TAXPAYERS FOR COMMON $ENSE

Analysis of H.R. 6 – Energy Policy Act of 2003
By Aileen Roder, Program Director

Overview:
The current 768 page, 5 inch thick energy legislation is fueled by pork and will do very little to reduce energy prices or increase domestic energy production. It is a grab bag of subsidies, tax giveaways and pork for almost every special interest in Washington. There is no rhyme or reason to this legislation.

The bill continues the time-honored congressional pastime of subsidizing the research and development needs of the energy industry without demanding much in return. It's a blitzkrieg of new federal research programs and a corporate accountant's dream with billions in major new tax breaks for big energy.

The unasked question is why big energy companies need new tax breaks and subsidies now. Most of the bill provisions have been pushed by industry over and over, attempting to get these special interest provisions attached to any piece of must-pass legislation that comes before Congress. It's no secret that big energy lobbyists and their supporters have been trying for years to use every possible opportunity to win these coveted tax breaks and spending subsidies.

For example, billions in proposed tax breaks for oil companies were first introduced in the late-nineties when oil prices were at historical lows. At that time, industry didn't need any new federal support. Industry recovered without tax breaks in the 1990's when oil was at record low prices; it is unclear why industry suddenly needs these breaks now.

Energy bill proponents are again arguing that financial breaks to domestic oil producers will lift domestic production. Since record low oil prices in the nineties, domestic production has increased as prices have risen.

It is outrageous that profitable energy companies are gunning for taxpayer dollars at a time when we have a rapidly growing budget deficit. The fuel gauge for the federal treasury is on empty and we cannot afford massive giveaways to big energy. Current proposals are misguided and only prolong outdated policies of the past: By keeping the energy industry on the federal dole, and forcing the federal government to pick winners and losers in the marketplace, taxpayer lose.. Historically, our nation has not cut special interest taxes while we were at war.

Table 1 – Total cost of H.R. 6	
Tax Provisions	$18.66 billion
Authorized spending	$46.72 billion
Royalty Relief	$414 million
Total	**$65.8 billion**

The war in Iraq will not demand nearly as many resources as World Wars I or II, or even Vietnam and Korea. But combined with current increases in homeland security, domestic and defense spending continues to impose significant burdens on the federal government coffers. By 2005, President Bush wants to spend at least $100 billion a year more on defense than President Clinton proposed in his final budget; the war in Iraq will also add significantly to that spending. In the last two years, the Bush administration has increased federal discretionary spending by 20%. Large spending increases, while cutting taxes to energy companies and others, makes as much sense as drinking beer and eating pizza to lose weight.

This rush to pass monumentally expensive energy legislation is interesting in light of the fact that murmurings were heard earlier that the war with Iraq would slow down progress. Instead of giving the United States well thought out, comprehensive energy legislation, there is a rush to spend taxpayer dollars to minimize the cost of doing business for large, powerful energy companies and stage a giveaway of our public assets by waiving royalty requirements.

The logic behind decisions to include or exclude certain tax provisions is unclear. In Ways and Means, Chairman Thomas took out credits for the purchase of hybrid gas and electric motor vehicles, saying these incentives were no longer needed. The exact same argument could be made regarding other provisions in the bill, including tax breaks for geological and geophysical costs for oil and gas exploration. Large oil and gas companies are already conducting research and development into new sources. It is a cost of business, so why does the American taxpayer have to step in and pick up the tab for these costs? Even without the energy bill, these companies will continue to explore, including ultra-deepwater drilling.

From royalty relief for deepwater leases in the Gulf of Mexico to new provisions added for deep drilling on previously "shallow" water leases in the Gulf, the energy bill provides direct and hidden subsidies and tax breaks for large oil and gas companies around the nation.

Table 2 – Where the money is going in HR 6 **(Some numbers rounded)**

Type or industry	Tax Provisions	Authorized Spending	Total
Auto efficiency and fuels	$1.6 billion	$1.908 million	$3.508 billion
Energy Efficiency R & D		$3.198 billion	$3.198 billion
Renewables/Conservation	$4.979 billion	$2.433 billion	$7.412 billion
LIHEAP and weatherization assistance		$11.425 billion	$11.425 billion
Nuclear	$1.462 billion	$1.757 billion	$3.2 billion
Oil and Gas	$8.586 billion	$2.749 billion	$10.92 billion
Utilities	$2.027 billion	$200 million	$2.227 billion
Science Research[1]		$17.890 billion	$17.89 billion
Coal		$1.925 billion	$1.925 billion
Fuel Cell Research		$340.5 million	$340 million
Biomass Research		$550 million	$550 million
Freedom Car and Hydrogen Research		$1.883 billion	$1.883 billion
Miscellaneous		$875 million	$875 million
Total	**$18.7 billion**	**$47.134 billion**	**$65.8 billion**

[1] *This includes Fusion Energy Services, Spallation Neutron Source, Nanotechnology Research, Science and Technology Scholarships and Genomes to Life among other research priorities.*

DIVISION A – ENERGY AND COMMERCE

Sec. 10001 This section enumerates the short title of the bill.

Title I – Energy Conservation

Subtitle A – Federal Leadership in Energy Conservation

Sec. 11001 This section amends the National Energy Conservation Policy Act to include additional measures on energy and water savings in congressional buildings. It authorizes an appropriation of $2 million for fiscal year after enactment of this Act.

Sec. 11002 This language enumerates energy management requirements

Sec. 11003 This section discusses energy use measurement and accountability in federal buildings.

Sec. 11004 This section enumerates federal building performance standards.

Sec. 11005 This provision enumerates policy regarding federal procurement of energy efficient products.

Sec. 11006 This section discusses energy savings performance contracts.

Sec. 11007 This language discusses voluntary commitments to reduce industrial energy intensity.

Sec. 11008 This provision enumerates federal agency participation in demand reduction programs.

Sec. 11009 This section discusses advanced building efficiency testbed. It authorizes an appropriation of $6 million for FY04-06, totaling $18 million.

Sec. 11010 This provision increased use of recovered mineral component in federally funded projects involving procurement of cement or concrete.

Subtitle B – Energy Assistance and State Programs

Sec. 11021 This section enumerates provisions on LIHEAP and weatherization assistance. It authorizes an appropriation of $325 million for FY04, $400 million for FY05, and $500 million for FY06, totaling $1.225 billion.

Sec. 11022 This language discusses state energy programs. It authorizes an appropriation of $100 million for FY04, $100 million for FY05, $125 million for FY06, totaling $325 million.

Sec. 11023 This language enumerates energy efficient appliance rebate programs. This section authorizes $50 million for each year FY04-08, totaling $250 million.

Sec. 11024 This language explores energy efficient public buildings with an authorization of appropriations for such sums as may be necessary for FY04-13.

Sec.11025 This provision establishes a low income community energy efficiency pilot program with an authorization of $20 million for each year FY04-06, totaling $60 million.

Subtitle C – Energy Efficient Products

Sec. 11041 This section amends the Energy Policy and Conservation Act by inserting language about the Energy Star Program to identify and promote energy-efficient products and buildings in order to reduce energy consumption, improve energy security, and reduce pollution.

Sec. 11042 This provision discusses consumer education on energy efficiency benefits of air conditioning, heating and ventilation maintenance.

Sec. 11043 This section enumerates additional definitions.

Sec. 11044 This provision sets additional test procedures.

Sec. 11045 This language sets energy conservation standards for additional consumer and commercial products.

Sec. 11046 This language explores energy labeling.

Sec. 11047 This section creates a study on energy efficiency standards.

Title II: Oil and Gas

Subtitle A - Alaska Natural Gas Pipeline

Sec. 12001 - 12014 This subtitle sets the stage for massive subsidies for natural gas producers in Alaska, potentially disrupting the domestic natural gas market. TCS Action is extremely concerned about bill language, which endorses the building of a natural gas pipeline system on the Alaskan North Slope, authorizing up to $20 million for a construction training program. This provision shows unfair bias towards specific natural gas producers in Alaska and is the beginning of large subsidies for the construction of a natural gas pipeline in Alaska.

Subtitle B - Strategic Petroleum Reserve

Sec. 12101 - 12103 This subtitle authorizes $1.5 billion to fill the SPR.

Subtitle C - Hydraulic Fracturing

Sec. 12201 This subtitle defines the term "underground injection."

Subtitle D - Unproven Oil and Natural Gas Reserves Recovery Program

Sec. 12301 - 12312 This section includes an authorization of $100 million to carry out a program to demonstrate technologies for the recovery of oil and natural gas reserves from reservoirs with complex geology involving rapid changes in the throughout the reservoir in the type and quality of the oil; low reservoir pressure; and / or unconventional natural gas reservoirs in coalbeds, tight sands, or shales.

Subtitle E - Miscellaneous

Sec. 12401 This provision sets path for where appeals regarding pipeline construction.

Sec. 12402 This language encourages natural gas market data transparency.

Sec. 12403 This provision defines oil and gas exploration and production.

Sec. 12404 This section authorizes the Secretary to establish a Complex Well Technology Testing Facility at the Rocky Mountain Oilfield Testing Center.

Title III: Hydropower Relicensing

Subtitle A – Alternative Conditions

Sec. 13001 *This section discusses alternative conditions and fishways.*

Subtitle B - Additional Hydropower

Sec. 13201 and 13202 These sections enumerate hydroelectric production incentives. Each provides $10 million for FY04-13 - equal to a subsidy of at least $200 million to increase hydroelectric production. Section 13201, added to Title III of the energy bill, provides incentive payments of 1.8 cents per kilowatt-hour to hydropower facilities with a potential price tag of $100 million over the next ten years. Section 13202 includes payments of $10 million a year for capital investments over the next ten years. Both subsidies apply to any qualified non-federal facility that sells hydropower electricity.

Sec. 13203 This provision discusses small hydroelectric power plants.

Sec. 13204 This language explores increased hydroelectric generation at existing federal facilities. This section authorizes such sums as may be necessary for the purposes of that section.

Title IV: Nuclear Matters

Subtitle A - Price-Anderson Act Amendments

Sec. 14001 - 14015 This subtitle reauthorizes the Price-Anderson Act limiting the nuclear industry's liability in the case of nuclear catastrophe. This arrangement affords inadequate compensation to the public in the event of an accident or attack, while conferring a substantial annual subsidy to the nuclear industry in terms of foregone insurance premiums. Reauthorizing the Price-Anderson Act would unnecessarily extend this subsidy to any / all proposed new reactors licensed by 2017, without addressing their security vulnerabilities.

Subtitle B - Miscellaneous Matters

Sec. 14021 This section changes timing on licenses under the Atomic Energy Act of 1954.

Sec. 14022 This section discusses Nuclear Regulatory Commission meetings.

Sec. 14023 This provision authorizes $1 million for each of the years FY04-07 for Nuclear Regulatory Commission training totaling $4 million.

Sec. 14024 This section sets cost recovery from government agencies under the Atomic Energy Act of 1954.

Sec. 14025 This provision allows for the elimination of pension offsets.

Sec. 14026 This section discusses the carrying of firearms by licensed employees.

Sec. 14027 This provision discusses unauthorized introduction of dangerous weapons.

Sec. 14028 This language discusses sabotage of nuclear facilities or fuel.

Sec. 14029 This language provides $10 million per year for FY04-06 totaling $30 million for research and development and special demonstration projects for the uranium mining industry to improve in situ leaching mining technologies.

Sec. 14030 This section review restrictions on uranium sales.

Sec. 14031 This section reviews medical isotope production.

Sec. 14032 This section requires DOE to submit a report on reducing the threat from theft or diversion of highly enriched uranium.

Sec. 14033 This section discusses whistleblower protections.

Sec. 14034 This section discusses preventing the misuse of nuclear materials and technology.

Sec. 14035 This provision sets a limit on legal fee reimbursement.

Title V: Vehicles and Fuels

Subtitle A – Energy Policy Act Amendments

Sec. 15011 This section sets a credit for substantial contribution toward noncovered fleets.

Sec. 15012 This section sets a credit for alternative fuel infrastructure.

Sec. 15013 This provision requires the Secretary to submit an alternative fueled vehicle report within one year of enactment.

Sec. 15014 This section discusses the allocation of incremental costs.

Subtitle B – Advanced Vehicles

Sec. 15021 This section defines various terms associated with advanced vehicles.

Sec. 15022 This provision creates a competitive grant pilot program to provide support for local / state programs on alternative fueled vehicles.

Sec. 15023 This section requires the Secretary to report to Congress regarding grants.

Sec. 15024 This language sets this subtitle's authorization for appropriations at $200 million.

Subtitle C – Hydrogen Fuel Cell Heavy-Duty Vehicles

Sec. 15031 This section defines advanced vehicle technologies program.

Sec. 15032 This section describes the findings of Congress on hydrogen fuel cell heavy-duty vehicles.

Sec. 15033 This section discusses hydrogen fuel cell buses.

Sec. 15034 This provision authorizes for appropriations $10 million for each year FY04-08, totaling $50 million.

Subtitle D - Miscellaneous

Sec. 15041 This section discusses railroad efficiency. It authorizes for appropriations of $90 million (FY04 $25 million; FY05 $30 million; FY06 $35 million).

Sec. 15042 *This language discusses mobile emission reductions trading and crediting.*

Sec. 15043 This provision discusses idle reduction technologies.

Sec. 15044 This section requires a study of aviation fuel conservation and emissions.

Sec. 15045 This section sets goals for diesel fueled vehicles.

Sec. 15046 This section discusses waivers of alternative fueled vehicle fueling requirements.

Sec. 15047 This language requires the Secretary to study total integrated thermal systems.

Sec. 15048 This provision requires a study of oil bypass filtration technology.

Sec. 15049 This section requires a study of natural gas condensate.

Title VI: Electricity

Subtitle A – Transmission Capacity

Sec. 16011 – 16013 These sections discuss transmission infrastructure improvement rulemaking and siting of interstate electrical transmission facilities.

Subtitle B – Transmission Operation

Sec. 16021 – 16023 These sections discuss open access transmission by certain utilities.

Subtitle C – Reliability

Sec. 16031 This section discusses electric reliability standards.

Subtitle D - PUHCA Amendments

Sec. 16041 - 16056 This subtitle repeals the Public Utility Holding Company Act of 1935.

Subtitle E – PURPA Amendments

Sec. 16061 – 16063 This section discusses the Public Utility Regulatory Policies Act (PURPA) of 1978 and real-time pricing and time-of-use metering standards.

Subtitle F- Renewable Energy

Sec. 16071 – 16074 These provisions discuss renewable energy, including net metering, renewable energy production incentives, and an assessment of renewable energy resources.

Subtitle G – Market Transparency Round Trip Trading Prohibition and Enforcement

Sec. 16081 – 16084 These sections discuss market transparency rules.

Subtitle H – Consumer Protections

Sec. 16091 – 16094 These sections enumerate consumer protections, including protection from unfair trade practices and consumer privacy.

Subtitle I – Merger Review Reform and Accountability

Sec. 16101 The Secretary shall study merger review accountability.

Subtitle J – Study of Economic Dispatch

Sec. 16111 This section authorizes a study on the benefits of economic dispatch. This section was added to the end of Title VI as an amendment by Rep. Shimkus (R-IL) for a study on procedures currently used by electric utilities to perform economic dispatch.

Title VII - Motor Fuels

Subtitle A – General Provisions

Sec. 17101 This section tackles the topic of the renewable content of motor vehicle fuel. This section defines "Cellulosic Biomass Ethanol". Within one year of enactment of this bill, the Administrator shall promulgate regulations ensuring that gasoline sold or dispensed to U.S. consumers contains, on an annual average basis, the applicable volume of renewable fuel as specified in subparagraph (B). The term renewable fuel includes cellulosic biomass ethanol and biodiesel shall be considered renewable fuels.

Sec. 17102 This section examines fuels safe harbor.

Sec. 17103 This language enumerates findings and MBTE transition assistance. The Secretary of Energy may make grants to merchant producers of MBTE in the US to assist producers in the conversion of eligible production facilities to produce other fuel additives. This section authorizes $250 million for each year FY04 through FY06 totaling $750 million.

Sec. 17104 This section eliminates the oxygen content requirement for reformulated gas.

Sec. 17105 This language analyzes motor vehicle fuel changes. Within 4 years, the Administrator shall publish an analysis of changes in emissions of air pollutants and air quality due to the use of motor vehicle fuel and fuel additives from implementation of the amendments made by Title IX.

Sec. 17106 The Administrator shall publish a monthly survey of renewable fuels demand.

Sec. 17107 This section discusses a potential Fuel System Requirements Harmonization Study. The Administrator and Secretary of Energy shall jointly study local, federal, and state requirements regarding motor vehicle fuels.

Sec. 17108 This section discusses commercial byproducts from municipal solid waste loan guarantee program. It authorizes such sums as may be necessary to carry out this section.

Subtitle B – MTBE Cleanup

Sec. 17201 This section authorizes funding for MBTE contamination (amendment added by Mr. Gillmor (R-OH). This section gives $850 million from the Leaking Underground Storage Tank Trust Fund for site assessment, corrective action, inspection of underground storage tank systems, and groundwater monitoring deemed necessary by the Administrator.

Title VII - Automobile Efficiency

Sec. 18001 This section authorizes $5 million for FY04 through FY06 for the National Highway Traffic Safety Administration to implement average fuel economy standards.

Sec. 18002 This section authorizes a study of feasibility and effects of reducing fuel use for automobiles.

DIVISION B - SCIENCE

Title 1 - Research and Development

Subtitle A - Energy Efficiency

Part 1 - Authorization of Appropriations

Sec. 21101 This section authorizes appropriations for energy efficiency / conservation R&D for FY04 through FY07, totaling $2.948 billion. This section further allocates these funds through a number of programs, including lighting systems, electronic motor control technology, secondary electric vehicle battery use program, and the energy efficiency science initiative.

Subtitle B - Distributed Energy and Electric Energy Systems

Part 1 - Authorization of Appropriations

Sec. 21201 This section authorizes appropriations for distributed energy and electric systems activities, totaling $850 million. This section further allocates this money within the micro-cogeneration energy technology.

Subtitle C - Renewable Energy

Part 1 - Authorization of Appropriations

Sec. 21301 This section authorizes appropriations for renewable energy R&D, totaling $1.759 billion. This section further allocates money within bioenergy, public buildings, regional field verification, and hydropower demonstration projects.

Subtitle D - Nuclear Energy

Part 1 - Authorization of Appropriations

Sec. 21401 This section authorizes appropriations for nuclear energy of $1.723 billion over FY04-06. Within this authorization are monies for nuclear infrastructure, advanced fuel recycling program, university programs.

Part 2 - Nuclear Energy Research

Sec. 21411 The Secretary shall carry out the Nuclear Research Initiative for R&D, the Nuclear Energy Plant Optimization Program, the Nuclear 2010 Program, and the Generation IV Nuclear Energy System Initiative.

Part 3 - Advanced Fuel Recycling

Sec. 21421 This section authorizes the Advanced Fuel Recycling Program, which starts reprocessing in the U.S. after a close to 30-year moratorium put in place under the Ford and Carter administrations.

Part 4 - University Programs

Sec. 21431 This language establishes a program that works on strengthening university research and training reactors associated infrastructure.

Part 5 - Geological Isolation of Spent Fuel

Sec. 21441 This section authorizes a study to determine the feasibility of deep borehole disposal of spent nuclear fuel and high-level radioactive waste.

Subtitle E - Fossil Energy

Part 1 - Authorization of Appropriations

Sec. 21501 This language authorizes appropriations totaling $2.28 billion for fossil energy. For FY04 through FY10, 7.5% of royalties and rents derived from federal onshore and offshore oil and gas leases under the Outer Continental Shelf Lands Act and Mineral Leasing Act will go towards the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund.

Part 2 - Research Programs

Sec. 21511 This section deals with fossil energy research programs, including coal research, oil and gas research, fuel cells, and technology transfer.

Sec. 21512 This section envisions R&D for coal mining technologies.

Part 3 - Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources

Sec. 21521 This section gives the Secretary program authority.

Sec. 21522 This section sets the parameters for the ultra-deepwater program, including maximizing the value of ultra-deepwater natural gas and other petroleum reserves in the U.S. The Secretary shall establish a program consortium to make recommendations on project solicitations and awards.

Sec. 21523 This section sets the parameters for unconventional natural gas and other petroleum resources programs. The Secretary shall carry out this section through awards made in an open, competitive process.

Sec. 21524 This section sets additional awards requirements. It sets the parameters for awards to demonstration projects.

Sec. 21525 This section sets an Ultra-Deepwater Advisory Committee and also an Unconventional Resources Technology Advisory Committee.

Sec. 21526 This section sets limits on participation in the program.

Sec. 21527 This section sets a fund known as the "Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund."

Sec. 21528 This section examines the transfer of advanced oil and gas exploration and production technologies.

Sec. 21529 This section sets the sunset of this provision at 9/30/10.

Sec. 21530 This is the definition section. "Ultra-deepwater" means a water depth equal to or greater than 1,500 meters.

Subtitle F - Science

Part 1 - Authorization of Appropriations

Sec. 21601 This section authorizes funds for R&D for the Office of Science, totaling $17.866 billion. This section specifically sets allocations for Fusion Energy Sciences, Spallation Neutron Source, Nanotechnology R&D, and the Science and Technology Scholarship Program.

Part 2 - Fusion Energy Sciences

Sec. 21611 This section authorizes participation in ITER.

Sec. 21612 This section sets a plan for fusion experimentation.

Sec. 21613 This section sets a plan for fusion energy sciences program.

Part 3 - Spallation Neutron Source

Sec. 21621 This section sets definitions. "Spallation Neutron Source" means a particular department project in Oak Ridge National Laboratory, Oak Ridge, TN.

Sec. 21622 This section requires the Secretary to report on this program.

Sec. 21623 This section sets spending limitations.

Part 4 - Miscellaneous

Sec. 21631 This section sets the facility and infrastructure support for nonmilitary energy laboratories.

Sec. 21632 This section authorizes such sums as may be necessary to carry out research on precious metal catalysts.

Sec. 21633 This section explores nanotechnology R&D, including specific program activities.

Sec. 21634 This section looks at advanced scientific computing for energy missions. In addition, it authorizes such sums as may be necessary for FY04-07.

Sec. 21635 This section supports an R&D program on nitrogen fixation.

Sec. 21636 This section establishes a Department of Energy Science and Technology Program.

Part 5 - Genomes to Life

Sec. 21641 This section establishes an R&D program in genetics, protein science, computational biology of microbes, and plants to support DOE's energy and environmental mission.

Subtitle G - Energy and Environment

Sec. 21701 This section authorizes sums to carry out activities under the US-Mexico Energy Technology Cooperation, over FY04-07 this totals $23.0 million.

Sec. 21702 This section establishes an R&D program for collaboration between the U.S. and Mexico on promoting energy efficient, environmentally sound economic development on their border.

Sec. 21703 This section explores waste reduction and the use of alternatives, including a single grant for an institution to examine the feasibility of burning post-consumer carpet in cement kilns as alternative energy.

Sec. 21704 This section authorizes loan guarantees for a project to produce energy of at least 400 watts in capacity from a plant using integrated gasification combined cycle technology.

Sec. 21705 This section authorizes a loan guarantee for at least one petroleum coke gasification polygeneration plant.

Sec. 21706 This section authorizes the Secretary to assist in planning / implementation of a project to convert rice straw, rice hulls, soybean matter, poultry fat, poultry waste, sugarcane bagasse, forest thinnings, and barley grain into bipower and biofuels.

Sec. 21707 This section authorizes the Secretary to provide a loan of $125 million to the owner of the experimental plant constructed under a specific U.S. DOE cooperative agreement.

Sec. 21708 The Secretary shall report to Congress regarding the establishment of a test center for next-generation fuel cells at an institution of higher learning. This section authorizes $500,000 for that purpose.

Sec. 21709 This section looks at a fuel cell transit bus demonstration program, authorizing $10 million for FY04 through 07.

Subtitle H - Management

Sec. 21801 This section makes funds available until expended.

Sec. 21802 This section looks at cost sharing in R&D programs. The Secretary shall require at least a 50% share of the costs directly and specifically related to any demonstration or commercial application project, under this title, to be provided from non-federal sources.

Sec. 21803 This section establishes merit review of proposals.

Sec. 21804 This section establishes several advisory boards to review DOE R&D, demonstration projects, and commercial application programs.

Sec. 21806 This section examines small business advocacy and assistance, including mentoring and training.

Sec. 21807 This section discusses the mobility of scientific and technology personnel.

Sec. 21808 This section requires a National Academy of Sciences Report on obstacles to accelerating the commercial application of energy technology and DOE procedures for disputes between contracts / DOE / the private sector.

Sec. 21809 This section states that all programs under this title have an outreach component.

Sec. 21810 This section limits the use of funds under this title. It states there must be a competitive procedure.

Sec. 21811 This language requires the Secretary, within 60 days, to submit a report as to how amounts in this authorization will be distributed.

Sec. 21812 This section ties the requirements in these sections in with other laws.

Sec. 21813 This provision requires the Secretary to draft a report regarding the feasibility of university collaborations.

Sec. 21814 This section discusses federal laboratory educational partners.

Sec. 21815 This language emphasizes the importance of interagency cooperation.

Title II - Department of Energy Management

Sec. 22001 This provision requires a DOE report within 18 months including a transition plan on activities to be conducted with other agencies.

Sec. 22002 This section discusses the need to improve coordination and management of civilian science and technology programs.

Title III - Clean School Buses

Sec. 23001 This provision establishes a pilot program for competitive grant awards regarding commercial application of alternative fuel school buses and ultra-low sulfur diesel school buses.

Sec. 23002 This section establishes a program for entering into cooperative agreements with private sector fuel cell bus developers.

Sec. 23003 This language establishes a pilot program for competitive grants to eligible recipients for the demonstration and commercial application of retrofit technologies for diesel school buses.

Sec. 23004 This section authorizes appropriations totaling $300 million.

DIVISION C - RESOURCES

Title I - Indian Energy

Sec. 30101 This provision amends the Energy Policy Act of 1992 to include provisions on Indian energy development and policy.

Title II - Oil and Gas

Sec. 30201 This section enumerates a royalty in kind program. All royalty accruing to the U.S. shall, on the demand of the Secretary of the Interior, be paid in oil or gas. The Secretary of the Interior can retain a portion of the royalties that would normally be placed in general receipts to pay for transportation, processing, disposing of the royalty. The Secretary shall consult with a state before conducting a royalty in kind program in that state.

Sec. 30202 This section clarifies fair market rental value determinations for public lands and forest service rights-of-way.

Sec. 30203 This section discusses USGS estimates of oil and gas resources underlying onshore federal lands.

Sec. 30204 This section sets royalty incentives for certain offshore areas. Specifically, this sections delves into royalty incentives for outer continental shelf shallow water deep gas royalty relief. This section establishes royalty relief for natural gas produced under leases issued under the Outer Continental Shelf Lands Act prior to 1/1/01, form deep wells on oil and gas lease tracts in shallow waters of the Gulf of Mexico. This relief shall not be given if the average NYMEX natural gas price exceeds for one full calendar year the threshold price of $5 per million Btu, adjusted from the year 2000 for inflation. This section further sets the suspension of royalties at particular volumes per water depth.

Sec. 30205 This language sets marginal property production incentives. This section claims to be providing independent producers incentives from oil production on lands still producible but approaching abandonment because of economic factors. A marginal well is one that produces on average the combined equivalent of less than 15 barrels of oil per well per day or 90 million Btu units of gas per well per day. The reduction shall be the lesser of 5 percent or the applicable rate under any other statutory or regulatory royalty relief provision that applies to the affected production. This section sets conditions for termination such as particular prices on different crude oil.

Sec. 30206 This section discusses federal onshore oil and gas leasing and permitting practices. This section requires the Secretary of Interior to review oil and gas leasing procedures.

Sec. 30207 This section seeks to ensure timely action on federal oil and gas leasing programs.

Sec. 30208 This section requires a memorandum of understanding between the Secretary of Agriculture and Interior to ensure a process for timely processing of oil and gas leasing applications.

Sec. 30210 This section discusses federal reimbursement for orphan well reclamation. Orphan well is defined as any oil or gas well on lands owned by the U.S., requires plugging and abandonment under DOI requirements, and the Secretary cannot find a responsible party. The Secretary can offer a lessee to reclaim an orphan well on unleased federal lands and shall provide a credit against the lessee's of 115% of the reasonable actual costs reclaiming the orphan well.

Sec. 30211 This language discusses the preservation of geological and geophysical data.

Sec. 30212 This section discusses compliance with Executive Order 13211; actions concerning regulations that significantly affect energy supply, distribution, or use.

Sec. 30213 This provision allows for the reimbursement for costs of NEPA analysis through royalty credits.

Sec. 30214 This section discusses alternate energy-related uses on the outer continental shelf. The Secretary can authorize easements or rights-of-way to activities not otherwise authorized under the Deepwater Port Act of 1974 when activities support exploration, development, transportation of oil and natural gas and other minerals.

Sec. 30215 This language sets a deadline for decisions on appeals of consistency determinations under the Coastal Zone Management Act of 1972.

Sec. 30216 This section keeps a task force on energy project streamlining in existence.

Sec. 30217 This provision establishes a pilot program on Northern Rocky Mountains resource management.

Sec. 30218 This section requires the Council on Environmental Quality to study the possibility of creating a CEQ position of Facilitator of Energy Development.

Sec. 30219 This language examines hydrocarbon leasing.

Sec. 30220 This language requires the Secretary of Interior to conduct an inventory of oil and natural gas for areas beneath the U.S. waters of the Outer Continental Shelf.

Sec. 30221 This section allegedly compensates lessees and states for which amounts are authorized by the Oil Pollution Act of 1980, allowing a lessee to withhold royalty payments under any Outer Continental Shelf Lands Act lease for offshore oil or gas production if on its due date the lessee makes a payment to the state of 44 cents for every $1 royalty withheld.

Title III - Biomass Energy

Sec. 30301 This section allows grants to improve the commercial value of forest biomass for electric energy, useful heat, transportation fuels, petroleum-based product substitutes, and other purposes. This provision discusses wildfires, preventive treatments, and using the byproducts of treatment. This section authorizes an appropriation of $50 million for FY04 though FY14, totaling $550 million.

Title IV - Arctic Coastal Plain Domestic Energy

Sec. 30401 This sets the short title as "Arctic Coastal Plain Domestic Energy Security Act of 2003."

Sec. 30402 This section sets definitions.

Sec. 30403 This sets a leasing program for lands within the coastal plain.

Sec. 30404 This section discusses lease sales, setting procedures for leasing by the Secretary of Interior.

Sec. 30405 This provision discusses a grant of leases by the Secretary.

Sec. 30406 This section enumerates lease terms and conditions, providing for a royalty of no less than 12 1/2% in amount or value of the production removed or sold from the lease.

Sec. 30407 This language discusses coastal plain environmental protection.

Sec. 30408 This section sets expedited judicial review of the provisions under this title.

Sec. 30409 This section discusses federal and state distribution of royalty revenues.

Sec. 30410 This section discusses the terms for rights-of-way across the coastal plain.

Sec. 30411 This provision discusses conveyance in order to remove clouds regarding title to lands. It conveys the surface estates of particular lands to the Kaktovik Inupiat Corporation. Apparently, there is no expectation for reimbursement to federal taxpayers for the land gift.

Sec. 30412 This language examines local community impact aid and community service assistance. $5 million is given to the Coastal Plain Local Government Impact Aid Assistance Fund for each fiscal year under this section.

Title V - Hydropower

Sec. 30501 This section studies increasing electric power production capability of existing facilities.

Sec. 30502 This language discusses study and implementation of increased operational efficiencies in hydroelectric power projects.

Sec. 30503 This section discusses the shift of project loads to off-peak periods. The consent of affected irrigation customers is required.

Title VI - Geothermal Energy

Sec. 30601 This provision sets competitive lease sale requirements.

Sec. 30602 This language sets special provisions regarding the direct use of low temperature geothermal energy resources, setting in lieu of royalty or rental payments an annual fee of not less than $100 and not more than $1000.

Sec. 30603 This section discusses royalties and near-term production incentives. It sets a royalty on direct use of geothermal steam and associated geothermal resources, other than low temperature geothermal resources. It also states that, under near-term production incentives, the royalty required to be paid under any qualified geothermal energy lease with respect to commercial production of heat or energy from a facility that begins production within 6 years of this bill or on qualified expansion geothermal energy shall be 50% of the amount of royalty otherwise required to be paid under those provisions.

Sec. 30604 This provision requires a memorandum of understanding between the Secretaries of Agriculture and Interior regarding geothermal leasing and permitting on public lands.

Sec. 30605 This section requires the Secretary of Interior to report on all moratoria and withdrawals from leasing under Geothermal Steam Act of 1970.

Sec. 30606 This section allows for costs of NEPA analyses, documentation, and studies.

Sec. 30607 This section requires an assessment of geothermal energy potential by the Secretary of Interior.

Sec. 30608 This language discusses cooperative or unit plans.

Sec. 30609 This provision discusses royalties on byproducts.

Sec. 30610 This section repeals authority of Secretary to readjust terms, conditions, rentals, and royalties.

Sec. 30611 This section allows annual rents paid before the first day of the year for which it is owed to be credited towards royalties.

Sec. 30612 This language adjusts lease durations and work commitment requirements under the Geothermal Steam Act.

Sec. 30613 This provision requires that royalties be paid in advance for production of heat or energy under a geothermal least is suspended after the date of any such production for which royalty is required.

Sec. 30614 This section adjusts annual rents under the Geothermal Steam Act.

Title VII - Coal

Sec. 30701 The short title is "Coal Leasing Amendments Act of 2003".

Sec. 30702 This section repeals the 160-acre limitation for coal leases.

Sec. 30703 This provision discusses mining plans.

Sec. 30704 This section allows the Secretary of Interior to condition continued operation upon payment of advance royalties.

Sec. 30705 This section eliminates the deadline for submission of coal lease operation and reclamation plan.

Sec. 30706 This provision states that the Secretary shall not require a surety bond or any other financial assurance to guarantee payment of deferred bonus bid installments with respect to any coal lease issued based upon a cash bonus bid.

Sec. 30707 The Secretaries of Interior and Agriculture shall assess coal resources on public lands.

Sec. 30708 The amendments made by this title apply with respect to any coal lease issued before, on, or after, the date of enactment.

Title VIII - Insular Areas Energy Security

Sec. 30801 This section tackles insular areas energy security. It authorizes to be appropriated $5 million for each fiscal year beginning after the date of enactment of this paragraph.

Title IX - Miscellaneous Provisions

Sec. 30901 This section requires a report to Congress on energy facility rights-of-way and corridors on federal lands.

Sec. 30902 The Secretary of Interior and Agriculture shall issue all necessary grants, easements, permits, plan amendments, and other approvals to allow for the siting and construction of a high-voltage electricity transmission line right-of-way running north to south through the Trabuco Ranger District of the Cleveland National Forest in CA.

Sec. 30903 The Secretary of Interior and Agriculture shall enter into a memorandum of understanding regarding processing of new applications for linear rights of way for electrical transmission lines and oil or gas pipelines on public lands.

Sec. 30904 Federal agencies need to enhance the use of energy efficient technologies in the management of natural resources.

Sec. 30905 The Secretary of Interior shall process right-of-way applications for wind energy site testing on public lands.

Sec. 30906 It is the sense of Congress that the Secretary of Interior seek to approved, within 10 years of the enactment of this act, non-hydropower renewable energy projects located on public lands with a generation capacity of at least 10,000 megawatts.

Sec. 30907 This section requires an assessment of ocean thermal energy resources.

Sec. 30908 The section enumerates the sense of Congress regarding development of minerals under Padre Island National Seashore.

DIVISION D - TAX

Sec. 41002 Under section 45, an income tax credit is allowed for production of electricity from either qualified wind energy, qualified "closed loop" biomass, or qualified poultry waste facilities. The proposal in H.R. 1531 extends the date for being put in service from after 12/31/93 to before 1/1/04 to after 12/31/93 to before 1/1/07. The proposal also opens up three new qualifying facilities: open-loop biomass facilities, landfill gas facilities, and trash-to-energy facilities. Chairman Thomas' amendment provided that wind energy facilities placed in service after the date of enactment may claim section 45 credits against both regular tax and AMT for the first four years of production beginning after the date the facility was in service.

JCT estimate: 03-13 = $-3.188 billion

Sec. 41003 Under this section, a 10% credit is given for the purchase of qualified fuel cell power plants (integrated system comprised of a fuel cell stack assembly and associated balance of plant components that converts a fuel into electricity using electrochemical means) for businesses and individuals. The credit can't exceed $500 for each .5 kilowatt of capacity, and applies to purchases from 12/31/03 to 1/1/07.

JCT estimate: 03-13 = - $-28 million (for an individual)

JCT estimate: 03-13 = - $-9 million (for a business)

Sec. 42001 The proposal establishes a statutory seven-year period and a class life of 10 years for natural gas gathering lines. This section also provides that there would be no adjustment to the allowable amt of depreciation for purposes of computing a taxpayer's AMT with respect to such property.

JCT estimate: 03-13 = $-472 million

Sec. 42002 Changed natural gas distribution lines, has a statutory 15-year recovery period and a class life of 20 years.

JCT estimate: 03-13 = $-1.462 billion

Sec. 42003 This section creates a 15-year recovery period and a class life of 20 years for certain assets used in the transmission of electricity for sale.

JCT estimate: 03-13 = $-2.172 billion

Sec. 42004 / 42005 This provides an immediate deduction / expensing for small businesses (defined as a refiner who within the business of refining petroleum products engages not more than 1500 persons directly in refining on business days and has less than 205,000 barrels per day of total domestic refinery capacity) of up to 75% of the capital costs paid or incurred for the purpose of complying with the Highway Diesel Fuel Sulfur Control Requirements of the EPA. They may also claim a credit equal to five cents per gallon for each gallon of low sulfur diesel fuel produced during the taxable year.

JCT estimate: 03-13 = $-72.0 million

Sec. 42006 Independent oil and gas producers can claim a percentage depletion deduction rather than deducting the cost of their asset, a producing well, based on actual production from the well (i.e., cost depletion). This proposal makes definition of independent producers more liberal, increasing refining operations allowed to independent producers from 500,000 barrels per day to 750,000. It also changes independent producers status from being limited on actual daily production to a limit based on average daily production for a taxable year.

JCT estimate: 03-13 = $-127 million

Sec. 42007 Sales or dispositions to implement FERC or state electric restructuring policy.

This section allows a taxpayer to elect to recognize gain from a qualifying electric transmission transaction ratably over an eight-year period beginning in the sale year if the amount realized is used to purchase exempt utility property (the reinvestment property) within the applicable period. This section goes on to define a qualifying electric transmission transaction, an independent transmission company, and an exempt utility property. If the amount realized from the sale is more than the amount reinvested, the amount over shall be recognized in the year of sale. The rest of a realized gain is recognized ratably over eight years.

JCT estimate: 03-13 = $403 million

Sec. 42008 Qualified nuclear decommissioning funds.

This is a modification to special rules for nuclear decommissioning costs. Contributions to a qualified nuclear decommissioning fund are deductible in the year made to the extent that they were collected as part of the cost of service to ratepayers. Withdrawn funds are included in the taxpayer's income, but can be deducted for decommissioning costs as economic performance for such costs occur. Decommissioning costs of a nuclear power plant accrue ratably over a nuclear power plant's estimated life.

Nonqualified nuclear decommissioning funds - State and fed regulators may require utilities to set aside more money for decommissioning than can be deducted from a qualified fund. This section would repeal the "cost of service" requirement for deductible contributions to a nuclear decommissioning fund (for all taxpayers). It would also repeal limits that a qualified fund only accumulate an amount sufficient to pay for a nuclear power plant's decommissioning costs incurred during the period that the qualified fund is in existence.

The proposal also permits a taxpayer to make contributions to a qualified fund in excess of the ruling amount in one circumstance. It allows deductible contributions to a qualified fund after the useful life of a power plant. It further qualifies the fed. tax treatment for the transfer of a qualified fund. This eliminates any gain or loss for transferor or transferee.

JCT estimate: 03-13 = $-1.462 billion

Sec. 42009 This section helps out rural electric cooperatives, specifically exempting a lot of income from being counted towards requirements under section 501(c)(12).

Presently, in order for an entity to be treated as a cooperative for fed. taxes, it must be operated on a cooperative basis. Income rural electric cooperatives get from selling electric energy transmission services (or ancillary services) on a nondiscriminatory open access basis under a FERC approved independent transmission provider agreement is excluded when determining if that provider satisfies the 85 percent test for exemption under 501(c)(12). Further, income received is treated as money collected from members for the sole purpose of meeting losses and expenses if the income is received or accrued indirectly from a member of the cooperative.

This provision excludes income received by a rural electric cooperative from "nuclear decommissioning transactions" from the 85 percent test. It also excludes from the 85 percent test, income realized by a tax-exempt rural electric cooperative from a voluntary exchange or involuntary conversion of certain property.

Finally, accrual of income from load loss transactions by a taxable electric cooperatives is treated as income from patrons for members of the cooperative. This can be excluded from taxable income of cooperatives if distributed pursuant to a pre-existing contract to distribute to a patron

not part of the cooperative. Also, load loss transaction income doesn't keep a cooperative out treatment by fed. income as a mutual or cooperative company.
JCT estimate: 03-13 = $-258 million

Sec. 42010 This section creates a safe harbor exception to the general rule that tax-exempt bond-financed prepayments violate the arbitrage restrictions (restrictions on the ability of states or local govt. to invest proceeds of bonds for profit). Prepayments are not treated as private loans for purposes of private business tests. The volume of gas permitted by the general rule is reduced by natural gas otherwise available on the date of issuance. The proposal goes on to enumerate times when the safe harbor does not apply (i.e., intentional acts).

JCT estimate: 03-13 = $-31 million

Sec. 42011 This provision allows assigned operators that are members of a controlled group of corporations to prepay their premium liability to the Combined Benefit Fund.

JCT estimate - not available - CBO will provide an estimate.

Title III - Production

Sec. 43001 The proposal creates a new $3 per barrel credit for the production of crude oil and a $.50 credit per 1000 cubic feet of qualified natural gas production. The maximum amount of production which can be claimed is 1095 barrels or the barrel equivalent. This credit can only be obtained from a marginal well:

1. a domestic well: the production from which during the taxable year if treated as a marginal production under section 613A(c)(6), or which during the taxable year has an average daily production of not more than 25 barrel equivalents and produces water at a rate of not less than 95% of the total well effluent.

There are limits placed on this credit. For instance, if the reference price goes above $18 ($2 for natural gas). The credit is also lowered proportionately for reference prices between $15 and $18 ($1.67 and $2.00 for natural gas).

JCT estimate: 03-13 = JCT states that this provision has no revenue effect.

Sec. 43002 Another provision helping those who produce from marginal wells is a break on depletion (recovery for capital costs).

The United States has approximately 457,000 marginal wells, which collectively produce approximately 1.2 million barrels per day of annual production. These wells account for nearly 20 percent of total oil production in the United States, about the same amount that we import from Saudi Arabia.

This is why there is a strong political consensus that the nation's internal tax and regulatory structure must be relied upon for preserving marginal wells. Under the legal definition, a marginal well produces an average of 15 barrels per day or less of crude oil, or 90 Mcf per day or less of natural gas.

This proposal would temporarily suspend (12/31/03 - 1/1/07) a limit on depletion (a form of capital cost recovery - for oil and gas producers - the mineral reserve itself is being expended in order to produce income) deductions to no more than 65 percent of taxpayer's overall taxable income.

JCT estimate: 03-13 = $-531 million

The suspension of the 100% net-income limitation for deductions on marginal wells is extended an additional three years to 1/1/07.

JCT estimate: 03-13 = $-106 million

Sec. 43003 This proposal allows delay rental payments (an amount paid for the privilege of deferring development of oil or gas well under an oil or gas lease) incurred in connection with the development of oil or gas in the U.S. to be amortized over two years (allowed as a deduction ratably over a 24-month period) as opposed to current law where those costs are required to be capitalized. Oil and gas producers typically contract for mineral production in exchange for royalty payments. If mineral production is delayed, these contracts provide for "delay rental payments" as a condition of their extension.

JCT estimate: 03-13 = $76 million

Sec. 43004 This proposal allows geological and geophysical costs incurred in connection with oil and gas exploration in the US to be amortized (allowed as a deduction ratably over a 24-month period) over two years. This is in contrast with current law where these costs are not deductible as ordinary business expenses but are allocated to the property costs.

Geological and geophysical expenditures are considered capital costs to increase the value of the land and therefore are depreciated over the useful life of the land. The proposal would allow geological and geophysical costs incurred in connection with oil and gas exploration in the United States to be deducted over the next two years. In the current tax code, costs associated with inventory and property held for resale are capitalized rather than currently deducted

JCT estimate: 03-13 = $2.413 billion

Sec. 43005 Section 29 of the Internal Revenue Code currently allows oil and gas companies to take a production tax credit for fuels produced from non-conventional sources. However, this estimate could be extremely conservative. This expansion, combined with current law, could cost the Treasury upwards of $10 billion.

This program was instituted in an effort to decrease American dependence on foreign oil, and is a remnant of the Carter Administration's "synfuels" program. However, it has not lead to major increases in alternative fuel production and has not helped to decrease our reliance on foreign oil.

This provision extends and modifies a credit for producing fuel from a non-conventional source. Qualifying fuels such as oil from shale or tar sands, and gas from geopressured bring, Devonian shale, coal seams, or a tight formation are eligible for a Section 29 credit for production of certain non-conventional fuels produced at wells placed in service after the date of enactment and prior to 1/1/07. The credit is $3 in 2003 and indexed for inflation in years after. For certain existing wells (drilled after 12/31/79 and before 1/1/93) the credit is available at $3 for *production after enactment in 2003 through 2006. It allows landfill gas sold to third parties (placed in service between 6/30/98 and 1/1/07) to be eligible for claims of five years of credit from the date of enactment or the date the facility is placed in service, depending on which is later. No credit is awarded for any production in excess of a daily average of 200,000 cubic feet of gas.*

JCT estimate: 03-13 = $2.956 billion

Sec. 43006 This proposal makes the minimum tax limitation inapplicable to the business energy credits added by the bill.

JCT estimate: 03-13 = --

Sec. 43007 This proposal repeals the AMT preference for intangible drilling or development costs for oil and gas wells for taxpayers other than integrated oil companies.

JCT estimate: 03-13 = $-44 million

Sec. 43008 This section repeals the minimum tax limitation on the enhanced oil recovery credit.

JCT estimate: 03-13 = $-296 million

Title IV – Corporate Expatriation

Sec. 44001 – 44002 This section discusses tax treatment of corporate expatriation.

DIVISION E – CLEAN COAL

Sec. 50001 This section authorizes $200 million for year FY04-12, totaling $1.8 billion for the Clean Coal Power Initiative.

Sec. 50002 This language sets project criteria, including technical criteria, for the Clean Coal Power Initiative.

Sec. 50003 This section requires the Secretary to submit a report within 1 year of enactment, and every two years thereafter, discussing the technical milestones set forth in section 50002.

Sec. 50004 This section creates a university grant program for so-called Clean Coal Centers of Excellence.

Specifically, in allocating funds, the Secretary shall ensure that up to 80% of the funds are used only for coal-based gasification technologies (i.e., gasification combined cycle, gasification fuel cells, gasification coproduction and hybrid gasification / combustion). By 2020, milestones shall produce coal gasification projects that are able to remove of 99% sulfur dioxide; to emit no more than .05 lbs of NOx per million BTU; to achieve substantial reductions in mercury emissions; and to achieve thermal efficiency of 60 percent for coal of more than 9,000 BTU; 59 percent for coal of 7,000 to 9,000 BTU, and 50 percent for coal of less than 7,000 BTU. The Secretary will set milestones for other projects not mentioned in paragraph 1.

DIVISION F – HYDROGEN

Sec. 60001 This section sets out definitions of various terms used in this title.

Sec. 60002 This section requires the Secretary to transmit a plan with an agenda over the next five years for fuel cells or hydrogen.

Sec. 60003 This section lays out the program in which the Secretary shall work with the private sector to address production of hydrogen from diverse energy sources.

Sec. 60004 This language creates an interagency task force for planning on hydrogen and hydrogen-fuel carrier fuels, uniform hydrogen coals, etc.

Sec. 60005 This section establishes the Hydrogen Technical Fuel Cell Advisory Committee.

Sec. 60006 This language discusses external review of the plan created under section 60002.

Sec. 60007 This provision allows the Secretary to represent the America's interests with respect to activities under this section.

Sec. 60008 This section authorizes appropriations of $1.799 billion from FY04 through FY08 (FY04 $273.5 mil; FY05 $325.0 mil; FY06 $375.0 mil; FY07 $400 mil; FY08 $425 mil).

Sec. 60009 This section discusses the use of fuel cell program at national parks.

Sec. 60010 The Secretary is authorizes to establish an Advanced Power System Technology Incentive Program.

DIVISION G – HOUSING

Sec. 70001 - 70009 These sections discuss energy efficient housing.

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