



Analysis of Senate Energy Bill of 2003

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Overview:

As the Senate brings their energy policy legislation to the floor this week, it is clear that their bill is as filled with perks for special interests as the House-passed energy bill, H.R. 6. The Senate legislation does little to address the real energy issues facing our country today. Instead, the Senate has packed this bill with huge subsidies and taxpayer-funded giveaways to large, mature energy industries.

Rather than considering the impacts that massive subsidies will have on our nation's future fiscal picture, the bill continues a long history of subsidizing the research and development needs of the energy industry. From fossil fuel subsidies to nuclear power plant incentives, this legislation continues the love affair between congressional champions and big energy industry. Rather than ensuring the U.S. has a sound energy policy for the future, the Senate has once again allowed themselves to be wooed by big energy, throwing common sense and fiscal responsibility out the window.

For example, the bill provides \$3.7 billion in direct subsidies to the nuclear power industry. These giveaways continue a long tradition of subsidizing nuclear power more than any other energy source in America. Between 1948 and 1998, more than \$66 billion was spent on nuclear energy research and subsidies. This legislation is the latest attempt by a failing industry to preserve unjustified subsidies for the normal costs of doing business.

The bill includes subsidies that large energy industry has been pushing for years, including \$9.8 billion in tax breaks and direct subsidies to oil and gas companies. Energy bill proponents claim that the large tax breaks and subsidies for oil and gas producers will serve as a financial incentive to lift domestic production. This is a misguided policy that merely serves to pad the pockets of large energy companies. The reality is that domestic production increases as prices have risen.

The United States is facing its largest budget deficit in history. Meanwhile, profitable energy companies are coming to Washington looking for handouts from taxpayers. In these tight fiscal times, we cannot afford to fund massive giveaways to big energy. The time to change outdated energy policies is now. Mature energy industry must be forced to stand on its own or face the fiscal consequences of the free market.

Tax Provisions	\$15.47 billion
Authorized spending	\$42.71 billion
Total	\$58.18 billion

Big spending on wasteful and unnecessary energy subsidies could not come at a worse time. Skyrocketing budget deficits, combined with increases in homeland security,

domestic, and defense spending, make the current fiscal picture grim. The country simply cannot afford to continue outdated policies granting big energy massive subsidies.

The reasoning behind many of the tax provisions is unclear. Many of these provisions are funding research, development, and exploration that oil and gas companies are already doing. As a result, the logic that these tax breaks will help spur production seems circular and false. Many of the so-called incentives do little more than pay for the cost of doing business for companies, including tax breaks for geological and geophysical costs for oil and gas exploration. Taxpayers should not be funding the operational costs of big business. These companies exist to conduct oil and gas exploration and production and they will continue to do so regardless of taxpayer-funded subsidies. So why should taxpayers have to bear the burden of paying these companies to do what they would already be doing?

Taxpayers should beware. The Senate energy bill contains many direct and hidden subsidies for companies around the country. Rather than setting a sane energy policy for the future, the bill continues to prop up big energy companies at the expense of taxpayers. At a time of fiscal belt-tightening, this \$58 billion legislation is irresponsible and bad policy.

Type of industry	Tax Provisions	Authorized Spending	Total
Alternative Motor Vehicles and Fuel Incentives	\$2.928 billion	\$135 million	\$3.063 billion
Conservation and Energy Efficiency	\$2.43 billion	\$4.580 billion	\$7.010 billion
Renewables	\$2.698 billion	\$4.375 billion	\$7.073 billion
Indian Energy	\$216 million	\$161 million	\$377 million
Nuclear		\$3.734 billion	\$3.734 billion
Oil and Gas	\$7.319 billion	\$2.546 billion	\$9.865 billion
Utilities	\$968 million		\$968 million
Science Research ¹		\$19.06 billion	\$19.06 billion
Coal	\$2.169 billion	\$2.643 billion	\$4.812 billion
Freedom Car and Hydrogen Research		\$3.831 billion	\$3.831 billion
Distributed Energy and Electric Systems		\$1.290 billion	\$1.290 billion
Miscellaneous	+ \$3.259 billion	\$353 million	+\$2.906 billion
Total	\$ 15.47 billion	\$42.71 billion	\$58.18 billion

¹ This includes Fusion Energy Services, Spallation Neutron Source, Nanoscale Science and Engineering Research, and Genomes to Life among other research priorities.

ENERGY AND NATURAL RESOURCES ENERGY BILL

Section 1 This act may be cited as "The Energy Policy Act of 2003"

Section 2 This is the table of contents.

Title I – Oil and Gas

Subtitle A – Production Incentives

Section 101 This section permanently authorizes the Strategic Petroleum Reserve and other energy programs.

Section 102 The Secretary of Energy shall study petroleum and natural gas storage capacity, including national minimum operating storage levels across the nation and report to Congress.

Section 103 The Secretary of Interior is permitted to take royalties owed by oil and gas lessees in actual oil and gas volumes when it is determined the payment would be in the best interest of government and not result in lost revenue. RIK revenue can go to the Strategic Reserve. The Secretary shall consult with a state before conducting an RIK program within the state. This section gives special provisions for small refineries and gives a preference for federal low-income energy assistance programs. This program is limited to 10 years.

Section 104 This section allows the Secretary of Interior to provide incentives for marginal wells; basically those wells that are approaching abandonment because of economic factors. It further sets commodity triggers during periods of low prices. It sets particular rules for termination of a reduced royalty rate: the lesser of 5% or applicable rate under regulatory relief. A marginal well produces 15 barrels of oil per well per day or 90 million Btu of gas per well per day.

Section 105 This section requires the Secretary of Interior to survey all Outer Continental Shelf resources currently in production and under moratoria to develop an inventory of potential oil and gas resources of the U.S.

Section 106 Oil and gas resources in water over 400 meters deep in the western and central Gulf of Mexico receive royalty relief to all sales in the next 5 years. Relief is suspended for 400 to 800 meters for production over 5 million barrels; 800 to 1600 meters for 9 million barrels; and over 1600 meters for 12 million barrels.

Section 107 The Secretary may give royalty relief to existing non-producing leases for deep water production in Alaska frontier regions.

Section 108 This section provides a five-year, \$25 million annual authorization to the Secretary of Interior to develop a program to reclaim orphaned or abandoned wells on federal lands. It also authorizes \$5 million for technical assistance programs on non-federal lands.

Section 109 The Secretary of Interior shall publish a rule regarding royalty incentives for natural gas from deep wells in shallow waters (less than 200 meters deep) on the Outer Continental Shelf of the Gulf of Mexico on leases prior to January 1, 2001. Senator Landrieu amended this section in committee to also tackle royalty incentive regulations for ultra deep wells in the Gulf of Mexico.

Section 110 The Secretary of Interior may grant an easement or right-of-way on the Outer Continental Shelf to support exploration, development, or production of natural gas or oil. The Secretary shall also promulgate regulations to ensure that activities authorized under this subsection are conducted in a safe manner that conserves the natural resources. This section clarifies permitting and rights-of-way for traditional and non-traditional energy projects on the Outer Continental Shelf to support deep water drilling.

Section 111 This section provides impact assistance to states and political subdivisions for 10 percent of qualified Outer Continental Shelf revenues. Of funds provided, 65 percent is allocated to the governor and 35 percent is allocated to eligible political subdivisions for coastal impact assistance.

Section 112 The Secretary of Interior shall develop the National Energy Data Preservation Program. This program would archive geological, geophysical, and engineering data related to oil and gas development. This section authorizes \$30 million for each fiscal year 2003 through 2007, totaling \$150 million.

Section 113 This section sets oil and gas acreage limitations under the Mineral Leasing Act to include areas committed to a federally approved unit or cooperative plan or communitization agreement.

Section 114 The Secretary of Energy shall assess the economic implication of the dependence of Hawaii on oil as the principal source of energy for the State. This section authorizes such sums as may be necessary to carry out this assessment.

Subtitle B – Access to Federal Lands

Section 121 This section authorizes the creation of the Office of Federal Energy Permit Coordination within the Executive Office of the President. This office will assist federal agencies in coordinating the permitting of energy projects on federal land.

Section 122 The Secretary of Interior shall establish a Federal Permit Streamlining Pilot Program. Such sums as necessary to implement this section are authorized. This will be a five-year program with six western office of BLM identified for a federal permit coordination demonstration project.

Section 123 The Secretary of Interior shall ensure expeditious compliance with NEPA, improve consultation with the states, and improve the collection and storage of information related to oil and gas leasing activities. This section authorizes \$40 million to carry out this work. It also authorizes \$20 million to improve inspection and enforcement of oil and gas activities.

Section 124 The Secretary of Interior shall conduct an inventory of all onshore federal lands and take measures necessary to update and revise this authority. It authorizes such sums as are necessary to implement this section.

Section 125 The Secretary of Interior shall undertake a review of the current policies with respect to management of federal subsurface oil and gas development activities and their effects on the privately owned surface.

Section 126 The Secretary of Interior and Secretary of Agriculture designate utility corridors in the 11 western contiguous states and incorporate the corridors into the relevant departmental and agency land use and resources management plans or their equivalent. This section requires coordination of federal agencies to establish priority energy transmission rights-of-way.

Subtitle C – Alaska Natural Gas Pipeline

Section 131 This subtitle shall be cited as the “Alaska Natural Gas Pipeline Act”.

Section 132 This section sets the definitions for this subtitle.

Section 133 This section defines several criteria on the Federal Energy Regulatory Commission’s (FERC) authority to issue a certification of public convenience and necessity authorizing the construction, operation, expansion, and regulation of the Alaska gas pipeline. It further prohibits FERC from approving a northern pipeline route through Canada.

Section 134 This section clarifies that this project is subject to NEPA and that FERC will be the lead agency.

Section 135 FERC must meet several criteria before it is authorized to permit expansion of the pipeline including that the expansion will not undermine the operation or financial stability of the pipeline.

Section 136 This section establishes an independent office in the executive branch, the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects with a federal coordinator.

Section 137 The U.S. Court of Appeals for the District of Columbia shall have original and exclusive jurisdiction for actions that determine the validity of any final order or action of any federal agency, the constitutionality of any provision of this subtitle, or the adequacy of any environmental impact statement under NEPA.

Section 138 This section clarifies that the State of Alaska has jurisdiction over all local distribution including the setting of rates for sales within Alaska.

Section 139 The Secretary of Energy is required to conduct a study of alternative approaches to the construction and operation within 18 months following enactment, unless an application for certificate of public convenience and necessity has been filed by FERC.

Section 140 This section clarifies that the federal agencies responsible for permits or rights-of-way under Section 9 of the Alaska Natural Gas Transportation Act of 1976 (ANGTA) are able to modify leases or permits related to ANGTA, so long as it does not require a change to the route of the Alaska gas pipeline project.

Section 141 It is the sense of Congress that the Alaska natural gas transportation project will provide significant economic benefits to the United States and Canada.

Section 142 Congress urges the sponsors of the pipeline to maximize participation of small business concerns in contracts and subcontracts awarded in carrying out the Alaska pipeline.

Section 143 The Secretary of Labor may make grants to the Alaska Department of Labor and Workforce Development to train dislocated workers in the construction and operation of the Alaska pipeline. This section authorizes up to \$20 million to carry out this section.

Title II – Coal

Subtitle A – Clean Coal Power Initiative

Section 201 This section authorizes an appropriation of \$200 million for each fiscal year 2003 through 2011 for the Secretary of Energy to carry out this subtitle, totaling \$1.8 billion.

Section 202 The Secretary of Energy shall ensure that at least 80% of the funds are used for coal-based gasification technologies or coal based projects that include gasification combined cycle, gasification fuel cells, gasification coproduction, or hybride gasification / combustion. This section sets that requirements be met by the year 2010. The federal

share of the cost of a coal or related technology project funded by the Secretary shall not exceed 50 percent.

Section 203 This section requires the Secretary of Energy to transmit a report to Congress with a 10-year plan including a detailed description of how the program will avoid problems enumerated in General Accounting reports on the Clean Coal Technology Program, especially problems that have resulted in unspent funds and projects that failed either financially or scientifically. The Secretary shall within one year, and every 2 years through 2011, transmit a report to Congress on technical milestones.

Section 204 The Secretary shall award competitive merit-based grants to universities for the establishment of Centers of Excellence for Energy Systems of the Future.

Subtitle B – Federal Coal Leases

Section 211 This section repeals the 160-acre limitation for coal leases. It allows the Secretary to add up to 320 acres to existing leases, provided that the Secretary finds such a modification is in the best interest of the U.S., would not displace a competitive interest in the lands, and would not include lands that could be developed as part of another operation.

Section 212 The Secretary is permitted to extend the 40 year Mine Out Rule for maximum economic recovery of a coal deposit.

Section 213 This section discusses payment of advance royalties under coal leases. The aggregate number of years during the period of any lease for which advanced royalties may be accepted in lieu of the condition of continued operation may not exceed 20.

Section 214 This section discusses the elimination of the deadline for submission of a coal lease operation and reclamation plan.

Section 215 This proposal discusses the application of these amendments to leases.

Subtitle C - Powder River Basin Shared Mineral Estates

Section 221 The Secretary of Interior shall review existing authorities to resolve conflicts between the development of federal coal and the development of federal and non-federal coalbed methane in the Powder River Basin in Wyoming and Montana and report on alternatives to solve these conflicts.

Title III - Indian Energy

Section 301 The title of this section is "Indian Tribal Energy Development and Self-Determination Act of 2003."

Section 302 This proposal establishes an Office of Indian Energy Policy and Programs within the Department of Energy that is charged with improving the energy infrastructure to increase resource development and lower costs on tribal land. This section authorizes \$20 million in annual grant authority to the Director to promote planning and development activities for FY2004 through FY2011, totaling \$1.8 billion. Another \$2 billion is authorized to provide loan guarantees for energy projects.

Section 303 This section amends section XXVI of the Energy Policy Act of 1992 as follows:

Section 2601 This section defines key terms.

Section 2602 The Secretary of Energy is authorized to provide the tribes grants and low-interest loans as well as technical assistance in developing energy resources located on Indian land.

Section 2603 The Secretary of Interior is authorized to provide grants in order to cultivate legal training and implementation of tribal laws governing the development of energy projects and protection of the environment.

Section 2604 This section streamlines the leasing process for energy development on tribal land by permitting leases or business agreements to be contracted without secretarial approval, so long as those leases or business agreements conform to regulations promulgated by the Secretary.

Section 2605 This section encourages the administrators of Bonneville Power Authority and Western Area Power Authority to clarify their authority to purchase firm and replacement power from tribes and for tribes to use WAPA allocations for the same purpose.

Section 2606 The Secretary of Interior shall submit a report regarding possible barriers to energy development contained in the Indian Mineral Development Act.

Section 2607 The Secretary of Energy, together with the Secretary of Interior and the Secretary of the Army, shall undertake a demonstration project study the feasibility of using wind energy generated by the tribes and hydropower generated by the Army Corps on the Missouri River to supply firming power to Western Area Power Authority. This section authorizes \$500,000.

Section 304 The Dine Power Authority, an enterprise of the Navajo Nation, shall be eligible to receive grants and other assistance as authorized under section 302 of this title and section 2602 of the Energy Policy Act of 1992.

Section 305 The Secretary of Housing and Urban Development shall promote energy conservation in tribal housing.

Section 306 The Secretary of Energy and Secretary of Interior must consult with Indian Tribes in carrying out this Act.

Title IV – Nuclear Matters

Subtitle A – Price-Anderson Act Amendments

Section 401 This subtitle may be cited as “The Price-Anderson Amendments Act of 2003.”

Sections 402 - 410 These sections indefinitely extend indemnification provisions for Nuclear Regulatory Commission licensees and Department of Energy contractors.

Subtitle B – Deployment of New Nuclear Plants

Sections 421 - 425 This subtitle may be cited as the “Nuclear Energy Finance Act of 2003.” The Secretary of Energy may subsidize up to half the development and construction costs for nuclear projects, including building new commercial reactors. This subtitle outlines several subsidies for nuclear generators, including federal loan guarantees and government power-purchase agreements.

Subtitle C – Advanced Reactor Hydrogen Co-Generation Project

Sections 431 - 435 This subtitle establishes the Advanced Hydrogen Reactor Co-Generation Project. It authorizes appropriations of \$35 million for FY04, \$150 million for each year FY05-08, and such funds as are necessary for fiscal years after FY08, totaling \$635 million for R&D programs. For reactor construction, it authorizes \$500 million. The project shall include planning, research and development, and construction of an advanced, next-generation, nuclear energy system suitable for enabling further research and development on advanced reactor technology and alternative approaches for reactor-based generation of hydrogen.

Subtitle D – Miscellaneous Matters

Section 441 This section sets the rules for uranium sales and transfers.

Section 442 The Secretary of Energy shall establish a decommissioning pilot program to decommission and decontaminate the sodium-cooled fast breeder experimental test-site

reactor located in northwest Arkansas in accordance with the decommissioning activities contained in the 8/31/1998 Department of Energy report on the reactor. This section authorizes an appropriation of \$16 million.

Title V – Renewable Energy

Subtitle A – General Provisions

Section 501 The Secretary of Energy shall review, within 6 months and each year thereafter, the available assessments of renewable energy resources within the United States, including solar, wind, biomass, ocean (tidal and thermal), geothermal, and hydroelectric energy. This section authorizes an appropriation of \$10 million for each fiscal year 2004 - 2008, totaling \$50 million.

Section 502 This section discusses renewable energy production incentives, appropriating such sums as may be necessary to carry out this section for fiscal years 2003 through 2023.

Section 503 The Secretary of Interior shall make recommendations to Congress for opportunities to develop renewable energy on public lands.

Section 504 This section sets annual goals for an increasing amount of renewable energy to be used by the federal government.

Section 505 The Secretary of Energy shall update the energy surveys, estimates, and assessments for the insular areas of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

Subtitle B – Hydroelectric Licensing

Section 511 This section discusses alternative conditions and fishways. When the Secretary of Interior or the Secretary of Commerce prescribes a fishway under section 18, the license applicant or licensee may propose an alternative to such prescription to construct, maintain, or operation a fishway. The alternative may include a fishway or an alternative to a fishway.

Subtitle C – Geothermal Energy

Section 521 This section discusses competitive lease sale requirements. The Secretary shall hold a competitive lease sale at least once every 2 years for lands in a state in which there are nominations pending where such lands are otherwise available for leasing.

Section 522 The Secretary of Interior and the Secretary of Agriculture shall enter into a memorandum of understanding regarding leasing and permitting for geothermal development of public lands and national forest system lands under their respective jurisdictions.

Section 523 The Secretary of Interior and the Secretary of Defense shall submit to Congress a joint report concerning leasing and permitting activities for geothermal energy on federal lands which has been withdrawn for military purposes.

Section 524 This section discusses the reinstatement of leases terminated for failure to pay rent.

Section 525 The Secretary of Energy shall promulgate a final regulation within one year, providing a methodology for determining the amount or value of the steam for purposes of calculating the royalty due to be paid on such production pursuant to section 5 of the Geothermal Steam Act of 1970.

Subtitle D – Biomass Energy

Subtitle 531 This section sets the definitions for key terms. The term “biomass” means pre-commercial thinnings of trees and woody plants, or non-merchantable material, using preventative treatments, to reduce or contain diseases or insect infestations.

Section 532 The Secretary may award grants to offset the costs incurred to purchase biomass for use by such eligible operation with priority given to operations using biomass from the highest risk areas. This section authorizes an appropriation of \$12.5 million each to both the Secretary of Interior and the Secretary of Agriculture for each fiscal year FY04-08, totaling \$125 million.

Section 533 The Secretary may make grants to persons in eligible communities to offset the costs of developing and researching proposals to improve the use of biomass. No grant under this subsection shall exceed \$500,000. This section authorizes an appropriation of \$12.5 million each to the Secretary of Interior and the Secretary of Agriculture for each fiscal year FY04-08, totaling \$125 million.

Section 534 The Secretary of Interior and the Secretary of Agriculture shall jointly submit a report to Congress on the interim results of this subtitle.

Title VI – Energy Efficiency

Subtitle A – Federal Programs

Section 601 This section sets energy management requirements for federal buildings.

Section 602 This section discusses energy use measurements and accountability for federal buildings.

Section 603 This section sets federal building performance standards.

Section 604 This section discusses energy savings performance contracts.

Section 605 This section discusses procurement of energy efficient products.

Section 606 This section reviews congressional building efficiency. It authorizes for appropriations not more than \$2 million for FY04.

Section 607 This section discusses increased use of recovered mineral component in federally funded projects involving procurement of cement or concrete.

Section 608 This section reviews utility energy service contracts.

Section 609 The Secretary of Energy shall contract with the National Academy of Sciences for a study to examine whether the goals of energy efficiency standards are best served by measurement of energy consumed, and efficiency improvements.

Subtitle B – State and Local Programs

Section 611 The Secretary of Energy is authorized to award grants to units of local government, private, non-profit community development organizations, and Indian tribal economic development groups to improve energy efficiency. This section authorizes for appropriations \$20 million for each FY04-06, totaling \$60 million.

Section 612 The Secretary of Energy may award grants to the state agency responsible for developing state energy conservation plans under section 362 of the Energy Policy Conservation Act. This section authorizes such sums as may be necessary for FY04-12.

Section 613 This section discusses energy efficient appliance rebate programs for states. This section authorizes for appropriation \$50 million for each FY04-08, totaling \$250 million.

Subtitle C – Consumer Products

Section 621 This section discusses energy conservation standards for additional products.

Section 622 The Commission shall initiate a rulemaking to consider the effectiveness of the current consumer products labeling programs in assisting consumers to make purchases of energy efficient products.

Section 623 This section sets the Energy Star Program to identify and promote energy-efficient building products.

Section 624 The Secretary of Energy shall carry out a program to educate homeowners and small business owners concerning the energy savings resulting from properly conducting maintenance or air conditioning, heating, and ventilations systems.

Subtitle D – Public Housing

Section 631 This section discusses the capacity building for energy-efficient, affordable housing.

Section 632 This section creates an increase of CDBG public services cap for energy conservation and efficiency activities.

Section 633 This section discusses FHA mortgage insurance incentives for energy efficient housing.

Section 634 This section discusses the public housing capital fund and improvement of energy and water-use efficiency.

Section 635 This section establishes grants for energy-conserving improvement to assisted housing.

Section 636 This section discussed the North American Development Bank and the need to finance projects related to clean and efficient energy.

Section 637 Public housing agencies purchasing appliances shall purchase energy-efficient ones that are Energy Star products or FEMP-designated products.

Section 638 This section discusses energy efficiency standards in public housing.

Section 639 The Secretary of Housing and Urban Development shall develop and implement an integrated strategy to reduce utility expenses through cost-effective energy conservation and efficiency measures.

Title VII – Transportation Fuels

Subtitle A – Alternative Fuel Programs

Section 701 Dual fueled vehicles shall be operated on alternative fuels unless the Secretary allows a waiver of such requirement.

Section 702 The Secretary of Energy shall allocate one credit, under this section, to a fleet or covered person for each qualifying volume of alternative fuel or biodiesel purchased for use in an on-road motor vehicle operated by the fleet that has a gross vehicle weight of more than 8,500 pounds.

Section 703 This section discusses neighborhood electric vehicles.

Section 704 The Secretary shall issue three full credits to a fleet or covered person under this title for heavy-duty vehicles.

Section 705 The Secretary shall issue a credit to a fleet or covered person under this title for investment in qualifying infrastructure if the qualifying infrastructure is open to the general public during regular business hours.

Section 706 This section discusses incremental cost allocations under the Energy Policy Act of 1992.

Section 707 The Secretary of Energy shall complete a study to determine the effect that titles III, IV, and V of the Energy Policy Act of 1992 have had on the development of alternative fueled vehicle technology.

Section 708 A state may permit a vehicle with fewer than 2 occupants to operate in high occupancy vehicle lanes if such vehicle is a dedicated vehicle as defined in section 301 of the Energy Policy Act of 1992.

Section 709 The Secretary may grant a waiver of the requirement under section 501 or 507 (o) if the fleet owned, operated, or leased will achieve a reduction in its annual consumption of petroleum fuels equal to the reduction in consumption of petroleum that would result in compliance with these sections and is in compliance with all applicable vehicle emission standards established by the Administrator under the Clean Air Act. This section also sets the credit for hybrid vehicles, dedicated alternative fuel vehicles, and infrastructure.

Subtitle B – Automobile Fuel Economy

Section 711 This section discusses automobile fuel economy standards. The Secretary of Transportation shall consider the following matters when deciding maximum feasible average fuel economy under this section: a. technological feasibility; b. economic practicability; c. the effect of other motor vehicle standards of the Government on fuel economy; d. the need of the U.S. to conserve energy; e. the effects of fuel economy standards on motor vehicle and passenger safety; and f. the effects of compliance with

average fuel economy standards on levels of employment in the U.S. This section authorizes for appropriation \$5 million for each FY04-08, totaling \$25 million.

Section 712 This section enumerates manufacturing incentives for dual-fueled automobiles.

Section 713 This section discusses federal fleet fuel economy.

Section 714 The Secretary of Energy shall establish a cost-shared public-private research partnership to develop and demonstrate railroad locomotive technologies that increase fuel economy. This section authorizes for appropriations \$25 million for FY04, \$35 million for FY05, and \$50 million for FY06, totaling \$110 million.

Section 715 The Secretary of Energy shall study the potential fuel savings resulting from use of idling reduction technologies as they are applied to heavy-duty vehicles.

Title VIII – Hydrogen

Subtitle A – Basic Research Programs

Section 801 This section lists the short title.

Section 802 This section amends the Matsunaga Act.

Section 102 This section sets key amendments.

Section 103 The Secretary of Energy shall conduct research and development on technologies related to the production, distribution, storage, and use of hydrogen energy, fuel cells, and related infrastructure.

Section 104 The Secretary shall carry out demonstration projects authorized under this section through solicitation of proposals and evaluation using competitive merit review. Non-federal cost share shall be at least 50%.

Section 105 The Secretary shall conduct programs to transfer critical hydrogen energy and fuel cell technology to the private sector.

Section 106 The Secretary shall have overall management responsibility for carrying out programs under this act.

Section 107 This section establishes the Hydrogen and Fuel Cell Technical Advisory Committee.

Section 108 The Secretary shall prepare and maintain, on an ongoing basis, a comprehensive plan for activities under this act.

Section 109 This section sets the authorization for appropriations:

FY1992 – 2003 = such sums as may be necessary

FY04 = \$105 million

FY05 = \$150 million

FY06 = \$175 million

FY07 = \$200 million

FY08 = \$225 million

This authorization totals \$855 million.

Section 803 The Secretary shall carry out a research and development, demonstration, and commercial application program on advanced hydrogen-powered vehicle technologies. The authorization of appropriation is \$100 million each year FY04-05, \$110 million for each year FY06-07, and \$120 million for FY08, totaling \$540 million.

The Secretary in partnership with the private sector, shall conduct a research and development, demonstration, and commercial application program designed to enable the rapid and coordinated introduction of hydrogen-fueled vehicles and infrastructure into commerce. The authorization for appropriation is \$125 million for FY04, \$150 million for FY05, \$175 million for FY06, and \$200 million for each year FY07-08, totaling \$850 million.

Section 804 The Secretary shall establish an interagency task force to coordinate federal hydrogen and fuel cell energy activities.

Section 805 Within two years of enactment and every four years thereafter, the Secretary shall have the National Academy of Sciences review the progress made on the federal hydrogen and fuel cell energy programs.

Subtitle B – Demonstration Programs

Section 811 This section sets key definitions.

Section 812 The Secretary of Energy shall establish a program for demonstration and commercial application of hydrogen-powered vehicles and associated hydrogen fueling infrastructure in a variety of transportation-related applications. This section authorizes for appropriation \$50 million for each FY06-10, totaling \$250 million.

Section 813 The Secretary shall establish a program for demonstration and commercial application of hydrogen fuel cells in stationary applications. This section authorizes for appropriation \$50 million for each fiscal year 2006 – 2010, totaling \$250 million.

Section 814 The Secretary of Interior and the Secretary of Energy shall jointly study the energy needs of national parks and potential for hydrogen fuel cell use. This section authorizes for appropriation \$1 million for FY04, \$15 million for FY05, totaling \$16 million.

Section 815 The Secretary shall conduct demonstration of fuel cells and associated hydrogen fueling infrastructure in countries other than the U.S. This section authorizes an appropriation of \$25 million for each year 2006 – 2010, totaling \$125 million.

Section 816 The Secretary shall develop a plan for hybrid distributed power systems on Indian lands. The authorization for appropriation is \$1 million for FY05 and \$5 million for each year FY06-08, totaling \$16 million.

Section 817 The Secretary shall support a demonstration program to reduce the cost of producing hydrogen renewable energy for use in fuel cells. The authorization for appropriation is \$10 million for FY04; \$15 million for FY05; \$20 million for each year FY06-08, totaling \$95 million.

Subtitle C – Federal Programs

Section 821 The Secretary of Energy shall conduct a citizen education program. The authorization is \$7 million for each year FY04-08, totaling \$35 million.

Section 822 This section requires hydrogen transition strategic planning.

Section 823 This section sets a minimum fleet requirement for hydrogen vehicles.

Section 824 This section sets a stationary fuel cell purchase requirement. The authorization for appropriation is \$30 million for FY04, \$70 million for FY05, \$100 million for FY06 and thereafter, totaling at least \$200 million.

Section 825 This section discusses the Department of Energy strategy.

Title IX – Research and Development

Section 901 This section gives the short title.

Section 902 This section sets the goals for research and development.

Section 903 This section defines key terms.

Subtitle A – Energy Efficiency

Section 911 This section sets appropriations for energy efficiency.

FY04 = \$616 million
FY05 = \$695 million
FY06 = \$772 million
FY07 = \$865 million
FY08 = \$920 million

Totaling an authorization of \$3.868 billion.

From these amounts, there is allocated for

Section 912 – The Next Generation Lighting Initiative

FY04 = \$20 million
FY05 = \$30 million

Totaling = \$50 million

Section 914 - Secondary Electric Vehicle Battery Use Program

FY04 = \$4 million
Each year FY05-08 = \$7 million

Totaling = \$32 million

Section 915 – Energy Efficiency Science Initiative

FY04 = \$20 million
FY05 = \$25 million
FY06 = \$30 million
FY07 = \$35 million
FY08 = \$40 million

Totaling = \$150 million

There is an additional authorization for appropriation under Section 912 of \$50 million for each year FY06-13, totaling \$400 million.

Section 912 The Secretary of Energy shall carry out the Next Generation Lighting Initiative.

Section 913 The Director of the Office of Science and Technology Policy shall establish an interagency group to develop the National Building Performance Initiative.

Section 914 The Secretary shall establish the Secondary Electric Vehicle Battery Use Program.

Section 915 The Secretary shall establish an Energy Efficiency Science Initiative.

Subtitle B – Distributed Energy and Electrical Systems

Section 921 The following sums are authorized for appropriation:

In general,

FY04 = \$190 million

FY05 = \$200 million

FY06 = \$220 million

FY07 = \$240 million

FY08 = \$260 million

Totaling = \$1.110 billion

For the Initiative under Section 927(e) – The Power Delivery Research Initiative

FY04 = \$15 million

FY05 = \$20 million

FY06 = \$30 million

FY07 = \$35 million

FY08 = \$40 million

Totaling = \$140 million

Section 922 The Secretary of Energy shall develop a strategy for hybrid distribution power systems.

Section 923 The Secretary shall develop a research and development strategy for a high power density industry program.

Section 924 The Secretary shall make competitive grants to consortia for the development of micro-cogeneration energy technology.

Section 925 The Secretary shall provide financial assistance to coordinating consortia of interdisciplinary participants for demonstration projects to accelerate utilization of distributed technology programs.

Section 926 This section sets up an Office of Electric Transmission and Distribution.

Section 927 The Secretary shall establish a comprehensive research and development program on electric transmission and distribution.

Subtitle C – Renewable Energy

Section 931 This section authorizes appropriations for this subtitle.

FY04 = \$480 million

FY05 = \$550 million

FY06 = \$610 million

FY07 = \$659 million

FY08 = \$710 million

Totaling = \$3.009 billion

Allocations – From the amounts authorizes above,

Biodiesel = \$5 million for each year FY04-08, totaling \$25 million.

Concentrated Solar Power totals \$210 million: FY04 - \$20 million, FY05 - \$40 million, each year FY06-08 - \$50 million

Section 932 The Secretary of Energy shall conduct a research and development program on bioenergy.

Section 933 The Secretary shall initiate a partnership with diesel energy providers to conduct a biodiesel engine testing program.

Section 934 The Secretary shall conduct a concentrating solar power research program.

Section 935 This section describes miscellaneous projects for the Secretary to research.

Subtitle D – Nuclear Energy

Section 941 This section authorizes for appropriation

For Core Programs

FY04 = \$273 million

FY05 = \$305 million

FY06 = \$330 million

FY07 = \$355 million

FY08 = \$495 million

Totaling = \$1.758 billion

Nuclear Infrastructure Support

FY04 = \$125 million

FY05 = \$130 million

FY06 = \$135 million

FY07 = \$140 million

FY08 = \$145 million

Totaling = \$657 million

Allocations under subsection (a):

For activities under Section 943 – The Advanced Fuel Cycle Initiative

FY04 = \$140 million

FY05 = \$145 million

FY06 = \$150 million

FY07 = \$155 million

FY08 = \$275 million

Totaling = \$865 million

For activities under Section 944 – The University Nuclear Science and Engineering Support

FY04 = \$33 million

FY05 = \$37.9 million

FY06 = \$43.6 million

FY07 = \$50.1 million

FY08 = \$56 million

Totaling = \$220.6 million

For Activities under Section 946 – Alternatives to Industrial Radioactive Sources

FY04-08 = \$ 6 million totaling - \$30 million

Section 942 The Secretary of Energy shall carryout a Nuclear Energy Research Initiative, Nuclear Energy Plant Optimization Program, Nuclear Power 2010 Program, the Generation IV Nuclear Energy Systems Initiative, Reactor Production of Hydrogen, and Nuclear Infrastructure Support.

Section 943 The Secretary shall conduct the Advanced Fuel Cycle Initiative which would conduct reprocessing of commercial nuclear waste.

Section 944 The Secretary shall support university nuclear science and engineering programs.

Section 945 The Secretary shall conduct research and development on the security of nuclear facilities.

Section 946 The Secretary shall explore alternatives to industrial radioactive sources.

Section E – Fossil Energy

Section 951 This section authorizes for appropriations

FY04 = \$523 million

FY05 = \$542 million

FY06 = \$558 million

FY07 = \$585 million

FY08 = \$600 million

Totaling = \$2.808 billion

Allocations:

For Fuel Cells - \$28 million for each year FY04-08 = \$140 million

For R&D on Coal Mining FY04 - \$12 million, FY05 - \$15 million, each year FY06-08 - \$20 million , totaling \$87 million

For Coal and Related Technologies Program FY04 - \$200 million, FY05 - \$210 million, FY06 - \$220.5 million, totaling \$630.5 million

For the Office of Artic Energy - each year FY04-08 - \$25 million, totaling \$125 million

Extended authorization - \$25 million for each year FY09-12, totaling \$100 million.

Section 952 The Secretary of Energy shall conduct a program on oil and gas research and development.

Section 953 The Secretary of Energy shall carry out a program of research and development for coal mining technologies.

Section 954 The Secretary of Energy shall carryout a research and development program on coal and related technologies.

Section 955 The Secretary shall work on a complex well technology testing facility at Rocky Mountain Oilfield Testing Center.

Subtitle F – Science

Section 961 The authorization for appropriations is

FY04 = \$3.785 billion

FY05 = \$4.153 billion

FY06 = \$4.586 billion

FY07 = \$5.000 billion

FY08 = \$5.400 billion

Totaling = \$22.924 billion

Allocations under this section:

Fusion Energy Sciences Program - Section 962

FY04 = \$335 million

FY05 = \$349 million

FY06 = \$362 million

FY07 = \$377 million

FY08 = \$393 million

Totaling = \$1.816 billion

Spallation Neutron Source

FY04 = \$124.6 million

FY05 = \$79.8 million

FY06 = \$41.1 million

Totaling = \$245.5 million

Additionally - for FY03-06 - \$103.279 million

Catalysis Research - Section 965

FY04 = \$33 million

FY05 = \$35 million

FY06 = \$36.5 million

FY07 = \$38.2 million

FY08 = \$40.1 million

Totaling = \$182.8 million

Nanoscale Science and Engineering Research – Section 966

FY04 = \$270 million
FY05 = \$290 million
FY06 = \$310 million
FY07 = \$330 million
FY08 = \$375 million

Totaling = \$1.575 billion

For activities under subsection 966 c – Nanoscience and nonengineering research centers and major instrumentation.

FY04 = \$135 million
FY05 = \$150 million
FY06 = \$120 million
FY07 = \$100 million
FY08 = \$125 million

Totaling = \$630 million

For the Genomes to Life Program – Section 698

FY04 = \$100 million
FY05 = \$170 million
FY06 = \$325 million
FY07 = \$415 million
FY08 = \$455 million

Totaling = \$1.465 billion

For construction under Genomes to Life User Facilities - Section 698(d)

FY04 = \$16 million
FY05 = \$70 million
FY06 = \$175 million
FY07 = \$215 million
FY08 = \$205 million

Totaling = \$681 million

**For the Water Supply Technologies Program - Section 970 - \$30 million each year
FY04-08 totaling \$150 million**

Additional authorization for appropriation - Under the ITER program

FY06 = \$55 million
FY07 = \$95 million
FY08 = \$115 million

Totaling = \$265 million

Section 962 The Secretary of Energy is authorized to undertake full scientific and technological cooperation in the International Thermonuclear Experimental Reactor project (ITER).

Section 963 The Secretary shall report on the Spallation Neutron Source. The total amount obligated by the Department shall be \$1,192,700,000 for construction, 219,000,000 for other project costs, and 1,411,700,000 for total project costs.

Section 964 The Secretary shall development and implement strategies for support of science and energy facilities and infrastructure.

Section 965 The Secretary shall support a research and development program in catalysis science consistent with the Department's statutory authorities related to research and development.

Section 966 The Secretary shall support a program of research, development, demonstration, and commercial application in nanoscience and nanoengineering.

Section 967 The Secretary shall support a program to advance the Nation's computing capability for energy missions.

Section 968 The Secretary shall carry out a program of research and development to be known as the Genomes to Life Program, in systems biology and proteomics consistent with the Department's statutory authorities.

Section 969 In the President's fiscal year 2006 budget request, the Secretary shall establish a research and development program on material science issues presented by advanced fission reactors and the Department's fusion energy program.

Section 970 This section establishes the "Energy-Water Supply Technologies Program" within in the Office of Science, Office of Biological and Environmental Research.

Subtitle G – Energy and Environment

Section 971 The Secretary shall establish a research, development, demonstration, and commercial application program to be carried out in collaboration with entities in Mexico and the United States to promote energy efficient, environmentally sound economic development along the United States-Mexico border which minimizes public health risks from industrial activities in the border region. The authorization for appropriation is \$5

million for FY04, \$5 million for FY05, \$6 million for FY06, and \$6 million FY07, totaling \$22 million.

Section 972 This section authorizes for appropriation \$125 million for the Secretary to provide a loan to the owner of the experimental plant constructed under U.S. Department of Energy cooperative agreement number DE-FC-22-91PC90544. This section is entitled “Coal Technology Loan.”

Subtitle H - Management

Section 981 Funds authorized to be appropriated under this title are available until expended.

Section 982 Except where otherwise provided in this title, the Secretary shall require a commitment from non-federal sources of at least 20 percent of research and development costs and 50 percent of demonstration project costs.

Section 983 This section requires merit review of proposals.

Section 984 This section requires external technical review of departmental programs.

Section 985 The Secretary shall designate a Technology Transfer Coordinator to perform oversight of and policy development for technology transfer activities at the Department.

Section 986 The Secretary shall establish a Technology Infrastructure Program in accordance with this section. The authorization for appropriation is \$10 million for each of the FY04-06, totaling \$30 million.

Section 987 The Secretary shall require the director of each National Laboratory to designate a small business advocate to increase participation of small business concerns. This section authorizes for appropriation \$5 million for each year FY04-08, totaling \$25 million.

Section 988 The Secretary shall transmit a report to Congress regarding policies of a contractor operating a National Laboratory or single-purpose research facility that create disincentives to the temporary transfer of personal among the contractor-operated facilities.

Section 989 The Secretary shall have the National Academy of Sciences study on obstacles to accelerating research and development.

Section 990 The Secretary shall ensure that each program authorized by this title includes an outreach component.

Section 991 This section requires a competitive award of management and operating contracts.

Section 992 The Secretary shall transmit to the appropriate authorizing committees of Congress a report on how amounts will be distributed among authorizations contained in this title.

Section 993 The Secretary shall carry out this section in accordance with other laws.

Section 994 This section discusses the improved coordination and management of civilian science and technology programs.

Section 995 This section authorizes \$40 million for each year FY04-08, totaling \$200 million, for educational programs in math and science.

Section 996 This section discusses other transactional authority that the Secretary has.

Section 997 This section requires a report on research and development program evaluation methodologies.

Title X – Personnel and Training

Section 1001 The Secretary shall monitor workforce trends. The Secretary may establish grants programs to enhance training of skilled technical personnel for which a shortfall is determined.

Section 1002 This section authorizes for appropriations \$40 million for each year FY04-08, totaling \$200 million, for research fellowships in energy research.

Section 1003 This section discusses training guidelines for electric energy industry personnel.

Section 1004 The Secretary shall establish a National Center on Energy Management and Building Technologies.

Section 1005 This section discusses the need for improved access to energy-related scientific and technical careers.

Section 1006 The Secretary shall support the establishment of a National Power Plant Operations Technology and Education Center.

Section 1007 With many federal mine inspectors due to retire, the Secretary shall hire and train additional skilled ones.

Title XI - Electricity

Section 1101 This section defines key terms. The “Commission” means the Federal Energy Regulatory Commission.

Subtitle A – Reliability

Section 1111 This section sets electric reliability standards.

Subtitle B – Regional Markets

Section 1121 This section sets the implementation date for proposed rulemaking on standard market design.

Section 1122 This section expresses the sense of Congress on regional transmission organizations.

Section 1123 This section discusses federal utility participation in regional transmission organizations.

Section 1124 This section requires regional discussions on competitive wholesale markets.

Subtitle C – Improving Transmission Access and Protecting Service Obligations

Section 1131 This section requires service obligation security and parity.

Section 1131 This section provides open non-discriminatory access by unregulated transmitting utilities.

Section 1132 The Commission must issue a final rule establishing transmission pricing policies applicable to all public utilities and policies for allocating costs associated with expansion, modification, or upgrade of existing interstate transmission facilities.

Subtitle D – Amendments to the Public Utility Regulatory Policies Act of 1978

Section 1141 This section amends the Public Utility Regulatory Policies Act by adding a net metering portion.

Section 1142 This section requires smart metering, including time-based metering and communications.

Section 1143 This section adopts additional standards for electric utilities.

Section 1144 The Secretary may provide technical assistance to state regulatory authorities and electric utilities in carrying out their responsibilities.

Section 1145 This section enumerates cogeneration and small power plants purchase and sale requirements.

Section 1146 The Commission shall promulgate regulations required to ensure that no utility shall be required to directly or indirectly absorb the costs associated with the purchases of electricity or capacity.

Subtitle E – Provisions Regarding the Public Utility Holding Company Act of 1935

Section 1151 This section sets key definitions.

Section 1152 This section repeals the Public Utility Holding Company Act of 1935.

Section 1153 This section requires federal access to books and records for each holding company.

Section 1154 This section requires state access to books and records if that state has jurisdiction to a public utility company in a holding company system.

Section 1155 This section sets up an exemption from open access to books and records.

Section 1156 The Commission or a state commission can still exercise jurisdiction to determine if a public utility or natural gas company may recover in rates any costs of an activity performed by an associate company.

Section 1157 This section enumerates to whom this subtitle does not apply.

Section 1158 This subtitle does not preclude the Commission from exercising its jurisdiction under otherwise applicable laws.

Section 1159 The Commission has the same powers as set forth in sections 306 through 317 of the Federal Power Act to enforce provisions of this subtitle.

Section 1160 Nothing in this subtitle prevents a person from engaging in activities which it is legally engaged in, if that person continues to comply with the terms of any such authorization.

Section 1161 The Commission shall promulgate regulations to implement this subtitle within 12 months of enactment.

Section 1162 All books and records that relate primarily to the functions transferred to the Commission under this subtitle shall be transferred from the Securities and Exchange Commission to the Commission.

Section 1163 This subtitle takes effect 12 months after enactment.

Section 1164 Section 318 of the Federal Power Act is repealed.

Subtitle F – Market Transparency, Anti-Manipulation And Enforcement

Section 1171 This section discusses market transparency rules.

Section 1172 This section enumerates a prohibition against filing false information.

Section 1173 This section enumerates enforcement under the Federal Power Act.

Section 1174 This section sets the effective date for refunds under the Federal Power Act.

Subtitle G – Consumer Protections

Section 1181 This section enumerates consumer privacy protections.

Section 1182 This section discusses unfair trade practices including slamming, cramming, and the state's authority under its regulations.

Section 1183 This section enumerates definitions under this subtitle.

Subtitle H- Technical Amendments

Section 1191 This section lists technical amendments to the Federal Power Act.

ENERGY TAX INCENTIVES ACT OF 2003

Section 1 The title of the Act is “Energy Tax Incentives Act of 2003”

Title I – Extension and Modification of Renewable Electricity

Production Tax Credit

Sections 101 - 106 This section extends the three-year credit for producing electricity from wind and poultry waste from 1/1/04 until 1/1/07. It includes “closed-loop” biomass which is plant matter, where plants are grown for the sole purpose of being used to generate electricity. Poultry waste is manure and litter. The credit for electricity produced by wind, poultry waste, and biomass is a component of the general business credit. This section also defines six new qualifying energy resources: biomass (including agricultural livestock waste nutrients), geothermal energy, solar energy, small irrigation power, municipal biosolids, and recycling sludge. Biosolids include residue or solids removed by a municipal wastewater treatment facility. Recycling sludge is the recycled residue byproduct created in the treatment of commercial, industrial, municipal, or navigational wastewater, but not including residues from incineration. Geothermal energy is derived from a geothermal deposit which is a geothermal reservoir consisting of natural heat which is stored in rocks or in an aqueous liquid or vapor.

JCT scores these sections for FY03-13 as a cost of \$2.698 billion

Title II – Alternative Motor Vehicles and Fuels Incentives

Section 201 This section enumerates the alternative motor vehicle credit. It provides a credit for a new qualified fuel cell motor vehicle, a new qualified hybrid motor vehicle, and a new qualified alternative fuel vehicle. The taxpayer may carry forward unused credits for 20 years or carry unused credits back for three years. Any deduction otherwise allowable under Sec. 179A is reduced by the amount of credit allowable.

A qualified fuel cell vehicle is a motor vehicle that is propelled by power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel which is stored on board the vehicle and may or may not be require reformation prior to use. The amount of credit for the purchase of a fuel cell vehicle is determined by a base credit amount that depends upon the weight class of the vehicle, and in the case of automobiles or light trucks, an additional credit amount that depends upon the rated fuel economy of the vehicle compared to a base fuel economy.

A qualifying hybrid vehicle is a motor vehicle that draws propulsion energy from onboard sources of stored energy which include both an internal combustion engine or heat engine using combustible fuel and a rechargeable energy storage system. The credit for a car or light truck is the sum of a base credit amount that varies with the amount of power available from the rechargeable storage system and a fuel economy credit amount that varies with the rated fuel economy of the vehicle compared to a 2002 model year standard.

Section 202 This proposal repeals the phase out of the credit for qualified electric vehicles. It also modifies current law to provide a credit equal to the lesser of \$1,275 or 10 percent of the manufacturer's suggested retail price of certain vehicles that conform to the Motor Vehicle Safety Standard 500.

JCT scores sections 201 & 202 for FY03-13 as a cost of \$2.037 billion.

Section 203 This section establishes a credit for installation of alternative fueling stations. This credit permits taxpayers to claim a 50% credit for the cost of installing clean-fuel vehicle refueling property to be used in a trade or business of the taxpayer or installed at the principal residence of the taxpayer. The taxpayer's basis in the property is reduced by the amount of the credit and the taxpayer may not claim deduction under section 179A with respect to property for which the credit is claimed.

JCT scores this section for FY03-13 as a cost of \$109 million.

Section 204 This section allows a taxpayer to claim a credit equal to the gasoline equivalent of 30 cents per gallon of alternative fuel sold in 2003, 40 cents per gallon in 2004, 50 cents per gallon in 2005, and 50 cents per gallon in 2006. Approved fuels include compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, and any liquid mixture consisting of at least 85 percent methanol or ethanol.

JCT scores this section for FY03-13 as a cost of \$587 million.

Section 205 This proposal would modify the small producer of ethanol credit. It enlarges the definition of small producers by including a person whose production capacity does not exceed 60 million gallons. Cooperatives are permitted to pass-through these credits to their patrons. It repeals the rule that includes the small producers credit in income of taxpayers claiming it. The small producer tax can be claimed against the AMT.

JCT scores this section for FY03-13 as a cost of \$137 million.

Section 206 This section ensures that all alcohol fuels taxes are transferred to the Highway Trust Fund.

Section 207 This section increases the flexibility of the alcohol fuels tax credit. The credit may be used against the motor fuels taxes. The credit with respect to alcohol used in the production of ethyl tertiary butyl ether may also be transferred through an assignment to a qualified assignee.

Section 208 This section sets up incentives for biodiesel. These incentives include a new income tax credit for qualified biodiesel fuel mixtures. It delineates different incentives for agri-biodiesel and recycled biodiesel.

JCT scores this section for FY03-13 as a cost of \$58 million.

Section 209 This proposal includes a credit for taxpayers owning commercial power takeoff vehicles.

Title III - Conservation and Energy Efficiency Provisions

Section 301 This proposal provides a credit for the construction of new energy efficient homes. An eligible contractor can have a credit of an amount equal to the aggregate adjusted bases of all energy-efficient property installed in a qualified new energy-efficient home during construction. It begins on the date of enactment and ends on 12/31/07.

JCT scores this section for FY03-13 as a cost of \$510 million.

Section 302 This section allows a credit for production of energy-efficient clothes washers and refrigerators.

JCT scores this section for FY03-13 as a cost of \$288 million.

Section 303 This section allows a personal tax credit for the purchase of qualified wind energy property, qualified photovoltaic property, and qualified solar water heating property that is used exclusively for purposes other than heating swimming pools and hot tubs.

JCT scores this section for FY03-13 as a cost of \$448 million.

Section 304 This proposal would allow a credit for business installation of qualified fuel cells and stationary microturbine power plants. Businesses would receive a 30 percent credit for the purchase of qualified fuel cell power plants.

JCT scores this section for FY03-13 as a cost of \$9 million.

Section 305 This proposal allows a deduction for energy efficient commercial buildings.

JCT scores this section for FY03-13 as a cost of \$571 million.

Section 306 This section sets up a deduction for qualified new or retrofitted energy management devices.

Section 307 This section sets up a three-year recovery period for depreciation of qualified energy management devices.

JCT scores this section for FY03-13 as a cost of \$144 million.

Section 308 This proposal allows an energy credit for combined heat and power system property, providing a ten percent credit for the purchase of combined heat and power property.

JCT scores this section for FY03-13 as a cost of \$134 million.

Section 309 This section provides a credit for energy efficiency improvements to existing homes. It would provide a ten percent nonrefundable credit for the purchase of qualified energy efficiency improvements.

JCT scores this section for FY03-13 as a cost of \$274 million.

Section 310 This section allows for a deduction for qualified new or retrofitted water submetering devices.

Section 311 This proposal sets up a three-year applicable recovery period for depreciation of qualified water submetering devices.

JCT scores this section for FY03-13 as a cost of \$52 million.

Title IV – Clean Coal Incentives

Subtitle A – Credit for Emission Reductions and Efficiency Improvements in Existing Coal-Based Electricity Generation Facilities

Section 401 This section sets up a credit for production from a qualifying clean coal technology unit, specifically those which have been retrofitted, repowered, or replaced with a clean coal technology within 10 years of the date of enactment. Under this section the applicable amount of clean coal technology production credit is equal to \$0.0034 / per kilowatt-hour of electricity.

JCT scores this section for FY03-13 as a cost of \$799 million.

Subtitle B - Incentives for Early Commercial Applications of Advanced Clean Coal Technologies

Section 411 This section allows a credit for investments in qualifying advanced clean coal technology units. This proposal provides a 10-percent investment tax credit for qualified investments in advanced clean coal technology units. Qualifying clean coal technology units must use advanced pulverized coal or atmospheric fluidized bed combustion technology, integrated gasification combined cycle technology, or some other technology certified by the Secretary of Energy.

JCT scores this section for FY03-13 as a cost of \$416 million.

Section 412 This section provides a production credit for electricity produced from any qualified advanced clean coal technology electricity generation unit. Qualifying advanced clean coal technology includes pressurized fluidized bed combustion technology. The taxpayer can claim a credit on the sum of each kilowatt-hour of electricity produced and the heat value of other fuels or chemicals produced by the taxpayer at the unit.

JCT scores this section for FY03-13 as a cost of \$895 million.

Subtitle C - Treatment of Persons Not Able to Use Entire Credit

Section 421 This section enumerates treatment of persons not able to use the entire credit. It describes ways in which the taxpayer may transfer or carry-over credits under this title. It specifically enumerates credits under the Tennessee Valley Authority.

Title V - Oil and Gas Provisions

Section 501 This section creates a new \$3 per barrel credit for the production of crude oil and a \$.50 credit per 1,000 cubic feet of qualified natural gas from marginal wells. A qualified marginal well is defined as (1) a well production from which was marginal production for purposes of the Code percentage depletion rules or (2) a well that during the taxable year had - (a) average daily production of not more than 25 barrel equivalents and (b) produced water at a rate not less than 95 percent of total well effluent.

JCT scores this section for FY03-13 as having no revenue effect.

Section 502 This proposal establishes a statutory seven-year recovery period and a class life of 10 years for natural gas gathering lines. It is effective for property placed in service after the date of enactment.

JCT scores this section for FY03-13 as a cost of \$442 million.

Section 503 - 504 Section 503 allows expensing of capital costs incurred in complying with Environmental Protection Agency sulfur regulations. It allows small business refiners to claim an immediate deduction for up to 75% of capital costs paid or incurred for the purpose of complying with the Highway Diesel Fuel Sulfur Control Requirements of the EPA. Section 504 allows small business refiners to claim a credit equal to five cents per gallon for each gallon of low sulfur diesel fuel produced at a given facility of a small business refiner.

JCT scores these sections for FY03-13 as a cost of \$89 million.

Section 505 This section discusses the determination of small business refiner exception to oil depletion deduction. The definition of an independent refiner is increased from 50,000-barrels-per-day to 60,000.

JCT scores this section for FY03-13 as a cost of \$83 million.

Section 506 The suspension of the 100-percent net-income limitation for marginal production wells is extended through taxable years beginning before 1/1/2007.

JCT scores this section for FY03-13 as a cost of \$106 million.

Section 507 Under present law, such expenditures are not currently deductible as ordinary and necessary business expenses, but are allocated to the cost of the property. This provision would allow geological and geophysical expenditures to be amortized over 2 years.

JCT scores this section for FY03-13 as a cost of \$2.586 billion

Section 508 This section allows the amortization of delay rental payments for domestic oil and gas wells over two years.

JCT scores this section for FY03-13 as a cost of \$138 million.

Section 509 This section requires the Secretary of the Treasury to study the effect of section 29 of the IRC of 1986 on the production of coal bed methane.

Section 510 This provision would extend the placed in service date for certain facilities that would otherwise qualify for the section 29 credit under present law and modifies the amount of the credit. It also expands the class of facilities that are eligible for the credit to include viscous oil and refined coal. This section increases the section 29 credit for oil from shale or tar sands, and gas from geopressured brine, Devonian shale, coal seams, a tight formation, or biomass to \$3.00.

JCT scores this section for FY03-13 as a cost of \$2.469 billion

Section 511 This section establishes a statutory 15-year recovery period and a class life of 20 years for natural gas distribution lines.

JCT scores this section for FY03-13 as a cost of \$1.406 billion.

Title VI - Electric Utility Restructuring Provisions

Section 601 This section requires the Secretary of Treasury to undertake an ongoing study of federal tax issues resulting from nontax decisions on the restructuring of the electric industry.

Section 602 This section repeals the cost of service requirement for deductible contributions to a nuclear decommissioning fund. This would allow all taxpayers, including unregulated taxpayers, a deduction for amounts contributed to a qualified fund.

JCT scores this section for FY03-13 as a cost of \$1.040 billion.

Section 603 This section deals with the treatment of income from open access transactions, nuclear decommissioning transactions, asset exchange or conversion transactions, and load loss transactions.

JCT scores this section for FY03-13 as a cost of \$262 million.

Section 604 This proposal permits a taxpayer to elect to recognize gain from a qualifying electric transmission transaction ratably over an eight-year period beginning in the year of the sale.

JCT scores this section for FY03-13 as a revenue increase of \$334 million.

Section 605 This section deals with the treatment of certain development income of cooperatives.

Title VII - Additional Provisions

Section 701 This provision extends the accelerated depreciation incentive for certain property used in connection with the conduct of a trade or business within an Indian reservation for one year to property placed in service before 1/1/2006. It also extends the Indian employment credit incentive for one year (to taxable years beginning before 1/1/2006).

JCT scores this section for FY03-13 as a cost of \$216 million.

Section 702 This section requires the Comptroller General to undertake an ongoing analysis of the effectiveness of the tax credits to alternative motor vehicles and the tax credits allowed to various alternative fuels under Title II of this bill and the tax credits and enhanced deductions allowed for energy conservation and efficiency under Title III of this bill.

Title VIII - Miscellaneous Provisions

Section Ethanol Excise tax credit. In lieu of the reduced excise tax rates on gasoline used to produce gasohol, the proposal provides for an excise tax credit equal to the alcohol mixture credit.

JCT scores this section for FY03-13 as a revenue of \$402

Section This section replaces the present-law regulatory procedures enabling refiners to claim excise tax benefits on ETBE-blended gasohol with a new excise tax credit alternative to the alcohol fuels income tax credit.

JCT scores this section for FY03-13 as no revenue cost.

Section This section amends the Tariff Act of 1930 to provide that gasoline or diesel fuel sold at duty-free enterprises shall be considered entered for consumption into the United States and therefore ineligible for classification as duty-free merchandise.

JCT scores this section for FY03-13 as a revenue of \$9 million.

Section This proposal creates a safe harbor exception to the general rule that tax-exempt bond-financed prepayments violate the arbitrage restrictions.

JCT scores this section for FY03-13 as a cost of \$31 million.

Section This section defines two different types of corporate inversion transactions and establishes a different set of consequences for each type.

JCT scores this section for FY03-13 as a revenue of \$2.611 billion.

Section This section makes specified holders of stock options and other stock-based compensation subject to an excise tax upon certain inversion transactions.

JCT scores this section for FY03-13 as a revenue of \$125 million.

Section This proposal clarifies the rules of section 845, relating to authority for the Treasury Secretary to allocate items among the parties to a reinsurance agreement, to recharacterize items, or to make any other adjustment, in order to reflect the proper source and character of the items for each party.

JCT scores this section for FY03-13 as a revenue of \$5 million.

Section This section provides a credit for the production of Alaska natural gas. It provides a credit per million British thermal units (Btu) of natural gas for Alaska natural gas entering a pipeline during the 15-year period beginning the later of 1/1/2010 or the initial date for the interstate transportation of Alaska natural gas. The credit amount for any month is a maximum of 52 cents per million Btu of natural gas. The credit phases out as the price at the wellhead rises above 83 cents per million Btu. The credit is not available if the price at the wellhead rises above \$1.35 per million Btu. Alaska natural gas is derived from an area of Alaska lying north of 64 degrees North latitude generally known as the "North Slope of Alaska," but not including the Alaska National Wildlife Refuge.

JCT scores this section for FY03-13 as having no revenue effect.

Section This proposal establishes a statutory seven-year recovery period and a class life of 10 years for any natural gas pipeline, locate in Alaska, that has a capacity greater than five hundred billion Btu of natural gas per day and is placed in service after 2014. JCT scores this section for FY03-13 as having no revenue effect.

Section This section extends IRS user fees through 9/30/2007.

JCT scores this section for FY03-13 as a revenue of \$138 million.

Amendments

Amendment 1 This amendment, entitled the Transportation Tax Equity and Fairness Act, amends the Internal Revenue Code of 1986 to repeal the 4.3-cent motor fuel excise taxes on railroads and inland waterway transportation which remains in the general fund of the Treasury. (Senator Lott Amendment)

The cost FY03-13 is \$1.695 billion, to be offset with:

- a. provisions relating to reportable transactions and tax shelters (\$1.366 billion);
- b. modification of the tax treatment of citizenship relinquishment and residency termination (\$328 million);
- c. adding Hepatitis A to the list of taxable vaccines (\$91 million);

Total Offset = \$1.785 billion

Amendment 2 This amendment would replace item III.D in the Chairman's Mark, "Business Tax Incentives for Fuel Cells" with section 304 of S. 597, the Grassley-Baucus-Domenici-Bingaman energy tax incentives bill introduced on March 11, 2003. Section 304 would retain the tax incentive for fuel cells in the Chairman's Mark and restore the tax incentive for stationary microturbines which was part of the energy tax package included in the bill that passed the Senate in 2002. (Senator Conrad Amendment)

An offset will be provided.

Amendment 3 This amendment would make all of the payments for energy related research made by qualified companies to small businesses, universities and federal laboratories eligible as expenses for the existing regular and alternative incremental research credits. This amendment would also amend the existing credit to allow a 20% credit for all payments made by businesses to qualified research consortium for energy-related research. Revenue estimates are being prepared for this amendment, but are expected to be nominal because the provision expires when the existing credit expires on June 30, 2004. (Senator Bingaman Amendment)

Amendment 4 This amendment modifies section 45 to provide for an income tax credit for production of electricity from qualified municipal solid waste facilities. The offset for

this provision, the amendment extends IRS authority to charge fees for written responses to questions from individuals, corporations, and organizations related to their tax status or the effects of particular tax transactions. (Senator Lincoln / Hatch / Graham Amendment)

Amendment 5 This amendment adds text to S. 358, sponsored by Senators Lincoln, Santorum, and Hatch, to clarify the definition of a landfill gas facility under section 29 of the IRC and to modify section 45 to include electricity produced from landfill gas. The cost of this amendment is offset by subjecting certain U.S. citizens who relinquish their U.S. citizenship and certain long-term U.S. residents who terminate their U.S. residence to be taxed on the net unrealized gain in their property as if such property were sold for fair market value on the day before the expatriation or residency termination. (Senators Lincoln / Hatch Amendment)

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Taxpayers for Common Sense (TCS) is a non-partisan budget watchdog. TCS is dedicated to cutting wasteful spending and subsidies in order to achieve a responsible and efficient government that lives within its means.