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## □ ENERGY DIVERSIFICATION: FINDING THE RIGHT BALANCE

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*By Pete V. Domenici, Chairman, Senate Energy and Natural Resources Committee*

*Crafting energy policy for a country as productive and diverse as the United States is complicated and involves a multitude of competing interests, says Domenici. Landmark legislation drafted by the senator and now working its way through Congress seeks to reconcile the often-contradictory needs of the U.S. energy market by diversifying and expanding the country's energy portfolio. Doing so, says Domenici, is the "critical next step" if the United States is to succeed in moving away from existing technologies in favor of cleaner and more affordable and abundant energy supplies.*

*For the bill to become law, both the Senate and House of Representatives need to pass it and the president must sign it.*

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When I began work on the energy bill last year, I decided I could write one of two kinds of bills. I could write a bill that limits production of certain kinds of energies, such as coal and oil, and mandates the production of more politically desirable energies, such as wind. Or I could write a broader bill that seeks to diversify America's energy portfolio by encouraging increased production of most energies, from nuclear energy to wind and solar energy.

I chose to write a broader bill that diversifies our energy portfolio and increases the production of more than a dozen different energies, from wind to clean coal.

I wrote this kind of bill for several reasons. First, I believe diversifying our energy portfolio is the critical next step we must take to move us away from existing technologies toward cleaner, affordable technologies. Right now, half of the electricity in this country comes from coal. If Congress passed legislation that discouraged the consumption of coal, the cost of heating a home or lighting a business would skyrocket all around the country. Why? Because we do not have a renewable energy waiting in the wings to replace coal.

Until we diversify our energy supply — produce more wind, solar, geothermal, and natural gas energies — we have no business passing legislation that discourages the production of the very energies that drive this economy.

Second, I chose to craft a sound energy bill that encouraged diversified production because I took a hard look at the political realities. That's the only kind of bill I could get through the Senate. I did not believe and still do not believe that this U.S. Senate will pass an energy bill that discourages the production of some energies while mandating increased production and use of others.

Let's assume Congress decides to discourage the production of coal, an energy source fiercely hated by many environmental groups. If Congress decided to close the nation's oldest coal-fired power plants, located largely in the Ohio River Valley and the Southeast, electricity prices would soar and local economies would slump into a regional recession. In the mid-term, those plants would be promptly replaced with plants fired by natural gas, which is the only other near-term option for large-scale electricity production.

But this nation, as Federal Reserve Board Chairman Alan Greenspan has warned, is facing a natural gas crisis. Demand is high and supplies are tight, making natural gas prices more volatile. By closing the coal plants, we exacerbate the pending natural gas crisis, drive up electricity prices in the southeast, and put thousands of people out of work.

This wouldn't happen because that kind of bill wouldn't stand a prayer of passing. No senator worth his salt stands by and lets Congress put his constituents out of work and drive their electricity prices out of sight.

Energy policy is further complicated by regional differences in energy production and consumption; the hydropower dependent Northwest has very different challenges than does the Southeast with its local, state-controlled monopolies, or the Northeast with its increasing dependence on energy produced outside its region. These differences have made the Federal Energy Regulatory Commission's effort to impose a single, standard market design on the nation's power grid one of the most hotly contested issues in Washington. I worked tirelessly to craft a compromise on this and so many other

issues in order to ensure a fair and reasonable policy that would work nationwide. That meant compromises.

So yes, I took a pragmatic approach to this energy bill. I decided what the ideal bill would be like, then I measured that against what was politically possible. The result is a sound piece of legislation that diversifies our fuel portfolio, so that this nation is pretty prepared to absorb the changes in the price of any particular fuel, implement future environmental restrictions, and meet increased demand.

It's a mid-term step that takes all of us closer to the energy future we all agree on: a future where abundant, reliable, and affordable energy is produced with little impact on the environment and no dependence on the goodwill of hostile nations.

There are some goals this bill doesn't try for because they aren't achievable right now. Some have advocated higher automobile fuel efficiency standards. But efforts to increase automobile fuel efficiency standards have repeatedly failed. I recognized that and took a different approach. My bill provides tax credits of up to \$2,000 to consumers who purchase hybrid vehicles. If I can't mandate that relatively fuel-inefficient, sport-utility vehicles (SUVs) be more environmentally sensitive, I can give consumers incentives to buy vehicles that are.

This bill takes us closer to other goals than we've ever been before. One-third of the tax incentives in this bill would provide a tax credit for the production of electricity from solar, wind, biomass, and geothermal energies. This incentive means that wind farms will spring up around the country like the 204-megawatt New Mexico Wind Energy Center that just came on line. That's the third largest wind farm in the country. Half a dozen more wind farms like it are in the planning stages, pending the enactment of the tax provisions in the energy bill.

The bill will also provide incentives so that future coal-fired power plants will use the most advanced clean-coal technologies and so that a new generation of nuclear power plants that emit no greenhouse gasses will also be available to meet our future requirements.

This bill is a jobs bill. It mandates construction of the Alaska Natural Gas pipeline and in the process creates more than 400,000 jobs. Moreover, it would stabilize the skyrocketing natural gas prices that have driven thousands

of American jobs overseas. Besides creating new jobs, we will help staunch the hemorrhage of jobs we have now to foreign countries.

We create more than 214,000 new jobs with the ethanol provision, which mandates increased use of ethanol in gasoline. That provision alone will expand household incomes in rural America by an estimated \$51.7 billion in the next decade. At a cost of only \$14 billion over 10 years, this bill will be the cheapest jobs bill to come out of Congress this year.

Compromise is necessary. The House of Representatives insisted on a provision to provide faulty product indemnification for producers of methyl tertiary butyl ether (MTBE), a gasoline additive largely mandated by federal law that some claim can result in contamination of water supplies. The Senate rejected that bill last fall.

Earlier this year, I filed a leaner version of the bill with the Senate. That bill costs less and removes the safe harbor for both MTBE and ethanol.

I will seek the middle ground — and what I hope is the higher ground — on this issue as I have on others in this bill. Contrary to what some critics have claimed, there has been considerable compromise in this bill. I have dropped the very controversial provisions that would have opened Alaska's Arctic Natural Wildlife Refuge (ANWR) to oil and gas production. The electricity provisions don't go as far as I would like in some areas because I have crafted compromises among the differing regions of the country.

But on the core, underlying principle, I refuse to compromise. I have insisted on making this a real energy bill that takes tangible steps to expand and diversify our energy portfolio. I refused to write a bill that is just a collection of efficiency and renewable provisions that — while they make for good rhetoric — would not fundamentally add to our nation's supply of affordable and reliable energy.

This is not a perfect energy bill, but this bill does do what I set out to do more than a year ago: it increases and diversifies our production of cleaner energy. By diversifying production, the United States can begin to move toward an energy security that is based on reducing the share of consumption that relies on foreign sourced supplies. In the end, I think that underlying strength will carry the day. □