PREPARED BY THE OFFICE OF REP. HENRY A. WAXMAN

ENERGY CONFERENCE TODAY

A DAILY REPORT ON THE ENERGY POLICY ACT CONFERENCE

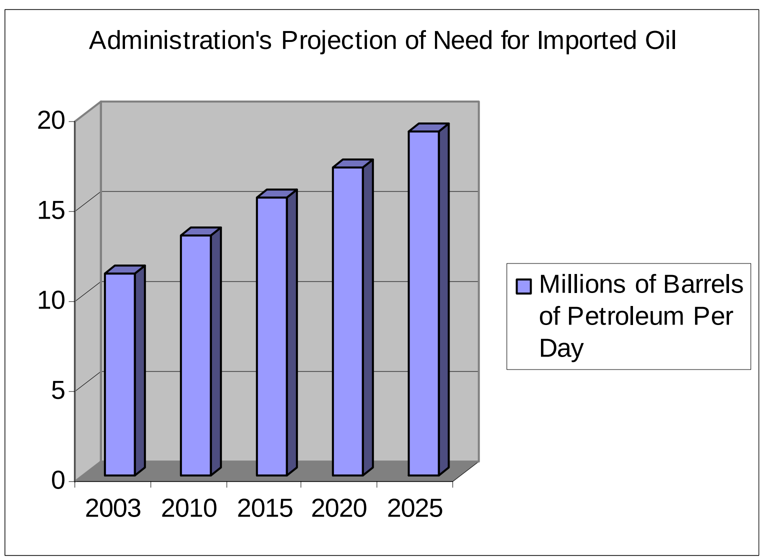
ISSUE 1 JULY 19, 2005

The U.S. House of Representatives passed H.R. 6, the "Energy Policy Act of 2005" on April 21, 2005, and the U.S. Senate passed a different version of the bill on June 28, 2005. After being appointed in the House and the Senate, the energy conferees held their first meeting on July 14, 2005.

President George W. Bush has called for Congress to pass an energy conference report by the time Congress recesses for the summer district work period. With just two weeks to complete its work on the energy bill, Congress faces some very important policy decisions.

This fact sheet examines one of the first issues the conferees are expected to consider — whether to seriously address the nation's dependence on foreign oil. H.R. 6, as passed by the House contains no provisions to meaningfully address dependence on foreign oil. The Senate-passed version contains several provisions that would take a step in the right direction. Both bills contain a provision that significantly undermines the nation's fuel economy laws for automobiles.

U.S. DEPENDENCE ON FOREIGN OIL



Each day the United States consumes over 19 million barrels of petroleum, over twice the volume of petroleum it produces. U.S. dependence on foreign sources of oil poses serious economic, environmental, and national security issues. As the recent and dramatic spikes in fuel prices illustrate, the nation's oil dependence has a direct impact on the daily lives of Americans.

When consideration of the Administration's energy policy began in 2001, the U.S. imported 11.8 million barrels of oil per day.[1] Today, the U.S. imports 13.2 million barrels per day.[2] By 2025, the need for imported oil is expected to rise to 19.1 million barrels per day.[3]

This increase in the need for imported oil is due to both increasing demand and the Administration projections that after peaking in 2008, domestic crude oil production will decrease as domestic reserves are depleted.[4]

HOUSE AND SENATE ENERGY BILLS

H.R. 6, as passed by the House, does not contain any provision or policy to meaningfully address dependence on foreign oil. Instead, it merely calls for another study of the problem.[5]

The Senate-passed version of H.R. 6 contains a number of small, but important, provisions to address the need for imported oil. The three most important provisions are sections 151, section 143, and section 704(b).

Section 151 of the Senate-passed energy bill would require the President, within one year of enactment, to develop and implement measures to conserve petroleum throughout the economy. These measures must be sufficient to reduce total demand for petroleum in the United States by 1,000,000 barrels per day by 2015.

Section 143 of the Senate-passed energy bill would require replacement tires to be as efficient as the tires sold on new automobiles and light trucks. Using these tires is estimated to reduce oil consumption by 250,000 barrels per year.[6]

Section 704(b) of the Senate-passed energy bill amends the Energy Policy Act of 1992, which requires that federal, state, and other vehicle fleet operators purchase alternative fueled vehicles in order to reduce dependence on foreign oil.

---

[1] Energy Information Administration, Monthly Energy Review (June 2005) (online at http://www.eia.doe.gov/emeu/mer/pdf/pages/sec3_2.pdf).

[2] *Id.*

[3] Energy Information Administration, Annual Energy Outlook (Jan. 2005) (online at http://tonto.eia.doe.gov/FTPROOT/forecasting/0383(2005).pdf).

[4] EIA, *Annual Energy Outlook 2004 with Projections to 2025*, Table A11 (Jan. 2004) (online at http://www.eia.doe.gov/oiaf/aeo/pdf/appa.pdf). In developing these projections, EIA assumed that any oil resources would be available for production off of the coast of Alaska and within the existing California and Florida leases — even where drilling is not currently occurring. EIA also assumed that oil and gas would be produced in the Rocky Mountain West in all areas where it is financially viable to do so except in areas closed to drilling such as National Parks and wilderness areas. Telephone conversation between EIA analyst and Government Reform Committee minority staff (May 20, 2004); *see also* EIA, *Annual Energy Outlook 2004, Issues in Focus* (Jan. 2004) (online at http://www.eia.doe.gov/oiaf/aeo/issues_2.html).

[5] H.R. 6, Title XXIII.

[6] American Council for an Energy-Efficient Economy, *Tire Standards Would Save Energy Without Adversely Affecting Safety* (Jul. 14, 2005) (online at http://aceee.org/transportation/tire.pdf).

Unfortunately, many fleet operators have complied with this requirement by purchasing vehicles that have the capability to operate on ethanol, but operate the vehicles on gasoline. Section 704(b) contains a provision to alternatively allow vehicle fleet operators to meet their Energy Policy Act requirements by using hybrid, plug-in hybrid, and fuel cell vehicles, which would actually help achieve the goal of reducing dependence on foreign oil.

Both the House and Senate versions of H.R. 6 contain a provision that would *increase* the need for imported oil. Section 714 in the Senate-passed bill and section 773 in the House-passed bill would extend a loophole in the corporate average fuel economy (CAFE) law. This loophole allows automobile manufacturers to treat vehicles capable of operating on ethanol as if they achieve much better fuel economy performance then they actually do. This provision is estimated to increase U.S. oil consumption by 15 billion gallons during the next 10 years. The U.S. will consume 140,000 more barrels of oil per day by 2014 as a result of this provision.

DIFFERING VIEWS

On July 15, 2005, as conferees began to debate these provisions, they received two letters that addressed some or all of these provisions. Energy Secretary Samuel Bodman wrote to convey the Administration's views on the energy conference. The Administration "strongly opposes" Senate-passed section 151 which would set a goal of reducing the need for imported oil by 1,000,000 barrels per day by 2015.[7]

In contrast, the Set America Free Coalition wrote to Congress urging support of sections 151, 143, and 704. The coalition also wrote in opposition to the CAFE loophole provision in the Senate and House-passed bills.[8] The Set America Free Coalition is a group of individuals and organizations from across the ideological spectrum that sees the connection between dependence on oil and the United States' national security challenges. It includes: James Woolsey, former CIA director, Robert C. McFarlane, President Reagan's national security advisor, Frank Gaffney, a Reagan defense official, Admiral James Watkins, former chief of naval operations for the U.S. Navy, Gary Bauer, Nobel Laureate Professor Richard Smalley, the Institute for the Analysis of Global Security, the Natural Resources Defense Council, Apollo Alliance, National Defense Council Foundation, Foundation for the Defense of Democracies, Hudson Institute, Center for Security Policy, the American Council for Renewable Energy, Middle East Forum, Coalition Advocating for Smart Transportation, and Future 500.[9]

---

[7] Letter from Samuel W. Bodman, Energy Secretary, to Rep. Joe Barton, Chairman, House, Senate Conference on H.R. 6 (July 15, 2005).

[8] Letter from the Set America Free Coalition to Members of Congress (July 15, 2005).

[9] *Id.*