



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 10, 2003
(House Floor)

STATEMENT OF ADMINISTRATION POLICY

(THIS STATEMENT HAS BEEN COORDINATED BY OMB WITH THE CONCERNED AGENCIES.)

H.R. 6 – Energy Policy Act of 2003

(Rep. Tauzin (R) LA and 4 cosponsors)

The Administration supports House passage of H.R. 6 and commends the House for its action in developing comprehensive and balanced national energy legislation that is largely consistent with the Administration's National Energy Policy. The bill would significantly benefit consumers by increasing energy supplies while protecting the environment, and by fostering greater competition in the marketplace. It also would improve the Nation's energy security by increasing the use and diversity of renewable energy sources, and by reducing energy consumption through greater conservation and energy efficiency. In addition, this legislation helps the United States achieve our goals of expanding the use of new technology to reduce pollution and increase energy efficiency. The Administration looks forward to working with the Congress to enact comprehensive energy legislation this year that is consistent with the President's policy.

The Administration particularly commends the House for including a robust electricity title that will modernize the Nation's outdated electricity laws and allow consumers to benefit from lower-cost and more reliable electricity supply. In particular, the Administration strongly supports efforts to: (1) ensure open access to the interstate transmission grid for all generators; (2) expand utility investment by repealing the Public Utility Holding Company Act (PUHCA); (3) reform the Public Utility Regulatory Policies Act (PURPA); (4) establish mandatory, enforceable reliability rules to reduce the risk of power outages; and (5) establish last-resort Federal siting authority for high-priority transmission lines. We want to work with the Congress to ensure that the bill includes consensus language to allow the Tennessee Valley Authority to fully integrate into electricity markets.

The Administration strongly supports balancing energy conservation and efficiency with increasing domestic production of traditional and non-traditional energy resources. We are particularly gratified that H.R. 6 provides for the opening of a small portion of the Arctic National Wildlife Refuge (ANWR) to environmentally responsible oil and gas exploration and development. Opening the ANWR is not only key to making energy legislation truly comprehensive by increasing domestic production, but also to creating tens of thousands of new jobs for American workers. We urge the House to include the President's proposals to direct the Federal share of ANWR lease sales and royalties to fund increased renewable energy research and development and land conservation efforts. In addition, the

Administration supports provisions that would expedite federal permitting of a commercially viable Alaska natural gas pipeline. The Administration supports provisions, consistent with the National Energy Policy and the Administration's proposed regulations, to increase production of traditional energy resources on the Outer Continental Shelf, Federal onshore lands, and Indian lands. The Administration also strongly supports research and development on clean coal technologies to reduce the environmental impact of the Nation's most abundant domestic energy resource. We urge the Congress to support the President's Budget proposal to provide \$2 billion in clean coal research and refocus existing Federal clean coal research activities toward this objective.

The Administration similarly is pleased that the House bill authorizes funding for the President's Hydrogen Fuel Initiative and looks forward to working with the Congress to refine these provisions further, including clarifying the appropriate roles and authorities for various Federal and State agencies in the initiative. The Administration also supports increasing the use of clean, domestically-produced, renewable fuels such as ethanol and looks forward to working with the Congress to ensure that a renewable fuels standard is included in final energy legislation.

The Administration also commends the House for the inclusion of important incentives to spur production of alternative and renewable sources of energy such as wind, solar, biomass, hydropower, and geothermal resources. These incentives, coupled with the bill's authorities for energy research and development, will accelerate technologic advances and diversify the Nation's energy supply. We are similarly pleased that H.R. 6 includes authorities for the Secretary of Energy to enter international negotiations aimed at building an international fusion test facility known as ITER -- an essential next milestone on the path towards developing fusion as a commercially viable energy source. Also, because nuclear power is an important emissions-free component of the Nation's energy portfolio, we strongly support provisions reauthorizing Price-Anderson Act nuclear liability insurance and clarifying the tax treatment of nuclear decommissioning costs.

The Administration recognizes that section 11006 is intended to facilitate financing for improvements in the energy efficiency of Federal buildings. The Administration is concerned, however, that this provision is inconsistent with Federal fiscal and procurement policies and would absorb significant discretionary funds. We hope to work with Congress to make this provision consistent with sound fiscal and procurement practices.

The Administration is also concerned about the significant direct and potential cost of H.R. 6, due largely to its tax provisions that considerably exceed the President's proposals, as well as the cumulative appropriation authorization levels, which in several cases significantly exceed the President's Budget and set unrealistic targets for future programmatic funding decisions. Among these is a \$1.5 billion authorization to expand the size of the Strategic Petroleum Reserve (SPR). As a result of the President's decision to fill the SPR to capacity -- it currently holds the highest amount of crude oil ever, 599 million barrels -- it is on schedule to be filled to its 700 million barrel capacity by June 2005. The Administration recommends that we analyze the optimal size of the SPR and review the results of this analysis with the Congress before determining whether further expansion of the SPR is warranted.

Concerning energy tax incentives, the Administration supports the provisions that reflect the President's energy tax proposals dedicated entirely to alternative and renewable fuels, conservation, and energy efficiency, and urges the Congress to add the President's tax credit for fuel cell and hybrid vehicles. The Administration remains concerned about the size of the bill's total tax incentives, which exceed \$18 billion over ten years - more than double the cost of the President's \$8 billion in tax incentives over the same time period.

The Administration asks that the bill be amended to assign the Secretary of Homeland Security, instead of the Assistant to the President for Homeland Security, the statutory role of consultation regarding unreasonable risk for indemnification of a utilization facility, because the President's immediate staff should not be assigned duties by statute. Also, the provision establishing within the Executive Branch an interagency task force on fuel infrastructure should be deleted, in favor of a provision that establishes the goal for the President to achieve and leaves the organizational mechanisms for accomplishing the goal to the President. In addition, to ensure that the legislation is consistent with the President's constitutional authority to supervise the unitary executive branch and with the Recommendations Clause of the Constitution, provisions imposing on an executive branch official a duty to submit legislative recommendations should require submission of only such recommended legislation as the President judges necessary and expedient.

Finally, the Administration is continuing to review the bill and will continue to work with Congress to address any additional concerns.

Pay-As-You-Go-Scoring

The Budget Enforcement Act's pay-as-you-go requirements and discretionary spending caps expired on September 30, 2002. The Administration supports the extension of these budget enforcement mechanisms in a manner that ensures fiscal discipline and is consistent with the President's budget. OMB scoring of the bill is under development.

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