

ENERGY POLICY ACT OF 2005

April 2005

*“I agree with our President – four years is long enough for an energy bill.”
– House Energy and Commerce Committee Chairman Joe Barton*

In the past few weeks, Americans have seen gasoline prices jump as crude oil prices hit new records. Passage of a comprehensive energy legislation this year will ensure a more affordable and environmentally friendly energy supply. America’s prosperity and national security are at stake.

To help meet the nation’s energy needs, the Energy Policy Act of 2005:

- ✓ **Improves our nation’s electricity transmission capacity and reliability.** The legislation provides for enforceable mandatory reliability standards, incentives for transmission grid improvements and reform of transmission siting rules. These improvements will attract new investment into the industry and ensure the reliability of our nation’s electricity grid in order to stop future blackouts.
- ✓ **Promotes a cleaner environment** by encouraging new innovations and the use of alternative power sources by launching a state-of-the-art program to enable hydrogen fuel cell cars to compete in the marketplace by 2020. The legislation also authorizes \$200 million for the “Clean Cities” program, which will provide grants to state and local governments to acquire alternative fueled vehicles.
- ✓ **Promotes clean coal technology and provides incentives for renewable energies** such as biomass, wind, solar and hydroelectricity.
- ✓ **Provides leadership in energy conservation** by establishing new mandatory efficiency requirements for federal buildings, and efficiency standards and product labeling for battery chargers, commercial refrigerators, freezers, unit heaters, and other household products.
- ✓ **Clarifies the federal government’s role in siting LNG facilities** and provides an efficient approval process. Improved access to natural gas will help reduce high utility bills, create jobs and provide further strength to the economy.
- ✓ **Decreases America’s dangerous dependence on foreign oil** by increasing domestic oil and gas exploration and development on non-park federal lands and by authorizing expansion of the Strategic Petroleum Reserve’s (SPR) capacity to 1 billion barrels.
- ✓ **Encourages more nuclear and hydropower production** by authorizing DOE to develop accelerated programs for the production and supply of electricity; setting the stage for building new nuclear reactors by reauthorizing Price Anderson; and improving current procedures for hydroelectric project licensing.

HIGHLIGHTS OF THE ENERGY POLICY ACT OF 2005

Nearly five years and hundreds of hours of hard work and debate have produced a bipartisan, comprehensive national energy policy that will promote conservation, reduce our growing dependence on unstable Middle Eastern oil, improve our economy and create new jobs. Following are the highlights of the Energy Policy Act of 2005:

Energy Efficiency

- Requires a 20 percent reduction in federal building energy use by 2015, provides funding for energy efficiency programs for public buildings, including schools and hospitals, and increases fuel efficiency requirements for federal vehicles.
- Authorizes \$3.4 billion for each fiscal year 2005 through 2007 for the Low Income Housing Assistance Program (LIHEAP). Increases funding for low-income weatherization programs and state energy programs to improve energy efficiency.
- Expands the Energy Star program, a government/industry partnership for promoting energy efficient products.
- Establish new energy efficiency standards for many new commercial and consumer products that use large amounts of energy – providing significant savings on monthly energy costs.
- Permanently authorizes the Energy Savings Performance Contracts program with conditions on the number of federal agencies (3 - DOE, DOD, VA) and number of contracts (100) so that the program does not score above \$500 million. Requires coordinators to enforce contract caps.

Renewable Energy

- Reauthorizes the Renewable Energy Production Incentive program to provide renewable energy production incentives for solar, wind, geothermal, biomass and expands it to include landfill gas.
- Authorizes \$100 million for increased hydropower production through increased efficiency at existing dams and modernizes the nation's hydropower laws to allow increased production, without compromising existing environmental protections. Hydroelectric power is our nation's single largest renewable energy source and accounts for roughly 10 percent of our electricity supply.
- Directs the federal government to use more renewable energy, with a goal of using 7.5 percent or more by 2013.
- Includes the new "Renewable Energy Security Act," that provides financial assistance programs for weatherization and various renewable energy systems installed in residences. A DOE rebate program is established for renewable energy systems installed in homes or small businesses.

Oil and Gas

- Authorizes the expansion of the Strategic Petroleum Reserve's (SPR) capacity from 700 million to 1 billion barrels and filling the SPR to that capacity during periods of stability.
- Improves access to federal lands.
- Clarifies the federal government's role in the siting of liquefied natural gas terminals. Several streamlining provisions have been included to encourage efficient review of applications at the federal level. Requires consultation with the state in the area of state and local safety.
- The Refinery Revitalization Act of 2005 designates certain areas as refinery revitalization zones based on an area's previous refining or manufacturing experience and current unemployment rate. Provides an accelerated review and approval process for new refinery facilities in a refinery revitalization zone.

Clean Coal Technologies

- Provides a \$1.8 billion authorization for the Secretary of Energy to carry out the Clean Coal Power Initiative, which will provide funding to those projects that can demonstrate advanced coal-based power generating technologies that achieve significant reductions in emissions.
- Mandates that at least 60 percent of the \$1.8 billion will be used for projects on coal-based gasification technology and that these projects meet stringent environmental performance standards and vastly increased efficiency standards.
- Authorizes \$3 billion for the Secretary of Energy to carry out a Clean Air Coal Program to facilitate production and generation of coal-based power and advance the deployment of pollution control equipment to meet current and future obligations of coal-fired generation units regulated under the Clean Air Act.
- Authorizes loan guarantees for five petroleum coke gasification projects. Petroleum coke is a byproduct of the refining process that can be used as a low cost alternative feedstock for IGCC power plants.

Nuclear

- Renews Price Anderson nuclear liability protections for 20 years, including provisions to encourage the development of advanced modular reactors, and for nuclear contractor, subcontractor and supplier financial accountability. Strengthens security of nuclear facilities, including improved federal oversight of plant security and the expansion of federal statutes for sabotage of nuclear facilities.

Vehicles and Fuels

- Requires “dual-fueled” vehicles acquired under the EPA Act of 1992 programs to be operated on alternative fuels.
- Requires a study to review the vehicle purchase requirements under the Energy Policy Act to ensure the program works more effectively in the future.
- Launches a Hybrid Retrofit and Electric Conversion program to provide for innovation and use of retrofit and conversion technologies on conventional internal combustion engines.
- Authorizes \$200 million for an advanced vehicle program. This program, operating under the current Department of Energy “Clean Cities” program, would provide grants to state and local governments to acquire alternative fueled and fuel cell vehicles, hybrids and other vehicles, including ultra low-sulfur diesel vehicles.
- Authorizes two “Clean School Bus” programs. The first program would provide \$100 million to retrofit existing diesel buses with new pollution control technology. The second program authorizes \$200 million in grants for replacement of older school buses with clean alternative fueled and ultra-low sulfur fueled buses.
- Launches programs for hydrogen fuel-cell transit buses and for hydrogen fuel-cell school buses to demonstrate the use of this technology. Also includes funding for a railroad efficiency demonstration partnership, a provision to review mobile emission reductions trading, a study of aviation fuel conservation, a provision calling for DOE to increase efforts to improve diesel fuel emission technologies, and establishment of a biodiesel engine testing program.

Automobile Efficiency/CAFE

- Increases funding to \$6 million over five years (2006-2010) for the Department of Transportation to continue its work on improving Corporate Average Fuel Economy (CAFE) standards.
- When setting CAFE standards, requires the National Highway Traffic Safety Administration (NHTSA) to consider the impact on vehicle safety and automobile industry jobs.
- Includes a study, to be done by NHTSA, to look into alternatives to the CAFE program and examine the amount of fuel consumed by automobiles.

Hydrogen

- Launches a state-of-the-art program to get hydrogen-powered automobiles on the road by 2020 along with the necessary infrastructure to provide for the safe delivery of hydrogen fuels. Establishes an interagency task force on hydrogen as well as an outside advisory committee. Authorized at \$2.15 billion over five fiscal years.
- Requires the Department of Energy to develop a plan outlining technical milestones as well as technical and non-technical hurdles to hydrogen vehicles and their associated infrastructure. The hydrogen program, to be conducted as a public/private partnership, is to address the production of hydrogen from diverse sources, including fossil fuels, hydrogen-carrier fuels and renewable energy resources including biomass and nuclear energy. The program also addresses pipeline hydrogen transmission, convenient refueling, advanced vehicle technologies, hydrogen storage and the development of necessary codes and standards.

Studies and Program Support

- Provides extensive authorization for the Department of Energy to increase the efficiency of all energy intensive sectors, promotes diversity in energy supply, improves energy security and decreases the environmental impact of energy-related activities.
- Specific authorizations are provided for energy-efficiency efforts, a next-generation lighting initiative, national building performance initiative, programs regarding renewable energy, bioenergy and solar power.
- Authorizes oil and gas programs, including ultra-deepwater and unconventional natural gas.
- Authorizes almost \$4 billion for energy and conservation activities; more than \$3 billion in funding over the next five years for renewable energy efforts; and more than \$2.5 billion for fossil fuel efforts.

Electricity

- Promotes investment in critical electric transmission capacity and efficiency measures by directing the Federal Energy Regulatory Commission (FERC) to do an incentive rate rulemaking and provide for participant funding; provides for expedited siting processes on both federal and private lands; and provides for the use of advanced transmission technologies.
- Improves the operation and reliability of electric transmission networks by providing for open access to transmission lines not previously subject to the same open access requirements; authorizing federal utilities to participate in Regional Transmission Organizations (RTOs), provides for continued reservation of transmission capacity needed to serve “native load” customers; and establishes an Electric Reliability Organization to develop and enforce reliability standards for the bulk transmission system, with provisions to achieve a score of no more than \$500 million.
- Promotes investment in the electric sector by repealing existing Public Utility Holding Company Act (PUHCA) requirements and replacing them with authority for federal and state regulators to examine relevant books and records. Provides for state consideration of model standards for real-time pricing, time-of-use metering, and smart metering. Provides for state consideration of model standards for net metering.
- Provides for an electronic system to improve transparency of electricity markets. Prohibits filing of false information and round trip or “wash” trading. Dramatically increases criminal and civil penalties limits and expands penalty provisions to cover all violations of the Federal Power Act.
- Moves the refund effective date up to the date of complaint to ensure refunds of unjust and unreasonable amounts. Extends FERC refund authority to cover sales by otherwise nonjurisdictional utilities in certain markets. Promotes market stability by requiring FERC to meet a public interest standard before abrogating contracts. Authorizes the Federal Trade Commission (FTC) to establish rules to protect consumer privacy and prohibit “slamming” and “cramming.”
- Expands FERC’s merger authority and requires review of elimination of duplication and onerous conditions imposed under FERC’s merger review authority.

Ethanol and Motor Fuels

- Establishes a Renewable Fuels Standard of 5 billion gallons to be introduced into the marketplace by 2010.
- Bans the use of MTBE in motor fuels after December 31, 2014 and authorizes transition assistance to aid manufacturers in converting production to other fuel additives.
- Requires the National Academy of Sciences to complete a report by May 31, 2013 on the use of MTBE and provides the opportunity for a Presidential determination concerning restrictions on the use of MTBE. Provides limited liability protection for renewable fuel and MTBE for defective product claims.
- Requires at least 80 percent of all dollars appropriated from the Leaking Underground Storage Tank (LUST) Trust Fund to be sent to the states for operating leaking underground tank programs.
- Provides increases in state funding from the LUST Trust Fund for states containing a larger number of tanks or whose leaking tanks present a greater threat to groundwater.
- Requires onsite inspections of underground storage tanks every three years after a brief period for the state to update its backlog.
- Establishes operator-training programs, where they do not already exist. Many releases from underground storage tanks are caused by improper operation of those tanks.
- Institutes a specific new funding category to cleanup tank-related releases of oxygenated fuel additives in gasoline, like MTBE.
- Prohibits federal facilities from exempting themselves from complying with all federal, state and local underground tank laws.
- Asks states to submit an annual inventory to the EPA detailing the number of regulated tanks in its state and which of those tanks are leaking.
- Provides states the authority to prohibit deliveries of fuel to noncompliant regulated tanks in order to achieve legal enforcement.
- Authorizes \$380 million per year, through fiscal year 2009, for general administration, operator training and enforcement activities, cleanups of gasoline or chemical contaminated sites, cleanups of ether fuel additives in gasoline, like MTBE, inspection programs and requirements, and for release prevention, compliance, and enforcement activities. The LUST trust fund currently contains a \$2 billion balance.
- Establishes and limits the number of boutique fuels while allowing for the replacement of obsolete fuels with new fuels. Grants EPA and DOE the authority to temporarily waive fuel requirements during extreme supply emergencies. Includes a joint study by EPA and DOE the focus of which is to determine the development of a federal fuels system.