking for another avenue, but, again, it is a little difficult because of the role we have, which does not allow us to be a part of the direct bargaining between USEC and the union, and it is obviously a result of the sort of unique relationship USEC now has or its independent status as a—

Mr. STRICKLAND. Mr. Chairman, can I make one further concluding comment?

Mr. BARTON. Yes.

Mr. STRICKLAND. And you have been very gracious, as you always are.

Mr. BARTON. No. No. You defend your constituency very ably, and I kid about it, but I want you to know you are to be commended for it. And what I jest is purely in good-natured fun. You are doing an excellent job for your constituents.

Mr. STRICKLAND. Thank you. I just would like to say to the Secretary, I do appreciate what he is trying to do. You know, I am critical, but I don't want my criticism to be perceived as a personal criticism. I was critical of the last administration, certainly, but it seems to me woefully wrong for public resources to ever be used to allow a private for-profit company to use those resources as a leverage against their employees.

Mr. ABRAHAM. Well, our intent is not to try to, you know, play as a participant in any kind of inappropriate behavior. And I don't know the nature of the waiver that you have referenced. It may be standard in collective bargaining to seek waivers of the right to sue as part of a final agreement. I really don't know enough about labor-management contracts to answer that. But—

Mr. STRICKLAND. And it may be, but I don't want it to be done with public resources, public dollars.

Mr. ABRAHAM. Well, then, we need to obviously get more information about it. It is—again, though, Mr. Chairman, kind of a little difficult situation because of the sort of unique status USEC now has as—

Mr. BARTON. Oh, I am very aware of this. The fact that I am not a participant doesn't mean I don't understand the dialog, because—

Mr. ABRAHAM. No. It is a unique status that puts us in a difficult position in terms of the fact that we are directly into these negotiations.

But we want to work with you, Congressman, and with respect to the total dollar amount, what I want to check is I believe there were multiple installment periods. I think that what we have talked about so far constitutes a first stage, but that is just sort of a shot at it today. I will reexamine to see if that is—

Mr. STRICKLAND. Thank you, sir. Thank you, Mr. Chairman.

Mr. BARTON. Thank you, Congressman Strickland. We want to thank you, Mr. Secretary, for your courtesy in coming before this subcommittee. We look forward to a series of meetings, both in the hearing process and in a working relationship, to craft this legislation.

Mr. ABRAHAM. Thank you, Mr. Chairman.

Mr. BARTON. This hearing is adjourned.

[Whereupon, at 1:30 p.m., the subcommittee was adjourned.]