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U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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May 17, 2007

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M E M O R A N D U M

TO: Members
Subcommittee on Energy and Air Quality

FROM: Rick Boucher, Chairman
Subcommittee on Energy and Air Quality

SUBJECT: Discussion Drafts of Energy Legislation

Attached are four Discussion Drafts on Energy Efficiency, Smart Electricity Grid, Department of Energy (DOE) Loan Guarantees under the Energy Policy Act of 2005, and Coal-to-Liquids Projects, along with summary explanations of each draft. These Discussion Drafts will be the subjects of a legislative hearing to be held in the Subcommittee on Energy and Air Quality on Thursday, May 24, 2007, and will be considered for inclusion in energy legislation to be marked up in the Subcommittee and the full Committee after the Memorial Day recess.

In addition to the four Discussion Drafts circulated today, provisions are being developed to address the transportation sector with the goals of reducing consumption of petroleum, reducing emissions of carbon dioxide, and increasing the availability of alternative fuels.

I welcome comments and suggestions from all members on the Discussion Drafts, as well as any additional ideas that can be incorporated into the legislation.

The four Discussion Drafts include language that would:

Increase Our Nation's Energy Efficiency: The discussion draft features 29 proposed provisions of law to improve the Nation's energy efficiency, with subtitles on appliances, lighting, buildings, industry, public institutions, energy efficiency contracts, and extensions of existing programs. If enacted into law, these provisions would establish new energy efficiency standards for future models of an array of products including refrigerators, freezers, dishwashers, clotheswashers, residential boilers, electric motors, furnace fans, and electric lamps. Other provisions would help expedite the DOE process for establishing updated standards. It would

require States to consider stronger energy efficiency requirements in building codes and create energy efficiency standards for manufactured housing. It would encourage more efficient energy use by the private sector and in public institutions such as universities, airports, and hospitals. Analysis is underway to determine the accumulated efficiency gain achievable under these new standards.

Upgrade Our Country to a “Smart” Electric Grid: The Discussion Draft proposes a Federal policy in support of attaining a “smart” electric grid. A “smart grid” is intended to be informed and controlled with digital information, allowing utilities and electricity customers alike to be aware of, and directly respond to, conditions and costs for power. A “smart grid” could achieve significantly greater reliability and economy in electricity generation and movement, with economic, environmental, and security benefits. When “smart grid” technology is in place, consumers can offer “demand response” as an alternative to expensive peak power generation, and potentially offer electricity storage in the form of plug-in electric vehicles to an electricity industry that has effectively no ability to store power today.

Improve the Department of Energy Loan Guarantee Program: The Discussion Draft would amend Title XVII of the Energy Policy Act of 2005 to ensure that DOE carries out Congressional intent by providing loan guarantees for projects that avoid, reduce, or sequester air pollutants or greenhouse gases and that employ new or significantly improved technologies. DOE’s initial guidelines capped loan guarantees at only 80 percent of a debt instrument, and the DOE’s May 2007 proposal for future projects limited the amount to 90 percent. Such caps on loan guarantees could stifle investment in promising new technologies that are eligible for loan guarantees, such as cellulosic ethanol. To ensure these innovative projects reach their potential, the Discussion Draft would prohibit DOE from setting an arbitrary limit of less than 100 percent.

Develop Coal-to-Liquids Projects: The Discussion Draft would amend the Energy Policy Act of 2005 to authorize the Department of Energy to enter into standby loan guarantee agreements with up to 6 coal-to-liquids projects. Such agreements must set a price floor and ceiling, outside of which loans by, or payments to, the Federal Government will be made. Projects must make an up front payment of the loan cost to the U.S. Treasury, and the Secretary also may enter into a profit-sharing agreement. To qualify, a project must demonstrate the capture, and sequestration or disposal or use of, the carbon dioxide produced in the conversion process. Each applicant must submit a carbon dioxide sequestration plan certified by the Administrator of the Environmental Protection Agency (in consultation with the Secretary of Energy) as meeting specified life cycle carbon dioxide emissions standards under which the carbon dioxide emissions from the coal-to-liquids project would be no greater than the emissions from a comparable petroleum facility.

Again, I look forward to working with you as we continue to address our Nation’s critical energy needs.