The American Energy Innovation Act

Bill Summary

A joint proposal of the Republican Study Committee and the Congressional Western Caucus

The American people seek to move us beyond our dangerous and costly reliance on foreign sources of energy. Achieving this will require meaningful action to expand our conservation and efficiency efforts, foster energy innovation, **and** increase production of all forms of American energy - using new technologies and methods to dramatically expand the use of solar, wind, hydroelectric, nuclear, fossil, biofuels and other energy solutions.

The American Energy Innovation Act, comprehensive energy legislation for the 111th Congress, represents a fiscally responsible approach to reducing our dependence on foreign energy, providing a cleaner environment, and putting Americans to work by:

1) Encouraging *innovation* within the energy market to create the renewable fuel options and energy careers of tomorrow.

2) Promoting greater *conservation* and efficiency by providing incentives for easing energy demand and creating a cleaner, more sustainable environment.

3) Increasing the *production* of American energy by responsibly utilizing all available resources and technologies and streamlining burdensome regulations.

Policies that facilitate the production of traditional resources, as well as support the rapid development of market-based alternative energy sources and technologies, provide the path to overcome Americans dynamic energy challenges—today and in the future, all while **creating jobs**, stemming pollution, and reducing the national debt. The following is a section-by-section outline of the legislation:

TITLE 1 – INNOVATION

The innovation of the American people has been the engine that drives progress. Title I of the American Energy Innovation Act will provide a way for our innovative spirit to bridge the gap to our energy future, as follows:

Sense of Congress:

- It is the sense of Congress that the fastest way to reach energy independence and effectively address climate change is through innovation, conservation and responsible production. Imposing a carbon-tax or artificial regulatory mandates which promise no reduction in global carbon emissions will lead to the loss of millions of jobs for Americans. Congress must rely on the most sound and complete scientific evidence in order to tackle these challenges.

Provide tax-exempt financing for qualified renewable energy facilities.

Repeal the ban on unconventional fuels.

- Repeals section 526 of the 2007 energy bill, which bars federal agencies from buying alternative or synthetic fuels if they have higher lifecycle greenhouse gas emissions than conventional petroleum fuels.

Incentivize renewable technologies.

- Solar pilot project for leasing on federal lands.
- 3-year accelerated depreciation period for solar energy and fuel cell property.
- 5-year extension of credit for electricity produced from wind and biomass.
- Defines nuclear, hydropower, and biomass as "renewable".
- Biomass research and development tax extensions.
- Tax parity for algee-based biofuels.

Increase the Alternative Simplified Tax Credit from 14% to 20%.

Make the Research and Experimentation (R&E) Tax Credit permanent.

Reward innovation in technology.

- Creates an Alternative Fuel Vehicle Innovation Prize to competitively award cash prizes to eligible contestants to advance the research, development, demonstration, and commercial application of alterative fuel vehicles.
    - Establishes $10 billion dollar grand prize to develop a prototype of a low emission vehicle that can safely travel with a fuel economy of 100 miles and can be mass produced for commercial sale.
    - Additional five, $100 million prizes for substantial advancements in specific areas of alternative vehicle technologies, components, or systems; or transformational changes in technology.

Improve national grid efficiency.

- Increases the tax credit for micro-turbines.
- Immediate depreciation of micro-turbines in local areas that bypass the grid and for installation of sensors necessary to implement condition-based maintenance.

Reduce regulatory burdens.

- Blocks the EPA from crafting regulations on carbon dioxide, methane, and water-vapor under the Clean Air Act.
- Reforms the process of evaluating environmental impact statements (EIS) mandated by the National Environment Policy Act (NEPA).
- Eliminates the RFS mandate of 36 billion in bio-fuels by 2022.
- Repeals requirement to consult US Fish & Wildlife Service to evaluate impacts on global warming and the polar bear population, when conducting any project that increases GHG emissions.
- Eliminates the florescent light bulb standard.
- Restores the full manufacturing deduction for all energy production.
- Includes a sense of Congress that the Safe Drinking Water Act was never intended to regulate natural gas and oil well construction and stimulation.

Expedite judicial review for energy projects.

- Establishes an exclusive agency to handle all requests and provide for one administrative agency of jurisdiction.
- Reforms the leasing process to give the Department of Interior 6 months to approve a permit application, with one 6-month extension for further review by presidential act.
- Leases that are declined get a 2-month appeals process, and if no judicial action is taken in that time frame the lease is automatically approved.
- Objectors to a lease can only bring suit to District Court with a claim based on Constitutional grounds.
- Executive Branch can waive certain laws and regulations to expedite projects; objectors have 60 days after presidential action to file grievance, and the only appeal can be to US Supreme Court.
- Encourages year-round leasing process.

Establish a permitting reform regime.

- Establishes a Federal Oil and Gas Permit Coordinator to ensure the timely completion of all permitting activities by Federal agencies and State agencies, to the maximum extent practicable.
- Establishes regional offices to coordinate review of Federal permits for oil and gas projects.
- Provides leasing schedules for timely permitting actions.

- Establishes Separate North Alaska Leasing Office to deal with expedited leasing in Alaska. AK can drill in the OCS and leasing has occurred, but it has been tied up in litigation and red tape.

Incentivize innovation in carbon capture and clean coal technology.

- Allows a tax credit for investment in coal-to-liquid fuels projects.
- Allows for 7-year depreciation for power-plants that install clean coal technology or retro-fit plants for carbon sequestration technology.
- Directs the industrial gasification tax credit cover synthetic gas from coal and CTL.
- Reduces the recovery period for certain energy production and distribution facilities.
- Provides additional Department of Energy (DOE) clean coal technology loan guarantees and direct loans for the research, demonstration and deployment of clean coal technology to build up to five commercial scale coal fired plants with Carbon Capture and Storage (CCS).

Expand natural gas use as clean transportation and commercial fuel.

- 18-year extension of three tax incentives that focus on natural gas as a transportation fuel, the purchase of natural gas-fueled vehicles (NGVs), and the installation of commercial and residential natural gas refueling pumps.
- Grants for light and heavy-duty natural gas vehicle and engine development.
- Program of research, development, and demonstration on natural gas vehicles focused on the continued improvement and development of new, cleaner, more efficient light-duty, medium-duty, and heavy-duty natural gas vehicle engines.
- Integration of those engines into vehicles for on-road and off-road applications and look at ways to expand product availability by assisting manufacturers with the certification of the engines or vehicles to federal or California certification requirements and in-use emissions standards.

TITLE 2 – CONSERVATION

Conservation is an important part of any comprehensive energy policy. Reducing waste and encouraging energy efficiency helps the environment ***and*** the economy. As such, the American Energy Innovation Act proposes the following:

- Increases the energy efficient commercial buildings deduction.
- Provides for a permanent extension of the tax credit for nonbusiness energy property.
- Provides a tax credit for gas produced from biomass and for synthetic fuels produced from coal.
- Gives a tax credit for energy efficient appliances.
- Extends and clarifies new energy efficient home tax credit.
- Extends and modifies the deduction for energy efficient commercial buildings.
- Extends and modifies the deduction for energy efficient low-rise buildings.

- Directs the U.S. Geological Survey to conduct a national assessment of our sequestration capacity to evaluate the potential capacity and rate of carbon sequestration in all possible sites throughout the United States, as well the various risk levels involved.
- Requires the Secretary of Energy to conduct an efficiency audit of all coal-fired electric generation facilities in the United States.
- Doubles the tax credit to $8,000 for the purchase of a natural gas powered vehicle and extends the credit from 2010 until 2020.
- Provides credits of up to 50% of the auto conversion cost to a natural gas powered automobile from gasoline or diesel powered engine and the CNG home filling station cost.
- Increases the CCS tax credit from 75 million tons of carbon-dioxide to 225 million for 10 years for coal-based carbon capture and storage. Doubles the per-ton credit to $40-50.

TITLE 3 – PRODUCTION

A comprehensive policy by definition will include traditional and non-traditional energy resources, including but not limited to solar, wind, nuclear, hydropower, biofuels, coal, oil, and natural gas production. The American Energy Innovation Act will:

Open the Outer Continental Shelf to increased production.

- Permanently opens up the Outer Continental Shelf for energy exploration and development, and opens up the waters off of the Gulf coast of Florida and Alabama (opt-out to 10 miles).
- Codifies the planned lease sales established in the Mineral Management Service (MMS) 2007-2012 5-year plan.
- Improves future 5-year plans to ensure that lease sales will take place offshore, especially in new areas now open with the lifting the OCS moratorium.
- Revenue sharing:
    - To encourage and incentivize offshore energy development, adjacent states, their nearby producing states, and political subdivisions will receive 50% of OCS receipts for federal offshore activity.
    - Shared funds with states and political subdivisions could be spent for a number of purposes including education, transportation, reducing taxes, environmental restoration, and any other purposes determined by state law.

Provide for development of the 1002 area of the Arctic Coastal Plain.

- Opens the 1002 area of the Arctic Coastal Plain to oil and gas exploration on approximately 2,000 acres. Provides for a 50/50 share of Costal Plain revenues between the federal government and the State of Alaska.

Reform nuclear energy production.

- This section amends Title XVII of the 2005 Energy Policy Act, which authorizes the Secretary of Energy to provide loan guarantees for technologies that reduce emissions. The amendments address difficulties that have arisen during implementation of Title XVII by the Department of Energy (DOE). Specifically, the amendments:

  (1) Provide a definition of project costs, which is currently missing from Title XVII. The definition clarifies that "project cost" includes credit subsidy cost, front-end development costs, working capital, etc.

  (2) Exempt self-pay guarantees from further authorization (including loan volume limitations) in appropriations acts by striking the reference to Federal Credit Reform Act § 504(b).

  (3) Mandate 100 percent coverage of the loan amount, unless a project sponsor requests a lesser amount, and maintains the original statutory limitation of 80 percent of project costs.

- Augments standby support provisions, which provide insurance against delays during construction and in commercial operation caused by the licensing process and/or litigation, by:

  (1) Retaining the six-plant limit in the Energy Policy Act, but allow the coverage to roll over to the next plant if it is not exercised.

  (2) Increasing the coverage on all six contracts to $500 million.

  (3) Allowing coverage of all delay costs (not just debt service) incurred by a project developer due to licensing, litigation or political factors beyond the project developer's control.

  (4) Providing for independent arbitration of claims under American Arbitration Association (AAA) Commercial Arbitration Rules, rather than the approach prescribed by DOE in its final regulations (claims adjudicated by a DOE Board of Contract Appeals).

Nuclear Power 2010 Program.

- The amendments would authorize appropriations to cover expansions to the scope of the program which include:

  (1) Demonstrating the licensing process for new nuclear power plants;and

(2) Conducting first-of-a-kind design and engineering work on at least two advanced nuclear reactor designs sufficient to bring them to a state of design completion sufficient to allow development of firm cost estimates.

- Expands the domestic manufacturing base for nuclear components and equipment by identifying incentives necessary to increase U.S. manufacturing capacity for nuclear energy products and components, and provides a 20 percent investment tax credit to companies that expand nuclear manufacturing capability.

- Licenses New Nuclear Power Plants: amends the Atomic Energy Act (AEA) to achieve greater efficiencies in the licensing process for new nuclear power plants, by eliminating the mandatory hearing required by the AEA. Specifically, this section would eliminate the requirement to conduct a hearing and make findings on uncontested issues for every COL and ESP application.

- Establishes program to deal with spent nuclear fuel through recycling spent fuel into usable nuclear material.

- Provides an investment tax credit for new nuclear plant construction: amends the Internal Revenue Code to provide an investment tax credit of 10 percent for any new nuclear plant, as long as construction of the facility was approved by the Nuclear Regulatory Commission on or before December 31, 2013.

- Requires the Secretary of Energy to establish a National Nuclear Energy Council as a federally chartered (under the provisions of the Federal Advisory Committee Act), privately funded advisory body to the Secretary of Energy. The Council would, at the request of the Secretary of Energy, prepare reports and analyses and provide recommendations on key nuclear energy issues.

- Manages spent nuclear fuel: These sections would authorize the Secretary of Energy to negotiate spent fuel storage agreements with communities willing to host temporary spent nuclear fuel storage facilities. Such agreements would contain terms and conditions, including financial, institutional and other such arrangements as the Secretary and community determine to be reasonable and appropriate. The agreement shall go into force only if:

  a. The Governor of the state in which the facility shall be located submits written notice of support;
  b. A bill to implement the agreement has been considered by the Congress and enacted.

  The bill implementing the agreement between the Secretary of Energy and the willing community shall be considered by the Congress pursuant to a "fast-track" process.

- Facilities Nuclear Waste Contracting: This section directs the Secretary of Energy to enter into contracts generally consistent with the "Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste" with any entity that submits a license application for a new nuclear power reactor**.** This section also directs the Secretary of Energy to settle any actions pending on the date of enactment of this Act resulting from failure to commence accepting spent nuclear fuel or high-level radioactive waste on or before January 31, 1998.

- Reaffirms Waste Confidence: This section provides a Congressional determination that there is reasonable assurance that high-level radioactive waste and spent nuclear fuel will be managed in a safe manner without significant environmental impact until capacity for eventual disposal is available.

Expedite oil, gas, and oil shale leasing on federal lands.

- Expedites permitting of covered energy projects.
- Waives certain laws applicable to covered energy projects.
- Allows permitting for year-round conduct of covered energy projects.

Increase refining capacity & efficiency.

- Repeals the $4,000 fee for new applications for permits to drill that was established in last year's Omnibus Appropriations Bill (Public Law 110-161; 121 Stat. 2098).
- Reforms boutique fuel requirements, harmonizing our nation's fuel system requirements.
- Establishes 1-year permit issuing deadline for new refinery permit applications.
- 120-day permit issuing deadline for existing refinery applications.
- Provides the EPA with authority to accept consolidated applications to construct and operate refineries.

Develop alternative sources of fuel.

- Extends the election to expense oil and alternative fuel refineries until 2016.
- Directs the Secretary of the Interior to allow leasing for commercial exploration, development, and production of oil shale resources under the Energy Policy Act (EPA).
- Establishes an equitable royalty program for oil shale and tar sands leases and a revenue sharing program for producing states and local governments.
- Extends the excise tax credit for alternative fuels through FY2020; allows a 50% tax credit for enhanced oil recovery projects using qualified carbon dioxide.

Require domestic energy impact statements.

- Adds a requirement that the Comptroller General review every bill or resolution on the governance of public lands, including the outer Continental Shelf, to determine the impact on domestic energy availability.

Debt Reduction Trust Fund.

- Dedicates revenue generated from this legislation to federal debt relief.

TITLE 4 –JOB CREATION

This title features a sense of Congress that a comprehensive energy policy that promotes innovation, conservations, and production will consequently lead to massive long-term job creation.

FINDINGS—Congress finds the following:

- A comprehensive energy policy would enhance the national security of the United States in two ways, by reducing our dependency on foreign sources of fuel and by simultaneously creating tens of millions of jobs over the next few decades.
- Opening the full Outer Continental Shelf to energy production would create 36 million jobs over the next 30 years.
- Despite its distance from the continental United States, the opening of just 2,000 acres of land in the Arctic Coastal plain of Alaska is enough to supply up to an additional million jobs throughout the nation. Millions more jobs will be created in sectors of the economy that make our traditional sources of energy more efficient and clean.
- Despite the progress being made in the development of new and renewable energy sources and technologies, for the foreseeable future, there are no viable substitutes for the widely available, affordable petroleum resources located within the United States.
- While support must be given to continue to encourage the development of alternative energy sources, Congress must embrace a comprehensive energy policy that understands fossil fuels will continue to play a significant role in our energy policy for at least several more generations.
- By doing so, the United States will embrace a realistic plan to reduce our dependency on foreign sources of energy and ensure our economic security.
- SENSE OF CONGRESS.—It is the sense of Congress that a comprehensive energy policy that promotes conservation, production, and innovation will consequently lead to massive long-term job creation.

For more information on the American Energy Innovation Act please contact Bruce Miller with the RSC at bruce.miller@mail.house.gov or Cody Stewart with the Western Caucus at Cody.Stewart@mail.house.gov.