109TH CONGRESS 2D SESSION

S. 2435

To increase cooperation on energy issues between the United States Government and foreign governments and entities in order to secure the strategic and economic interests of the United States, and for other purposes.

IN THE SENATE OF THE UNITED STATES

March 16 (legislative day, March 15), 2006 Mr. Lugar introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL

To increase cooperation on energy issues between the United States Government and foreign governments and entities in order to secure the strategic and economic interests of the United States, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE.
- 4 This Act may be cited as the "Energy Diplomacy and
- 5 Security Act of 2006".
- 6 SEC. 2. DEFINITIONS.
- 7 In this Act:

1	(1) Major energy producer.—The term
2	"major energy producer" means a country that—
3	(A) had crude oil, oil sands, or natural gas
4	to liquids production of 1,000,000 barrels per
5	day or greater average in the previous year;
6	(B) has crude oil, shale oil, or oil sands re-
7	serves of 6,000,000,000 barrels or greater, as
8	recognized by the Department of Energy;
9	(C) had natural gas production of
10	30,000,000,000 cubic meters or greater in the
11	previous year;
12	(D) has natural gas reserves of
13	1,250,000,000,000 cubic meters or greater, as
14	recognized by the Department of Energy; or
15	(E) is a direct supplier of natural gas or
16	liquefied natural gas to the United States.
17	(2) Major energy consumer.—The term
18	"major energy consumer" means a country that—
19	(A) had an oil consumption average of
20	1,000,000 barrels per day or greater in the pre-
21	vious year;
22	(B) had an oil consumption growth rate of
23	8 percent or greater in the previous year:

1	(C) had a natural gas consumption of
2	30,000,000,000 cubic meters or greater in the
3	previous year; or
4	(D) had a natural gas consumption growth
5	rate of 15 percent or greater in the previous
6	year.
7	SEC. 3. SENSE OF CONGRESS ON ENERGY DIPLOMACY AND
8	SECURITY.
9	(a) FINDINGS.—Congress makes the following find-
10	ings:
11	(1) It is imperative to the national security and
12	prosperity of the United States to have reliable, af-
13	fordable, clean, sufficient, and sustainable sources of
14	energy.
15	(2) United States dependence on oil imports
16	causes tremendous costs to the United States econ-
17	omy, foreign policy, military, and environmental sus-
18	tainability.
19	(3) Energy security is a priority for the govern-
20	ments of many foreign countries and increasingly
21	plays a central role in the relations of the United
22	States Government with foreign governments. Global
23	reserves of oil and natural gas are concentrated in
24	a small number of countries. Access to these oil and

natural gas supplies depends on the political will of

- these producing states. Competition between governments for access to oil and natural gas reserves can lead to economic, political, and armed conflict. Oil exporting states have received dramatically increased revenues due to high global prices, enhancing the ability of some of these states to act in a manner threatening to global stability.
 - (4) Efforts to combat poverty and protect the environment are hindered by the continued predominance of oil and natural gas in meeting global energy needs. Development of renewable energy through sustainable practices will help lead to a reduction in greenhouse gas emissions and enhance international development.
 - (5) Cooperation on energy issues between the United States Government and the governments of foreign countries is critical for securing the strategic and economic interests of the United States and of partner governments.
- 20 (b) Sense of Congress.—It is the sense of Congress that—
- 22 (1) United States national security requires 23 that the United States Government have an energy 24 policy that pursues the strategic goal of achieving 25 energy security through access to clean, affordable,

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- sufficient, reliable, and sustainable sources of energy;
 - (2) achieving energy security is a priority for United States foreign policy and requires continued and enhanced engagement with foreign governments and entities in a variety of areas, including activities relating to the promotion of alternative and renewable fuels, trade and investment in oil, coal, and natural gas, energy efficiency, climate and environmental protection, data transparency, advanced scientific research, public-private partnerships, and energy activities in international development;
 - (3) the President should ensure that the international energy activities of the United States Government are given clear focus to support the national security needs of the United States, and to this end, there should be established a mechanism to coordinate the implementation of United States international energy policy among the Federal agencies engaged in relevant agreements and activities; and
 - (4) the Secretary of State should ensure that energy security is integrated into the core mission of the Department of State, and to this end, there should be established within the Office of the Sec-

1	retary of State a Coordinator for International En-
2	ergy Affairs with responsibility for—
3	(A) developing United States international
4	energy policy;
5	(B) working with appropriate United
6	States Government officials to develop and up-
7	date analyses of the national security implica-
8	tions of global energy developments;
9	(C) incorporating energy security priorities
10	into the activities of the Department;
11	(D) coordinating activities with relevant
12	Federal agencies; and
13	(E) carrying out other relevant functions
14	currently carried out by the Office of Inter-
15	national Energy and Commodity Policy within
16	the Bureau of Economic and Business Affairs.
17	SEC. 4. STRATEGIC ENERGY PARTNERSHIPS.
18	(a) FINDINGS.—Congress makes the following find-
19	ings:
20	(1) United States Government partnership with
21	foreign governments and entities, including partner-
22	ship with the private sector, for securing reliable and
23	sustainable energy is imperative to ensuring United
24	States security and economic interests, promoting
25	international peace and security, expanding inter-

- national development, supporting democratic reform,
 fostering economic growth, and safeguarding the environment.
 - (2) Democracy and freedom should be promoted globally by partnership with foreign governments, including in particular governments of emerging democracies such as those of Ukraine and Georgia, in their efforts to reduce their dependency on oil and natural gas imports.
 - (3) The United States Government and the governments of foreign countries have common needs for adequate, reliable, affordable, clean, and sustainable energy in order to ensure national security, economic growth, and high standards of living in their countries. Cooperation by the United States Government with foreign governments on meeting energy security needs is mutually beneficial. United States Government partnership with foreign governments should include cooperation with major energy consuming countries, major energy producing countries, and other governments seeking to advance global energy security through reliable and sustainable means.
 - (4) The United States Government participates in hundreds of bilateral and multilateral energy

1	agreements and activities with foreign governments
2	and entities. These agreements and activities should
3	reflect the strategic need for energy security.
4	(b) STATEMENT OF POLICY.—It is the policy of the
5	United States—
6	(1) to advance global energy security through
7	cooperation with foreign governments and entities;
8	(2) to promote reliable, diverse, and sustainable
9	sources of all types of energy;
10	(3) to increase global availability of renewable
11	and clean sources of energy;
12	(4) to decrease global dependence on oil and
13	natural gas energy sources; and
14	(5) to engage in energy cooperation to strength-
15	en strategic partnerships that advance peace, secu-
16	rity, and democratic prosperity.
17	(c) Authority.—The Secretary of State, in coordi-
18	nation with the Secretary of Energy, should immediately
19	seek to establish and expand strategic energy partnerships
20	with the governments of major energy producers and
21	major energy consumers, and with governments of other
22	countries (but excluding any countries that are ineligible
23	to receive United States economic or military assistance).
24	(d) Purposes.—The purposes of the strategic energy
25	partnerships established pursuant to subsection (c) are—

1	(1) to strengthen global relationships to pro-
2	mote international peace and security through fos-
3	tering cooperation in the energy sector on a mutu-
4	ally beneficial basis in accordance with respective na-
5	tional energy policies;
6	(2) to promote the policy set forth in subsection
7	(b), including activities to advance—
8	(A) the mutual understanding of each
9	country's energy needs, priorities, and policies,
10	including interparliamentary understanding;
11	(B) measures to respond to acute energy
12	supply disruptions, particularly in regard to pe-
13	troleum and natural gas resources;
14	(C) long-term reliability and sustainability
15	in energy supply;
16	(D) the safeguarding and safe handling of
17	nuclear fuel;
18	(E) human and environmental protection;
19	(F) renewable energy production;
20	(G) access to reliable and affordable en-
21	ergy for underdeveloped areas;
22	(H) appropriate commercial cooperation;
23	(I) information reliability and trans-
24	parency; and
25	(J) research and training collaboration:

1	(3) to advance the national security priority of
2	developing sustainable and clean energy sources, in-
3	cluding through research and development related
4	to, and deployment of—
5	(A) renewable electrical energy sources, in-
6	cluding biomass, wind, and solar;
7	(B) renewable transportation fuels, includ-
8	ing biofuels;
9	(C) clean coal technologies;
10	(D) carbon sequestration, including in con-
11	junction with power generation, agriculture, and
12	forestry; and
13	(E) energy and fuel efficiency, including
14	hybrids and plug-in hybrids, flexible fuel, ad-
15	vanced composites, hydrogen, and other trans-
16	portation technologies; and
17	(4) to provide strategic focus for current and
18	future United States Government activities in energy
19	cooperation to meet the global need for energy secu-
20	rity.
21	(e) DETERMINATION OF AGENDAS.—In general, the
22	specific agenda with respect to a particular strategic en-
23	ergy partnership shall be determined by the Secretary of
24	State in consultation with the Secretary of Energy.

1	(f) Use of Current Agreements to Establish
2	Partnerships.—Some or all of the purposes of the stra-
3	tegic energy partnerships established under subsection (c)
4	may be pursued through existing bilateral or multilateral
5	agreements and activities. Such agreements and activities
6	shall be subject to the reporting requirements in sub-
7	section (g).
8	(g) Reports Required.—
9	(1) Initial progress report.—Not later
10	than 180 days after the date of the enactment of
11	this Act, the Secretary of State shall submit to the
12	appropriate congressional committees a report on
13	progress made in developing the strategic energy
14	partnerships authorized under this section.
15	(2) Annual progress reports.—
16	(A) IN GENERAL.—Not later than one year
17	after the date of the enactment of this Act, and
18	annually thereafter for 20 years, the Secretary
19	of State shall submit to the appropriate con-
20	gressional committees an annual report on
21	agreements entered into and activities under-
22	taken pursuant to this section, including inter-
23	national environment activities.
24	(B) Content.—Each report submitted
25	under this paragraph shall include details on—

1	(i) agreements and activities pursued
2	by the United States Government with for-
3	eign governments and entities, the imple-
4	mentation plans for such agreements and
5	progress measurement benchmarks, United
6	States Government resources used in pur-
7	suit of such agreements and activities, and
8	legislative changes recommended for im-
9	proved partnership; and
10	(ii) polices and actions in the energy
11	sector of partnership countries pertinent to
12	United States economic, security, and envi-
13	ronmental interests.
14	SEC. 5. INTERNATIONAL ENERGY CRISIS RESPONSE MECH-
15	ANISMS.
16	(a) FINDINGS.—Congress makes the following find-
17	ings:
18	(1) Cooperation between the United States Gov-
19	ernment and governments of other countries during
20	energy crises promotes the national security of the
21	United States.
22	(2) The participation of the United States in
23	the International Energy Program established under
24	the Agreement on an International Energy Program,
25	done at Paris November 18, 1974 (27 UST 1685).

1	including in the coordination of national strategic
2	petroleum reserves, is a national security asset
3	that—
4	(A) protects the consumers and the econ-
5	omy of the United States in the event of a
6	major disruption in petroleum supply;
7	(B) maximizes the effectiveness of the
8	United States strategic petroleum reserve
9	through cooperation in accessing global reserves
10	of various petroleum products;
11	(C) provides market reassurance in coun-
12	tries that are members of the International En-
13	ergy Program; and
14	(D) strengthens United States Government
15	relationships with members of the International
16	Energy Program.
17	(3) The International Energy Agency projects
18	that the largest growth in demand for petroleum
19	products, other than demand from the United
20	States, will come from China and India, which are
21	not members of the International Energy Program.
22	The Governments of China and India vigorously
23	pursue access to global oil reserves and are attempt-
24	ing to develop national petroleum reserves. Partici-

pation of the Governments of China and India in an

- international petroleum reserve mechanism would promote global energy security, but such participation should be conditional on the Governments of China and India abiding by customary petroleum reserve management practices.
 - (4) In the Western Hemisphere, only the United States and Canada are members of the International Energy Program. The vulnerability of most Western Hemisphere countries to supply disruptions from political, natural, or terrorism causes may introduce instability in the hemisphere and can be a source of conflict, despite the existence of major oil reserves in the hemisphere.
 - (5) Countries that are not members of the International Energy Program and are unable to maintain their own national strategic reserves are vulnerable to petroleum supply disruption. Disruption in petroleum supply and spikes in petroleum costs could devastate the economies of developing countries and could cause internal or interstate conflict.
 - (6) The involvement of the United States Government in the extension of international mechanisms to coordinate strategic petroleum reserves and the extension of other emergency preparedness

1	measures should strengthen the current Inter-
2	national Energy Program.
3	(b) Energy Crisis Response Mechanisms With
4	India and China.—
5	(1) Authority.—The Secretary of State, in
6	coordination with the Secretary of Energy, should
7	immediately seek to establish a petroleum crisis re-
8	sponse mechanism or mechanisms with the Govern-
9	ments of China and India.
10	(2) Scope.—The mechanism or mechanisms es-
11	tablished under paragraph (1) should include—
12	(A) technical assistance in the development
13	and management of national strategic petro-
14	leum reserves;
15	(B) agreements for coordinating
16	drawdowns of strategic petroleum reserves with
17	the United States, conditional upon reserve
18	holdings and management conditions estab-
19	lished by the Secretary of Energy;
20	(C) emergency demand restraint measures;
21	(D) fuel switching preparedness and alter-
22	native fuel production capacity; and
23	(E) ongoing demand intensity reduction
24	programs.

1	(3) Use of existing agreements to estab-
2	LISH MECHANISM.—The Secretary may, after con-
3	sultation with Congress and in accordance with ex-
4	isting international agreements, include China and
5	India in a petroleum crisis response mechanism
6	through existing or new multilateral or bilateral
7	agreements.
8	(c) Energy Crisis Response Mechanism for the
9	Western Hemisphere.—
10	(1) Authority.—The Secretary of State, in
11	coordination with the Secretary of Energy, should
12	immediately seek to establish a Western Hemisphere
13	energy crisis response mechanism.
14	(2) Scope.—The mechanism established under
15	paragraph (1) should include—
16	(A) an information sharing and coordi-
17	nating mechanism in case of energy supply
18	emergencies;
19	(B) technical assistance in the development
20	and management of national strategic petro-
21	leum reserves within countries of the Western
22	Hemisphere;
23	(C) technical assistance in developing na-
24	tional programs to meet the requirements of
25	membership in a future international energy ap-

1	plication procedure as described in subsection
2	(d);
3	(D) emergency demand restraint measures;
4	(E) fuel switching preparedness and alter-
5	native fuel production capacity; and
6	(F) ongoing demand intensity reduction
7	programs.
8	(3) Membership.—The Secretary should seek
9	to include in the Western Hemisphere energy crisis
10	response mechanism membership for each major en-
11	ergy producer and major energy consumer in the
12	Western Hemisphere and other members of the
13	Hemisphere Energy Cooperation Forum authorized
14	under section 6.
15	(d) International Energy Program Applica-
16	TION PROCEDURE.—
17	(1) Authority.—The President should place
18	on the agenda for discussion at the Governing Board
19	of the International Energy Agency, as soon as prac-
20	ticable, the merits of establishing an international
21	energy program application procedure.
22	(2) Purpose.—The purpose of such procedure
23	is to allow countries that are not members of the
24	International Energy Program to apply to the Gov-
25	erning Board of the International Energy Agency

for allocation of petroleum reserve stocks in times of emergency on a grant or loan basis. Such countries should also receive technical assistance for, and be subject to, conditions requiring development and management of national programs for energy emergency preparedness, including demand restraint, fuel switching preparedness, and development of alternative fuels production capacity.

(e) Reports Required.—

- (1) Petroleum reserves.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Energy shall submit to the appropriate congressional committees a report that evaluates the options for adapting the United States national strategic petroleum reserve and the international petroleum reserve coordinating mechanism in order to carry out this section.
- (2) Crisis response mechanisms.—Not later than 180 days after the date of the enactment of this Act, the Secretary of State, in coordination with the Secretary of Energy, shall submit to the appropriate congressional committees a report on the status of the establishment of the international petroleum crisis response mechanisms described in subsections (b) and (c). The report shall include rec-

- ommendations of the Secretary of State and the Secretary of Energy for any legislation necessary to establish or carry out such mechanisms.
- 4 (3) EMERGENCY APPLICATION PROCEDURE.—
 5 Not later than 60 days after a discussion by the
 6 Governing Board of the International Energy Agen7 cy of the application procedure described under sub8 section (d), the President should submit to Congress
 9 a report that describes—
- 10 (A) the actions the United States Govern-11 ment has taken pursuant to such subsection; 12 and
- 13 (B) a summary of the debate on the mat-14 ter before the Governing Board of the Inter-15 national Energy Agency, including any decision 16 that has been reached by the Governing Board 17 with respect to the matter.

18 SEC. 6. HEMISPHERE ENERGY COOPERATION FORUM.

- 19 (a) FINDINGS.—Congress makes the following find-20 ings:
- 21 (1) The engagement of the United States Gov-22 ernment with governments of countries in the West-23 ern Hemisphere is a strategic priority for reducing 24 the potential for tension over energy resources, 25 maintaining and expanding reliable energy supplies,

- expanding use of renewable energy, and reducing the detrimental effects of energy import dependence within the hemisphere. Current energy dialogues should be expanded and refocused as needed to meet this challenge.
 - (2) Countries of the Western Hemisphere can most effectively meet their common needs for energy security and sustainability through partnership and cooperation. Cooperation between governments on energy issues will enhance bilateral relationships among countries of the hemisphere. The Western Hemisphere is rich in natural resources, including biomass, oil, natural gas, coal, and has significant opportunity for production of renewable hydro, solar, wind, and other energies. Countries of the Western Hemisphere can provide convenient and reliable markets for trade in energy goods and services.
 - (3) Development of sustainable energy alternatives in the countries of the Western Hemisphere can improve energy security, balance of trade, and environmental quality and provide markets for energy technology and agricultural products. Brazil and the United States have led the world in the production of ethanol, and deeper cooperation on

1	biofuels with other countries of the hemisphere
2	would extend economic and security benefits.
3	(4) Private sector partnership and investment
4	in all sources of energy is critical to providing en-
5	ergy security in the Western Hemisphere.
6	(b) Hemisphere Energy Cooperation Forum.—
7	(1) Establishment.—The Secretary of State
8	in coordination with the Secretary of Energy, should
9	immediately seek to establish a regional-based min-
10	isterial forum to be known as the Hemisphere En-
11	ergy Cooperation Forum.
12	(2) Purposes.—The Hemisphere Energy Co-
13	operation Forum should seek—
14	(A) to strengthen relationships between the
15	United States and other countries of the West-
16	ern Hemisphere through cooperation on energy
17	issues;
18	(B) to enhance cooperation between major
19	energy producers and major energy consumers
20	in the Western Hemisphere, particularly among
21	the governments of Brazil, Canada, Mexico, the
22	United States, and Venezuela;
23	(C) to ensure that energy contributes to
24	the economic, social, and environmental en-

1	hancement of the countries of the Western
2	Hemisphere;
3	(D) to provide an opportunity for open dia-
4	logue and joint commitments between member
5	governments and with private industry; and
6	(E) to provide participating countries the
7	flexibility necessary to cooperatively address
8	broad challenges posed to the energy supply of
9	the Western Hemisphere that are practical in
10	policy terms and politically acceptable.
11	(3) Activities.—The Hemisphere Energy Co-
12	operation Forum should implement the following ac-
13	tivities:
14	(A) An Energy Crisis Initiative that will
15	establish measures to respond to temporary en-
16	ergy supply disruptions, including through—
17	(i) strengthening sea-lane and infra-
18	structure security;
19	(ii) implementing a real-time emer-
20	gency information sharing system;
21	(iii) encouraging members to have
22	emergency mechanisms and contingency
23	plans in place; and

1	(iv) establishing a Western Hemi-
2	sphere energy crisis response mechanism
3	as authorized under section 5(c).
4	(B) An Energy Sustainability Initiative to
5	facilitate long-term supply security through fos-
6	tering reliable supply sources of fuels, including
7	development, deployment, and commercializa-
8	tion of technologies for sustainable renewable
9	fuels within the region, including activities
10	that—
11	(i) promote production and trade in
12	sustainable energy, including energy from
13	biomass;
14	(ii) facilitate investment, trade, and
15	technology cooperation in energy infra-
16	structure, petroleum products, natural gas
17	(including liquefied natural gas), energy ef-
18	ficiency (including automotive efficiency),
19	clean fossil energy, renewable energy, and
20	carbon sequestration;
21	(iii) promote regional infrastructure
22	and market integration;
23	(iv) develop effective and stable regu-
24	latory frameworks;

1	(v) develop renewable fuels standards
2	and renewable portfolio standards;
3	(vi) establish educational training and
4	exchange programs between member coun-
5	tries; and
6	(vii) identify and remove barriers to
7	trade in technology, services, and commod-
8	ities.
9	(C) An Energy for Development Initiative
10	to promote energy access for underdeveloped
11	areas through energy policy and infrastructure
12	development, including activities that—
13	(i) increase access to energy services
14	for the poor;
15	(ii) improve energy sector market con-
16	ditions;
17	(iii) promote rural development
18	though biomass energy production and use;
19	(iv) increase transparency of, and par-
20	ticipation in, energy infrastructure
21	projects;
22	(v) promote development and deploy-
23	ment of technology for clean and sustain-
24	able energy development, including biofuel
25	and clean coal technologies; and

1	(vi) facilitate use of carbon sequestra-
2	tion methods in agriculture and forestry
3	and linking greenhouse gas emissions re-
4	duction programs to international carbon
5	markets.
6	(e) Hemisphere Energy Industry Group.—
7	(1) Authority.—The Secretary of State, in
8	coordination with the Secretary of Commerce and
9	the Secretary of Energy, should approach the gov-
10	ernments of other countries in the Western Hemi-
11	sphere to seek cooperation in establishing a Hemi-
12	sphere Energy Industry Group, to be coordinated by
13	the United States Government, involving industry
14	representatives and government representatives from
15	the Western Hemisphere.
16	(2) Purpose.—The purpose of the forum
17	should be to increase public-private partnerships
18	foster private investment, and enable countries of
19	the Western Hemisphere to devise energy agendas
20	compatible with industry capacity and cognizant of
21	industry goals.
22	(3) Topics of dialogues.—Topics for the
23	forum should include—
24	(A) promotion of a secure investment cli-

mate;

1	(B) development and deployment of
2	biofuels and other alternative fuels and clean
3	electrical production facilities, including clean
4	coal and carbon sequestration;
5	(C) development and deployment of energy
6	efficient technologies and practices, including in
7	the industrial, residential, and transportation
8	sectors;
9	(D) investment in oil and natural gas pro-
10	duction and distribution;
11	(E) transparency of energy production and
12	reserves data;
13	(F) research promotion; and
14	(G) training and education exchange pro-
15	grams.
16	(d) Annual Report.—The Secretary of State, in co-
17	ordination with the Secretary of Energy, shall submit to
18	the appropriate congressional committees an annual re-
19	port on the implementation of this section, including the
20	strategy and benchmarks for measurement of progress de-
21	veloped under this section.
22	SEC. 7. APPROPRIATE CONGRESSIONAL COMMITTEES DE-
23	FINED.
24	In this Act, the term "appropriate congressional com-
25	mittees" means the Committee on Foreign Relations and

- 1 the Committee on Energy and Natural Resources of the
- 2 Senate and the Committee on International Relations and
- 3 the Committee on Energy and Commerce of the House

4 of Representatives.

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