

Statement of the Honorable Spencer Abraham

Secretary of Energy

before the

Senate Committee on Energy and Natural Resources

on National Energy Policy

May 23, 2001

Introduction

Thank you Mr. Chairman.

I appreciate the opportunity to discuss the President's National Energy Policy, which was developed by the National Energy Policy Development Group under the direction of Vice President Cheney.

If I might, I would like to make a brief opening statement.

America's Energy Challenge 2001-2020

Today, America consumes 98 quadrillion British thermal units (or quads) a year in all forms of energy. Our domestic energy production is 72 quads. The imbalance between energy demand and domestic energy production is made up with imports.

Between now and 2020, our energy demand is projected to rise significantly. If the energy intensity of the U.S. economy – the amount of energy needed to generate a dollar of Gross Domestic Product – remained constant, our energy demand in 2020 would be 175 quads. However, our Plan and current policies will improve energy efficiency to the point that energy demand in 2020 can be lowered from 175 quads to 127 quads.

That means improved energy efficiency can help close much of the gap between projected energy demand and projected domestic energy production.

However, improved energy efficiency cannot do the whole job. For that reason, the United States will need more energy supply. The question is: where do we get that increased supply when over the past decade domestic supply production has remained relatively flat?

Our Balanced Approach

To address these challenges, the national energy plan is shaped by the need for a balanced and comprehensive approach. As the President said, we are looking for a new harmony among our priorities.

Let me briefly outline this approach for the Committee.

First, our policy balances the need for increased supplies of energy with the need to modernize our conservation efforts by employing cutting edge technology. And so, for example, as we call for recommendations to enhance oil and gas recovery from existing and new sources through new technology, we also call for recommendations for changes in Corporate Average Fuel Economy standards.

Second, our Plan calls for a balance in terms of our supply sources.

With electricity demand forecast to rise 45 percent by 2020, we estimate the need for an additional 1,300 to 1,900 new power plants in the country. Current policy anticipates that over 90 percent of those new plants will be fired by natural gas. We believe energy security dictates a more balanced approach to new power generation. In addition to natural gas, the National Energy Plan looks to such sources as clean coal generation, nuclear power, and hydropower to give us a broad mix of energy to meet our future needs.

Third, our plan balances our need for traditional sources of energy, such as oil and natural gas, with the need for renewable and alternative sources such as geothermal, solar, wind, and hydrogen. Consequently, our Plan recommends more focused research on new sources such as hydrogen, and fusion, and proposes tax incentives for the use of

certain renewables. The Plan also seeks to increase exploration of domestic sources of oil and natural gas.

Fourth, our energy plan harmonizes growth in domestic energy production with environmental protection. Our commitment to conservation and environmental protection is not an afterthought; it is a commitment woven throughout our energy policy. Energy production without regard to the environment is simply not an option. For example, in addition to recommendations seeking to streamline the permitting process for plant sitings as well as building new infrastructure, the National Energy Policy also proposes mandatory reduction targets for emission of three major pollutants – sulfur dioxide, nitrogen oxides, and mercury.

Our Overarching Priorities

This balanced approach yields recommendations that fall for the most part into six basic categories.

First, we need to encourage industry to repair and update the nation's antiquated energy infrastructure. From our ability to turn raw materials into useful energy, to the pipelines that carry natural gas and oil, to our electricity grid, America's ability to deliver energy to those who need it is definitely ready for the year 1960; it is not, however, up to the demands of our 21st Century economy.

Second, the plan contains a host of recommendations on how we might better employ modern technology to achieve gains in conservation as well as domestic supply. A good example of this is the Plan's emphasis on innovative technology, such as fuel cell vehicles, for which we propose certain tax credits.

Third, streamlining the regulatory process is a key priority. We have found areas where the permitting process for energy projects and infrastructure improvement moves too slowly. One recent hydropower relicensing case took 23 years. We must improve this process.

Fourth, the report contains recommendations recognizing the global nature of today's energy market. As we pay attention to the need to enhance our domestic supply, we also need to diversify and increase our sources of energy around the world. For example, our National Energy Plan highlights opportunities for supply in the resource rich Caspian Sea area.

Fifth, our energy Plan addresses the critical problem faced by low-income families as they confront rising energy costs. We therefore support a strong Low Income Home Energy Assistance Program, and propose increases in our weatherization assistance program funding in the amount of \$1.2 billion over the next ten years. Our Plan recognizes the impact energy price spikes can have on working families and we are committed to taking actions to lighten the burden.

And finally, our National Energy Plan seeks to enhance competition across the board. Helping to create a level playing field where a free market in energy can flourish will be one of the best ways to secure our energy future with a affordable and reliable access to a diverse supply of resources.

Conclusion: A Cooperative Approach.

Where possible, the President moved immediately to implement key parts of his plan. Hence, last Friday he issued two executive orders directing Federal agencies to

expedite approval of energy-related projects and directing Federal agencies to consider the effects of proposed regulations on energy supply, distribution, or use. These are important actions.

What's more, where appropriate, the President is directing Federal agencies, including my own, to take a variety of actions to improve the way they use energy and to carry forward critical aspects of his policy.

But, key portions of the energy policy will demand legislation. I am looking forward to working with this Committee and with other House and Senate committees to move this legislation through the process.

In my opinion, we start from a wide base of agreement. We all recognize energy as a critical challenge. Both the Chairman and Ranking Member of this Committee have sponsored robust energy bills and I am struck by how much common ground there is between these bills and our proposals.

In fact, I asked my staff to compare the comprehensive energy bills that have been introduced by Chairman Murkowski and Senator Bingaman, with our National Energy Plan and was pleased to discover that there is considerable agreement. Indeed, over 30 of the recommendations included in the National Energy Policy are also included in the comprehensive energy bills that have been introduced by the Chairman and Ranking Member. Just a few examples include, supporting the LIHEAP program; increasing funding for the Weatherization Assistance Program; promoting greater energy efficiency programs; conserving energy on federal facilities; promoting the use of technological advances to better protect our environment; exploring opportunities for royalty reductions as an economic incentive for environmentally sound offshore oil and gas development;

repealing the Public Utility Holding Company Act; reforming the Public Utility Regulatory Policies Act; continuing to develop advanced clean coal technology; extending the Price-Anderson Act; improving the hydropower licensing process; increasing support for research and development of renewable energy resources and improving the reliability of the interstate transmission system.

Naturally, there will not be complete agreement and the President is strongly committed to the adoption of his recommendations. But I truly believe we have the basis for working together to meet America's serious energy crisis.

Thank you, Mr. Chairman.