

**REAUTHORIZATION OF EXPIRING ENERGY POLICY
AND CONSERVATION ACT PROGRAMS**

HEARING
BEFORE THE
SUBCOMMITTEE ON ENERGY AND POWER
OF THE
COMMITTEE ON COMMERCE
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTH CONGRESS
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THURSDAY, SEPTEMBER 23, 1999

HOUSE OF REPRESENTATIVES,
COMMITTEE ON COMMERCE,
SUBCOMMITTEE ON ENERGY AND POWER,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2123, Rayburn House Office Building; Hon. Joe Barton (chairman) presiding.

Members present: Representatives Barton, Stearns, Largent, Coburn, Rogan, Shimkus, Wilson, Shadegg, Fossella, Bryant, Ehrlich, Hall, McCarthy, Sawyer, Pallone, and Wynn.

Staff present: Cathy Van Way, majority counsel; Miriam Erickson, majority counsel; Donn Salvosa, legislative clerk; Rick Kessler, minority professional staff; and Sue Sheridan, minority counsel.

Mr. BARTON. The subcommittee will please come to order. The Subcommittee on Energy and Power of the Commerce Committee is here today to hold a legislative hearing on the Energy Policy and Conservation Act reauthorization.

Before we have opening statements and go to our distinguished panel, we would like to welcome the members of the Chilean National War College. I am told that there are somewhere between 30 and 50 Chilean War College members in the audience today and that they will be going over to meet with Chairman Spence of the Armed Services Committee.

Gentlemen and lady, we welcome you and hope that you enjoy your stay in Washington. We are delighted to have a strong relationship between the great nation of Chile and the United States of America. We appreciate your attendance at today's hearing.

I want to welcome our other audience members and our panel today. We are going to reauthorize the Energy Policy and Conservation Act, hopefully by unanimous consent, later this morning. Without congressional action, the EPCA will expire next week, on September 30. We are going to consider a proposal to reauthorize that piece of legislation.

EPCA is vital to our energy security. It established the Strategic Petroleum Reserve; it authorizes this country's participation in the International Energy Agency. Reauthorizing these provisions is essential to protecting the United States in the event of a shutoff of foreign oil supplies.

It is for this reason that I strongly support the reauthorization of the EPCA.

While we are reauthorizing the act, I believe that we should consider another protection from dependence on foreign oil. That is, if we can, we need to increase our domestic oil and gas production, or at least maintain it.

The United States produces domestically 45 percent of its daily petroleum needs and 40 percent of that production comes from independent oil and gas companies. Extended periods of low prices like United States producers faced earlier this year can be and have been devastating to independent producers and to domestic production.

Since the beginning of this calendar year, many producers have gone bankrupt and as many as 136,000 stripper wells have been shut in because of low oil prices. A stripper well is a well that produces less than 15 barrels of oil per day.

At this hearing we are going to consider one provision to EPCA that will protect our producers of these stripper wells in times of extraordinarily low prices. We simply cannot afford to lose an opportunity to strengthen our domestic resource.

I am interested in learning about proposals to reauthorize the act as well as any other suggestions as to what we can do to preserve domestic oil and gas production during extended periods of extraordinarily low oil prices.

I want to welcome our panel today and I look forward to our hearing.

With that, I would recognize the distinguished ranking member, Congressman Ralph Hall of Rockwall, for an opening statement.

Mr. HALL. Mr. Chairman, thank you, and thank you for your opening statement. I do have an opening statement. I have everything except my glasses. I will ask unanimous consent to put my statement in the record.

Mr. BARTON. Without objection.

I am surprised that my glasses didn't help you. These are the best glasses that WalMart sells.

The gentleman from California, Mr. Rogan, is recognized for an opening statement.

Mr. ROGAN. Mr. Chairman, thank you. Once again I compliment my dear friend, the ranking member. I have my glasses but no opening statement.

Mr. BARTON. The Chair would ask unanimous consent for all members not present to have the requisite number of days to enter an opening statement at this point in the record.

Is there an objection?

[No response.]

Mr. BARTON. Hearing none, so ordered.

We want to go to our panel. We have three distinguished witnesses today. Leading off will be the Honorable Robert Gee, who is the Assistant Secretary for Fossil Energy at the United States Department of Energy. Then we will hear from Mr. Lee Fuller, who is representing the Independent Petroleum Association of America and the National Stripper Well Association, and then Mr. Michael Canes, who is representing the American Petroleum Institute.

Gentlemen, we welcome you to the hearing. Each of your written statements is in the record in its entirety. We are going to recog-

nize you, Mr. Gee, for 7 minutes, and then Mr. Fuller and then Mr. Canes. Welcome to the committee. The floor is yours.

STATEMENTS OF HON. ROBERT W. GEE, ASSISTANT SECRETARY FOR FOSSIL ENERGY, DEPARTMENT OF ENERGY; LEE FULLER, VICE PRESIDENT OF GOVERNMENT RELATIONS, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA; AND MICHAEL E. CANES, AMERICAN PETROLEUM INSTITUTE

Mr. GEE. Thank you, Chairman Barton. Mr. Chairman, thank you for holding this hearing today on the administration's proposed bill to amend and extend through September 30, 2003, authorities of the Energy Policy and Conservation Act that would otherwise expire on September 30. My remarks this morning will be brief.

When the act last expired in September 1997, the Strategic Petroleum Reserve was recovering from several non-emergency sales of oil for budgetary purposes and was facing the threat of yet another directive to sell oil for non-emergency reasons contained in the fiscal year 1998 budget.

We appreciate the actions of members of this subcommittee and the full committee that relieved the department from the obligation to sell oil in fiscal year 1998 and reverse the trend toward a smaller Strategic Petroleum Reserve.

I am pleased to report that after selling 28 million barrels of oil in fiscal year 1996 and 1997 and narrowly avoiding a sale in fiscal year 1998, in April of this year the department resumed oil acquisition that it ended in April 1994 with the transfer of Federal royalty oil from the Department of the Interior to the Strategic Petroleum Reserve. The current program is to transfer 28 million barrels, an amount equal to the volume sold during fiscal years 1996 and 1997.

The amendments in the administration's bill will modernize the act by eliminating provisions which are no longer necessary or desirable and amending others to reflect the current state of the reserve program.

The bill proposes to delete unused provisions of the law that provide for the establishment of regional and industrial petroleum reserves. It deletes the anachronistic requirement for a SPR plan and its consequent amendments and retains and codifies the distribution plan to require the sale of reserve oil to the highest bidder.

In addition, the bill relieves the department from the impracticable requirement to submit a plan for an expansion to a billion barrels by 1992 and substitutes a reasonable requirement and necessitates submission of an expansion plan when the Secretary determines such an expansion is desirable. The bill would also eliminate the current 75,000 barrel per day minimum fill rate that has not been honored during the last decade.

Mr. Chairman, starting in 1996 the Department of Energy conducted a review of its policies for the reserve. We issued a Federal Register notice inviting public comment on an array of issues and in May 1998 published an Administration Statement of Policy on the Strategic Petroleum Reserve. Our bill reflects the positions contained in that statement of policy.

U.S. capability to draw down the Strategic Petroleum Reserve in a severe energy supply emergency is critical to U.S. national secu-

rity and economic interests and is crucial to our relationship with the other member countries of the International Energy Agency.

The extension of the act's authorities is needed, for instance, to facilitate U.S. company participation in a major Y2K response exercise that is being conducted by the International Energy Agency beginning in the last week of this month. If the act were to expire, the U.S. companies would be required to withdraw, disrupting the exercise and preventing the United States from playing any meaningful role.

Additionally, all direct authorities to utilize the reserve are contained in the act, and its timely extension could become critical were a year 2000 computer problem actually to occur and disrupt world oil flows. We simply cannot afford to enter December of this year without the President's drawdown authority intact.

Mr. Chairman, I urge the subcommittee and the full committee and the whole Congress to consider the administration's bill favorably and expediently to amend and extend the provisions of the Energy Policy and Conservation Act without a lapse of authority.

Thank you, Mr. Chairman.

[The prepared statement of Robert W. Gee follows:]

PREPARED STATEMENT OF ROBERT W. GEE, ASSISTANT SECRETARY FOR FOSSIL ENERGY, U.S. DEPARTMENT OF ENERGY

Mr. Chairman and members of the committee: I am pleased to appear before you today to talk about the Administration's legislative proposal to amend and extend to September 30, 2003, certain authorities of the Energy Policy and Conservation Act (EPCA), which are scheduled to expire on September 30, 1999.¹ I would also like to bring the Committee up to date on certain activities the Department has undertaken related to these authorities.

EPCA authorizes (in Titles I and II) two programs at the core of our nation's energy security: the Strategic Petroleum Reserve (SPR) and our participation in the International Energy Agency (IEA). It also provides authorities to support our long-term efforts to reduce vulnerability through several energy efficiency and renewable energy and conservation programs. These programs (in Title III) were extended in P.L. 105-388 to September 30, 2003.

U.S. capability to draw down the Strategic Petroleum Reserve in a severe energy supply interruption is critical to U.S. national security and economic interests and is crucial to our relationship with the IEA. The U.S. plays a vital role in the development of emergency response policies within the IEA. It is imperative that Congress act expediently to pass legislation to amend and extend these provisions, without a lapse of authority. Such a lapse could have major implications over the next few months. The extension of EPCA authorities is needed, for instance, to facilitate U.S. company participation in a major exercise with Y2K implications that is being conducted by the IEA beginning at the end of September. Additionally, the timely extension of EPCA will be especially important this year if it is determined a Y2K-related drawdown is necessary.

In addition, the Department of Energy conducted a review of its policies for the SPR. We issued a Federal Register Notice inviting public comment on various issues affecting the Reserve and subsequently published a Statement of Policy on the Strategic Petroleum Reserve in May 1998. The Administration's bill reflects the Statement of Policy.

Finally, EPCA was enacted 24 years ago and includes many provisions pertaining to the SPR which are no longer necessary, and references programs that no longer exist. Our bill deletes or amends EPCA provisions accordingly.

Need for the Reserve

During the last 24 years the Strategic Petroleum Reserve has become the Nation's principal defense against oil price shocks related to supply interruptions. Additionally, U.S. leadership in stockpiling has been and remains critical to the accumulation of stocks in other International Energy Agency member countries. The SPR in-

¹The Administration transmitted its proposed legislation to the Congress on March 15, 1999.

ventory is 563 million barrels of oil, which is currently held in four sites in Texas and Louisiana and is the equivalent of 60 days of imports. It is a significant deterrent to the use of oil embargoes as a political weapon as well as substantial protection against the effect of actual or imminent disruptions in crude oil supplies. For example, the Reserve vastly increased the flexibility of the United States to pursue the embargo of Iraq and Desert Storm in 1990-91 without concern that the hostilities would precipitously disrupt the availability of oil.

Today, the potential for oil market disturbances remains, whether caused by wars, political and religious unrest, natural disasters, or a failure in transportation logistics. Meanwhile, U.S. dependence on oil imports is expected to increase, with the world's oil reserves increasingly concentrated in highly volatile regions. While the U.S. currently enjoys diversity of suppliers for its imports, we remain at potential risk. Supplier diversity will not limit the serious economic impact of a significant rise in oil prices. A strong and viable SPR is as relevant in today's market as it was when EPCA was passed in 1975.

Recent SPR Initiatives

This year the Administration undertook two new initiatives affecting the SPR—the use of royalty oil to fill the SPR and initiation of a study on the appropriate size of the SPR.

In February, Secretary Bill Richardson and Secretary of the Interior Bruce Babbitt announced that the Department of the Interior would take up to 28 million barrels of Federal royalty oil paid in kind and transfer it to the Department of Energy to help fill the SPR. Staff from the Department of Energy and Department of the Interior have worked together cooperatively to craft and implement this program. Under Phase I of the program, arrangements were made with four of the largest producers in the Gulf of Mexico for the transfer of approximately 9.2 million barrels of crude oil to the SPR in exchange for royalty oil. Deliveries began in April. In the second phase, the program has been expanded to offer the maximum feasible volume of oil and open the program to a larger number of bidders using a competitive bid process.

Phase II will be an ongoing solicitation of invitations for bids to transfer or exchange royalty oil for oil to be delivered to the SPR. In Phase II A of the program, the Department awarded contracts for 9.59 million barrels to four companies on June 15, 1999. Phase II A deliveries commenced on August 1, 1999, and will continue through February, 2000. The Phase II B request for offers will be issued in early November, 1999, with deliveries anticipated between February 1, 2000, and November 30, 2000.

As indicated in the May, 1998, Administration Statement of Policy on the Strategic Petroleum Reserve, an interagency group led by the Department of Energy is revisiting the Department's 1990 study on the appropriate size of the SPR. Participants from the Department of Treasury, Council of Economic Advisors, Office of Management and Budget and Central Intelligence Agency, as well as the Department of Energy are involved in the project. A final report will be transmitted to Congress in the near future.

I would now like to turn to a discussion of the various amendments proposed in the Administration's bill to amend and extend EPCA.

SPR Amendments

The importance of extending SPR's basic authority under EPCA has already been discussed. In addition, the proposed Administration SPR amendments modernize EPCA by eliminating provisions which are no longer necessary or desirable, and amending others to reflect the current state of the SPR program. The Administration's bill proposes to delete the provisions providing for the establishment of regional and industrial petroleum reserves. It deletes the requirement for an SPR Plan and Plan Amendments, and codifies the distribution portion of the Plan to require the sale of oil drawn from the Reserve to the highest bidder. The bill also would make a plan for expansion of the Reserve necessary only when the Secretary determines such an expansion is desirable and would eliminate the current minimum fill rate. In addition, the bill proposes that the requirement for a 30-day congressional review period for alternative financing contracts be deleted.

Regional Petroleum Reserves: The Act currently provides for the establishment of regional petroleum reserves in Federal Energy Administration regions that are dependent upon Petroleum imports for more than 20 percent of their consumption. The Act also permits the Secretary to substitute crude oil for products and to store the oil in a reserve "readily accessible to" rather than actually located in such regions. Based on analytical findings and substantially higher costs for regional storage, the Department of Energy and its predecessor organizations have consistently

determined that the storage of crude oil in the centralized SPR would meet the requirements of all regions of the country in the event of a petroleum supply disruption. Because the need for a regional petroleum reserve is not foreseeable and funding for such a program is not justifiable based on its expected benefits, the Administration's bill deletes both this requirement and references to regional and refined petroleum product storage.

Industrial Petroleum Reserve: The Act permits the Secretary to establish an Industrial Petroleum Reserve as part of the Strategic Petroleum Reserve, by requiring importers of petroleum products and refiners to store and maintain oil in readily available inventories. This provision has never been implemented, would shift the cost of the program to industry, and would be particularly onerous to administer. The Administration's bill deletes both this provision and references to industrial petroleum reserves consonant with the Administration's stated policy that the Nation is best served by centralized, Government-owned, Government-controlled storage.

The Plan: The Act currently requires the Secretary to maintain a Strategic Petroleum Reserve Plan, and specifies the details that must be included in the Plan. This was appropriate when the Reserve was in its planning phase during the mid and late 1970's. Currently, the Reserve consists of four storage sites with 700 million barrels of cumulative storage capacity, and the Plan that details those sites has been completed. The Act also requires that the Plan specify the levels of fill for certain years, all of which are now in the past. The Administration's bill proposes that the requirement for the Plan and Amendments be deleted. The one remaining part of the Plan which is still necessary is the Drawdown and Distribution Plan embodied in Plan Amendment No. 4. The basic policy of distributing oil from the Reserve by competitive sale, contained in Amendment No. 4, is maintained in the Administration's bill by making that policy part of the governing statutes.

The Administration believes that free market sales are far superior to allocation as a method of distributing oil from the world's strategic reserves. While Plan Amendment No. 4 provides that public sales will be the primary method of distribution, it also allows the Secretary to allocate up to 10 percent of the sales volume. This allocation authority should be eliminated. The Department has never used this allocation authority, and its existence may unnecessarily encourage some consumers to rely on the Government rather than the market for supplies in an emergency. It will also put elected officials in the difficult position of having to evaluate requests for preferential treatment from various constituent groups during a national emergency. The Administration's bill reflects the Administration's belief in market mechanisms and the impracticality of allocation; it does so by codifying open market sales to the highest bidders as the method of distributing Strategic Petroleum Reserve oil.

Expansion: As the Committee is aware, a 1990 amendment of EPCA requires the Department to submit an SPR Plan Amendment detailing expansion of the Reserve to one billion barrels. While the Department did conduct the requisite studies, analyses, and public hearings to pick sites and complete such a Plan Amendment, final steps in the process were not taken because it was clear that such a plan could not be implemented within the time horizon for which the studies were relevant. Due to budget constraints and the need to decommission the Weeks Island site, setting a schedule date for reaching a capacity of 1 billion or even 750 million barrels was and is unrealistic. The proposed legislation requires that the Secretary report to the Congress on plans to expand the Reserve at the time such expansion becomes likely. This deferred requirement would replace the current statutory requirement.

Statutory Fill Rate: The Act contains a requirement for filling the Reserve at a rate of 75,000 barrels of oil per day until the Reserve has reached 750 million barrels. This requirement has been waived regularly by a number of Congresses at the request of several Administrations. Given that the Department has not met this requirement for many years and the capacity of the Reserve was reduced to 700 million barrels after decommissioning the Weeks Island site, the Administration bill deletes the requirement. The bill also proposes to delete the linkage which makes sales authority for Naval Petroleum Reserve No. 1 crude oil contingent upon an SPR fill rate of at least 75,000 barrels. Because Naval Petroleum Reserve No. 1 was sold in 1998, this provision is no longer applicable.

Alternative Financing: Another issue addressed by the Administration's bill is Congressional review of alternative financing contracts. Alternative financing contracts, including oil "leases" or similar arrangements, are a means to reduce the budgetary requirements for Strategic Petroleum Reserve oil. No contracts have ever been negotiated for alternatively financed acquisition and current law imposes some requirements on alternative financing contracts that diminish the chances that such contracts could be successfully negotiated. Specifically, the Act requires that contracts that would not otherwise require any Congressional action lie before the Con-

gress for 30 legislative days before going into effect. This provision adds a time delay to already complicated contracts, and adds an element of uncertainty to contract negotiations. The Administration bill proposes deleting the requirement for a 30-day congressional "lie before" period after a contract is signed. Of course, if promising negotiations should occur we intend to discuss plans with the appropriate Congressional committees prior to any contract execution.

IEA Authorities

The Administration's bill also extends to 2003 U.S. participation in the emergency preparedness activities of the IEA. The IEA, which is the main forum for energy cooperation among 24 countries, was created in 1974 under an Agreement on an International Energy Program. As a member of the IEA, the U.S. is obligated to maintain inventories of Government-owned or commercial stocks above minimum operating levels equivalent to 90 days of net imports. EPCA also provides limited antitrust defense for U.S. oil companies participating in the IEA's emergency preparedness programs to enable them to assist the IEA in planning or implementing a drawdown of government-controlled oil stocks.

Last year's amendment to EPCA's antitrust provisions, broadening the scope of U.S. oil company participation in IEA activities, has enabled the IEA to more fully engage its oil industry advisors in planning its response to future oil supply disruptions. Last fall's successful Emergency Response Exercise was the first major IEA activity at which U.S. companies made use of the broadened antitrust provisions. On September 28-30, the IEA will sponsor an oil disruption response simulation exercise to test its ability to respond to disruptions in world oil markets. One element of the exercise will focus on the potential impact on world oil supply of Y2K-related computer problems. In addition to energy security experts from the IEA's 24 member governments, representatives of major oil companies will play a key role in this exercise. Immediately following the exercise on October 1, the IEA and its oil company advisors will meet to turn the lessons learned during the simulation into policy and response options for addressing the Y2K problem.

We urge you to pass these authorities expeditiously to facilitate U.S. participation in these important programs.

Committees on Renewable Energy Commerce and Trade and Energy Efficiency Commerce and Trade

Title II of EPCA also provides the authority for the Committee on Renewable Energy Commerce and Trade (CORECT) and the Committee on Energy Efficiency Commerce and Trade (COEECT). COEECT is an interagency committee whose 15 Federal Agency members, in conjunction with private industry, develop and implement strategies for the export of U.S. energy efficiency technologies. CORECT, which has not received appropriations in the last three years, has curtailed its activities in the export of renewable energy technologies. The Administration strongly supports reauthorization of these programs to promote the export of U.S. energy technologies and products.

Conclusion

In summary, the energy programs extended by the Administration's bill are central to our nation's energy and economic strategies. I urge you to reaffirm our commitment to these programs and ask for your assistance in the passage of this bill.

That concludes my prepared testimony. I will be glad to answer any questions.

Mr. BARTON. Thank you, Mr. Secretary.

We would now like to hear from Mr. Lee Fuller, who is representing the Independent Petroleum Association of America.

STATEMENT OF LEE FULLER

Mr. FULLER. Thank you, Mr. Chairman. Mr. Chairman and members of the subcommittee, I am Lee Fuller, vice president of government relations for the Independent Petroleum Association of America.

I am pleased to appear before you today to discuss reauthorization of the Energy Policy and Conservation Act on behalf of the 7,000 independent oil and gas producers represented by IPAA and on behalf of the National Stripper Well Association.

The National Stripper Well Association represents the small business operators in the oil and gas industry, producers with low volume, high cost stripper or marginal oil and gas wells.

National energy policy generally receives little attention unless there is a crisis or a public outcry. The subject you consider today, important in its own right, also should be the basis for a broader discussion of U.S. energy policy and national security.

It is essential that national policy recognize that domestic oil production is the nation's true strategic petroleum reserve. Far more than the hundreds of millions of barrels in the Strategic Petroleum Reserve, the ability to produce 6.5 million or 7 million barrels a day of domestic oil is essential to America's national security. Oil is this nation's economic lifeblood. Without a stable oil supply, the United States economy and the world's economic health is at risk.

While a strong and vibrant domestic oil and natural gas industry plays the lead role in maintaining America's energy and national security, we must not forget the importance of a reliable Strategic Petroleum Reserve. IPAA and NSWA welcome most of the administration's proposed technical changes and the extension of EPCA.

Our government's capability to utilize the Strategic Petroleum Reserve in an energy supply disruption is critical to U.S. national security and economic well being. Because our members do not refine or retail petroleum products, independents do not hold large stockpiles that can be readily allocated. Yet we know that clarification of antitrust defenses included in the proposed amendments, for example, are important to private companies who play a vital role in the development of emergency response policies within the International Energy Agency.

Extension of the antitrust defense for U.S. companies participating in the IEA's emergency preparedness programs is an important component in planning response to future oil supply disruptions.

As you know, this year the Department of the Interior and the Department of Energy entered into an agreement to use Federal royalty oil to fill the SPR. We believe the program to take up to 28 million barrels of royalty oil paid in kind is an example of good government. Not only has DOE found a way to replace the 28 million barrels of oil sold for non-emergency purposes in 1996 and 1997, it has also discovered a way for Congress and the administration to meet EPCA's requirements that call for a 1 billion barrel oil reserve without having to appropriate scarce resources to do so.

After completion of the 28 million barrel RIK acquisition, the reserve will still only have less than 600 million barrels of oil in storage. The SPR currently has a capacity of 700 million barrels. IPAA and NSWA strongly encourage Congress and the administration to continue with the initiative and fill the reserve to its maximum capacity.

Another change proposed in the administration's EPCA reauthorization concerns the Department of the Interior and joint bidding for exploration and development rights on the Outer Continental Shelf. This is a complicated and adversarial issue that has historically caused division in the industry.

The proposal calls for the Secretary of the Interior to establish a program for setting the terms of joint bidding by any company

for the right to explore for and develop leases in the OCS on or after December 31, 2000. Having seen this proposal tucked away in the reauthorization proposal with no comment from the administration has caused apprehension among many independent producers operating in the OCS.

Earlier this week the IPAA Offshore Committee met to discuss the proposed changes to the existing policy on joint bidding. The Offshore Committee has indicated their opposition to changing the current joint bidding policy. It is the consensus of the committee that current joint bidding policy allows for a healthy and competitive leasing program for OCS properties. It should also be noted that changes are not necessary in light of the fact that the secretary of the interior has the authority to permit joint bidding for those excluded under the current policy.

I would like to focus the remainder of my remarks on energy security as it relates to the SPR and America's domestic producers. In terms of energy and our national security preparedness, America is on thin ice. We do not have a crisis or a supply shortage now, but that could change and could change quickly. We want the United States to be prepared.

Maintaining the Strategic Petroleum Reserve is a vitally important part of our energy preparedness. The reserve is intended to be America's insurance policy against a severe oil supply disruption or severe economic disruption. IPAA and NSWA want to ensure that SPR is never misused by Congress or the administration again. It is our sincere hope that non-emergency sales of stockpiles from the SPR such as those that took place in 1996 and 1997 to help balance the budget and pay the cost of operating and maintaining the facility will never take place again. The Federal Government should not cash in our insurance policy to pay today's bills.

We also urge you to more closely examine America's true "strategic petroleum reserve." That reserve is the 22.5 billion barrels of known and recoverable oil. Our technically recoverable resources are even greater—88 billion barrels of oil and 885 trillion cubic feet of natural gas. Every day, thanks to technological advances, we find oil in this country where we have heard time and again that we were drying up. In the Gulf of Mexico, deep water exploration has shown great promise. And on shore, in dozens of fields and basins producers are finding new reserves and ways to get more from existing reserves.

So as we consider policy changes to improve our Strategic Petroleum Reserve, let us remember that there are other policy changes that need to be made if we are to develop our domestic resources, the other strategic reserve. Both are of great importance to our economy and national security.

That concludes my comments. Thank you, Mr. Chairman.

[The prepared statement of Lee Fuller follows:]

PREPARED STATEMENT OF LEE FULLER, VICE PRESIDENT OF GOVERNMENT RELATIONS, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA, ON BEHALF OF IPAA AND THE NATIONAL STRIPPER WELL ASSOCIATION

Mr. Chairman and members of the subcommittee: I am Lee Fuller, vice president of government relations for the Independent Petroleum Association of America (IPAA). I am pleased to appear before you today to discuss reauthorization of the Energy Policy and Conservation Act (EPCA) on behalf of the 7,000 independent oil

and gas producers who are members of IPAA and on behalf of the National Stripper Well Association (NSWA). NSWA represents the small business operators in the oil and natural gas industry, producers with low volume, high cost stripper or marginal oil and natural gas wells.

With the exception of members of this subcommittee and the Senate Energy Committee, few in Congress focus on energy policy until there is a crisis or public outcry. The subject you consider today—important in its own right—also should be the basis for a broader discussion of U.S. energy policy and national security.

It is essential that lawmakers recognize that domestic oil production is the nation's true "strategic petroleum reserve." Far more than the hundreds of millions of barrels in the Strategic Petroleum Reserve, the ability to produce 6.5 to 7 million barrels/day of domestic oil is essential to America's national security. Oil is this nation's economic lifeblood. Without a stable oil supply the U.S. economy and the world's economic health are at risk.

While a strong and vibrant domestic oil and gas industry plays the lead role in maintaining America's energy and national security, we must not forget the importance of a strong and vibrant Strategic Petroleum Reserve (SPR). IPAA and NSWA welcome most of the Administration's proposed technical changes and the four-year extension of EPCA. Our government's capability to utilize the Strategic Petroleum Reserve (SPR) in an energy supply disruption is critical to U.S. national security and economic well being. Because our members do not refine or retail petroleum products, independents do not hold large stockpiles that can be readily allocated. Yet, we know that clarification of antitrust defenses included in the proposed amendments, for example, are important to private companies who play a vital role in the development of emergency response policies within the International Energy Agency (IEA).

Extension of the antitrust defense for U.S. companies participating in the IEA's emergency preparedness programs is an important component in planning response to future oil supply disruptions. Last fall's Emergency Response Exercise was very successful. This month IEA's 24 member governments and representatives of major oil companies will participate in a simulation exercise to test our drawdown preparedness for Y2K-related computer problems. Without the extension of antitrust protection included in the proposed reauthorization legislation the exercise will likely be conducted without the involvement of the companies.

As you know, this year the Department of the Interior and the Department of Energy entered into an agreement to use federal royalty oil to fill the SPR. We believe the program to take up to 28 million barrels of royalty oil paid in kind is an example of government at its best. Not only has DOE found a way to replace the 28 million barrels of oil sold for non-emergency purposes in 1996 and 1997, it has also discovered a way for Congress and the Administration to meet EPCA's requirements that call for a 1 billion barrel oil reserve without having to appropriate scarce resources to do so.

After completion of the 28 million barrel RIK acquisition the Reserve will still only have less than 600 million barrels of oil in storage. The SPR currently has a capacity of 700 million barrels. IPAA and NSWA strongly encourage Congress and the Administration to continue with the initiative and fill the reserve to its maximum capacity.

Another change proposed in the Administration's EPCA reauthorization bill concerns the Department of the Interior and joint bidding for exploration and development rights on the Outer Continental Shelf (OCS). This is a complicated and adversarial issue that has historically caused division in the industry.

The proposal calls on the Secretary of the Interior to establish a program for setting the terms of joint bidding by any company for the right to explore for and develop leases in the OCS on or after December 31, 2000. Having seen this proposal tucked away in the reauthorization proposal with no comment from the Administration has caused apprehensive among many independent producers operating in the OCS.

Earlier this week the IPAA Offshore Committee met to discuss the proposed changes to the existing policy on joint bidding. The Offshore Committee has indicated their opposition to changing the current joint bidding policy. It is the consensus of the Committee that current joint bidding policy allows for a healthy and competitive leasing program for OCS properties. It should also be noted that changes are not necessary in light of the fact that the Secretary of the Interior has the authority to permit joint bidding by those excluded under the current policy.

I would like to focus the remainder of my remarks on energy security as it relates to the SPR and America's domestic producers. In terms of energy and our national security preparedness America is on thin ice. We don't have a crisis or supply short-

age now, but that could change...quickly. We want the United States to be prepared.

Maintaining the Strategic Petroleum Reserve is a vitally important part of our energy preparedness. The reserve is intended to be America's insurance policy against a severe oil supply disruption or a severe economic disruption. IPAA and NSWA want to insure that SPR is never misused by Congress or the Administration again. It is our sincere hope that non-emergency sales of stockpiles from the SPR such as those that took place in 1996 and 1997 to help balance the budget and pay the costs of operating and maintaining the facility will never take place again. The federal government should not cash in our insurance policy to pay today's bills.

We also urge you to more closely examine America's true "strategic petroleum reserve." That reserve is the 22.5 billion barrels of known and recoverable oil. Our technically recoverable resources are even greater, 88 billion barrels of oil and 885 trillion cubic feet of natural gas. Every day, thanks to technological advances, we find oil in this country where we've heard time and again that we were drying up. In the Gulf of Mexico, deep-water exploration has shown great promise. And on-shore, in dozens of fields and basins, producers are finding new reserves and ways to get more from existing reservoirs.

So, as we consider policy changes to improve our Strategic Petroleum Reserve, let us remember that there are other policy changes that need to be made if we are to develop our domestic resources, the other strategic reserve. Both are of great importance to our economy and national security.

That concludes my comments. Thank you, Mr. Chairman.

Mr. BARTON. Thank you, Mr. Fuller.

We would now like to hear from Mr. Canes, who is representing the American Petroleum Institute. Your statement is in the record in its entirety and we recognize you for 7 minutes.

STATEMENT OF MICHAEL E. CANES

Mr. CANES. Thank you, Mr. Chairman and good morning. My name is Michael Canes, senior economic advisor to the president of the American Petroleum Institute. API represents over 400 member companies in every aspect of the oil and natural gas industry, including exploration and production, transportation, refining and marketing.

My testimony focuses on the critical role of section 252 of the Energy Policy and Conservation Act, or EPCA, and the urgent need for Congress to reauthorize the act before it expires next Thursday, September 30. Section 252 of EPCA enables oil companies, including several of API's members, to assist the International Energy Agency, or IEA, in planning for possible oil supply disruptions and in responding to an actual disruption.

Kenneth Haley, chairman of the Industry Advisory Board, a group of 19 oil companies that advises the IEA on emergency response issues, was originally scheduled to testify before the hearing was postponed from last week. He is unable to be here today but asked that his statement be made part of the hearing record.

Oil companies have supported the IEA since its inception in 1974, working to maintain and improve its emergency response procedures. These consultations between representatives of the member governments, the IEA staff and oil companies make the IEA unique and contribute significantly to its effectiveness.

All of the oil companies' activities in support of the IEA have been conducted under the protection of the statutory antitrust and breach of contract defenses established in EPCA. Without this protection, few if any companies are likely to participate in the activities. That would be unfortunate, both in non-emergency times and in emergencies.

In non-emergency times, the current law provides antitrust protections that have been indispensable in allowing oil companies to provide advice to IEA to help it keep its policies up to date and consistent with the continuing evolution of oil markets. An example is the oil supply disruption simulation exercise that will be held at the end of this month.

Oil company representatives will be working together with energy security experts from the IEA's 24 member governments to better understand how the IEA's emergency response measures can work with the powers of oil markets to minimize the economic damage resulting from a supply disruption. The exercise also will explore the possible actions that the IEA member governments could take in response to potential Y2K problems.

In the event of a real supply disruption, the companies are able to provide up-to-the-moment evaluation of key supply and demand factors and the impact of possible responses by the IEA. Such information can be of immediate value to IEA officials. However, EPCA is scheduled to expire on September 30. This would eliminate the statutory antitrust defense that has allowed the oil companies to advise the IEA and would halt the effective consultations.

The next oil supply disruption cannot be predicted. Thus, it would be unwise to allow EPCA to lapse. Continuity of coverage under EPCA is essential to allow the oil companies to assist immediately in the event of a disruption.

The U.S. oil companies have been asked by the government to assist the IEA. I am convinced that such consultations are useful and lead to more effective IEA response measures which in turn reduce the economic damage that might be caused by a future oil supply disruption. Thus, API encourages the Congress to reauthorize EPCA immediately, extending to 2003 the statutory antitrust and breach of contract defenses that are essential to allow U.S. oil companies to support the IEA's emergency response activities.

Thank you, Mr. Chairman. I look forward to your questions.

[The prepared statement of Michael E. Canes follows:]

PREPARED STATEMENT OF MICHAEL E. CANES, AMERICAN PETROLEUM INSTITUTE

Good Morning. My name is Michael Canes, Senior Economic Advisor to the President of the American Petroleum Institute (API). API represents over 400 member companies in every aspect of the oil and natural gas industry, including exploration and production, transportation, refining and marketing.

My testimony focuses on the critical role of Section 252 of Energy Policy and Conservation Act or "EPCA" and the urgent need for Congress to reauthorize the Act before it expires next Thursday, September 30, 1999. Section 252 of EPCA allows oil companies, including several of API's members, to assist the International Energy Agency (IEA) in planning for possible oil supply disruptions and in responding to an actual disruption.

Kenneth Haley, Chairman of the Industry Advisory Board, a group of 19 oil companies that advises the IEA on emergency response issues, was originally scheduled to testify at your hearing last week, September 16, 1999. He is unable to be here today but has asked that his statement be made part of the hearing record.

At the request of the U.S. government, oil companies have supported the IEA since its inception in 1974, working to maintain and improve its emergency response procedures. These consultations between representatives of the member governments, the IEA staff, and oil companies make the IEA unique and contribute significantly to its effectiveness.

All of the oil companies' activities in support of the IEA have been conducted under the protection of the statutory antitrust and breach of contract defenses established in EPCA. In my opinion, few, if any, companies would participate in these activities if the defenses were not available.

In non-emergency times, the current law provides antitrust protections that have been indispensable in allowing the oil companies to provide advice that helps the IEA keep its policies up to date and consistent with the continuing evolution of oil markets. An example is the Oil Supply Disruption Simulation Exercise that will be held at the end of this month. Oil company representatives will be working together with energy security experts from the IEA's 24 member governments to better understand how the IEA's emergency response measures can work with the power of oil markets to minimize the economic damage resulting from a supply disruption. The exercise will also explore the possible actions that the IEA member governments could take in response to potential Y2K problems.

In the event of a real supply disruption, the companies are able to provide up to the moment evaluation of key supply and demand factors and the impact of possible responses by the IEA.

However, EPCA is scheduled to expire on September 30, which would eliminate the statutory antitrust defense that has allowed the oil companies to advise the IEA, and would halt the current effective consultations.

The next oil supply disruption cannot be predicted. Thus, it would be unwise to allow EPCA to lapse. Continuity of coverage under EPCA is essential to allow the oil companies to assist immediately in the event of a disruption.

The U.S. oil companies have been asked by the government to assist the IEA. I am convinced that such consultations are useful and lead to more effective IEA response measures which in turn will reduce the economic damage that might be caused by a future oil supply disruption.

Thus, API encourages the Congress to reauthorize EPCA immediately, extending to 2003 the statutory antitrust and breach of contract defenses that are essential to allowing oil companies to support the IEA's emergency response activities.

Thank you.

PREPARED STATEMENT OF KENNETH W. HALEY, CHEVRON CORPORATION, ON BEHALF OF THE AMERICAN PETROLEUM INSTITUTE

My name is Ken Haley. I am Manager of Energy Forecasting for Chevron Corporation. I am providing this statement for the record on behalf of the American Petroleum Institute (API). API represents over 400 member companies in every aspect of the oil and natural gas industry, including exploration and production, transportation, refining, and marketing. This statement describes our industry's activities under the Energy Policy and Conservation Act (EPCA). In particular, the statement focuses on the critical role of Section 252 of EPCA in allowing the oil companies to assist the International Energy Agency (IEA) in planning for possible oil supply disruptions and, most importantly, in responding to an actual disruption.

There are about 40 oil companies that operate in countries that are members of the International Energy Agency (IEA) and have agreed to work with and report data to the IEA. Of these Reporting Companies, 19 serve as members of the Industry Advisory Board (IAB). The IAB includes most of the large multinational companies based in the U.S. and Europe as well as smaller companies that operate in only one or two countries. I have represented Chevron as a member of the IAB for 13 years, and I am currently the Chairman of the IAB, a position I have held for over 6 years. Because of my role as Chairman of the IAB, my perspective on the role of EPCA is perhaps unique to other witnesses.

Background

At the request of the U.S. and other IEA-member governments, and under terms of the Agreement on an International Energy Program, the international agreement on which the IEA is based, oil companies have supported the IEA since its inception in 1974. Advice from companies was an integral part of the design of the IEA's Emergency Response System at that time, and it has contributed to maintaining and improving the IEA's emergency response procedures over the years. Companies were actively involved in providing advice to the IEA and its member governments during the oil supply disruptions in 1979/80 and 1990/91.

The IEA and the member governments consult with oil companies through the Industry Advisory Board, the body that advises the IEA on a wide range of factors related to the emergency response measures—policy issues, changes in the markets, and technical issues associated with oil production, transportation and refining. Through the IAB and its subcommittees, the IEA and its member governments have access to the expertise of many oil companies that operate throughout the world. These consultations between representatives of the member governments, the IEA staff, and oil companies make the IEA unique and contribute significantly to its ef-

fectiveness. The mechanisms for consultation are well established, and both the IEA and the member governments actively seek input from the private sector. Because oil markets are continuously evolving and changing, regular input from companies plays an important role in keeping the IEA informed of those changes.

All of the oil companies' activities in support of the IEA's emergency response activities have been conducted under the protection of the statutory antitrust and breach of contract defenses established by the United States. Similarly, the European Union has adopted an exemption for the companies. These protections, which carry with them extensive obligations for record keeping, reporting and monitoring of activities by government observers (all of which have been carefully observed over the years), are of critical importance to the oil companies. I believe it is safe to say that few, if any, companies would participate in these activities in support of the IEA if these defenses were not available. I base this conclusion on the fact that, in the past, whenever the EPCA defense has lapsed, the IAB suspended all operations until the effective date of the EPCA extension legislation. Fortunately, these gaps in coverage have never coincided with a real oil market disruption.

Current Situation

In non-emergency times, the current law provides antitrust protections that have been indispensable in allowing the oil companies to provide advice that has helped the IEA continue the process of improving its emergency response capability. World oil markets have evolved dramatically during the 25 years since the IEA was created, and they can certainly be expected to continue changing. Thus continuing advice from the companies, who operate in the oil markets on a daily basis, is a key element of keeping the IEA's emergency response systems and procedures up-to-date and consistent with the realities of world oil markets.

An example of this process is the Oil Supply Disruption Simulation Exercise that will be held at the end of this month. It represents a major new step in developing coordinated emergency response plans that take advantage of the efficiency of oil markets by using emergency reserves, such as those in the Strategic Petroleum Reserve, as a first response to offset disrupted supplies. Oil company representatives will be working together with energy security experts from the U.S. Government and the IEA's 23 other member governments to better understand how the IEA's emergency response measures can work with the power of oil markets to minimize the economic damage resulting from a supply disruption. The exercise will also explore the possible actions that the IEA member governments could take in response to potential Y2K problems, addressing both the uncertainties as the end of the year approaches as well as possible responses if supply disruptions occur in early-2000.

In the event of a future supply disruption, the companies are currently in a position to provide timely, well-informed advice to the IEA and its member governments regarding key supply and demand factors, including the likelihood of severe shortages and the impact of possible responses by the IEA.

EPCA is scheduled to expire on September 30, 1999, which would eliminate the statutory antitrust defense that has allowed the oil companies to provide effective assistance to the IEA. There is, of course, no way of knowing when the next oil supply disruption will occur. By its very nature, the occurrence of the next oil supply disruption cannot be predicted, but given the uncertain world in which we live, it is likely that sooner or later there will be another crisis of some kind. In light of these risks, it would be unwise to allow EPCA to lapse. Emergency response programs are most effective at mitigating the impact of a supply disruption if they are implemented quickly. Continuity of coverage under EPCA is essential to maintain the legal structure that allows the oil companies to immediately begin working with the IEA and its member governments to adopt response measures in the event of a crisis. It would be unfortunate to allow a gap in the coverage provided by EPCA that could result in advice from the oil companies not being available when it was most needed, if a disruption were to occur in the months ahead.

The oil companies have been asked by the U.S. Government to assist the IEA. The State Department, the Department of Energy and the IEA have repeatedly advised us that they want U.S. oil companies to advise the IEA on emergency response matters. I am convinced that such consultations are useful and lead to more effective IEA response measures, which in turn will reduce the economic damage to our economy and the economies of our allies that might be caused by a future oil supply disruption. Thus, API encourages Congress to reauthorize EPCA immediately, extending to 2003 the statutory antitrust and breach of contract defenses that are essential to allowing the oil companies to support the IEA's emergency response activities.

Mr. BARTON. Thank you, Mr. Canes.

The Chair would recognize himself for the first round of questions, which will be 5 minutes.

Mr. Fuller, I think you are aware that I have been working on an amendment to this piece of legislation that would give the secretary the permissive authority to purchase marginal well oil when prices fall below \$15 a barrel. I have spoken with some people at IPAA. Is your group aware of this and willing to support it being added on a temporary basis to the reauthorization bill?

Mr. FULLER. Mr. Chairman, this is an issue that we have also looked at over time as a mechanism to try to deal with marginal well production in times of crisis. I think as an organization we would like to see this concept move forward to see what can be done in that regard.

As you know, there are a number of complicated factors that one needs to take into account to try to make it work, acquiring the oil or trading for it in some fashion to get it to the Strategic Petroleum Reserve and others.

I think there are also questions that one needs to address in terms of whether you would preserve some capacity in the Strategic Petroleum Reserve to be used to fill in this kind of a crisis. For example, right now the empty capacity, as I mentioned, is about 100 million barrels. That is roughly 80 days of production from marginal wells around the country. So some capacity would have to be there to make that type of process work.

I am glad to see that you are addressing the question of price, because that is also a very significant factor in maintaining marginal wells. These wells are higher cost wells and therefore are more susceptible as price falls.

Mr. BARTON. Mr. Secretary, I met yesterday with Secretary Richardson and I also met in Congressman Hall's office with some of the professional staff at the Department of Energy on the amendment. Secretary Richardson said that he was very sympathetic to it and the professional staff said that they had concerns about implementation such as Mr. Fuller alluded to but they were neutral as to trying to make it work, and they thought they would be willing to do that if the secretary supported it.

Have you had any conversations with Mr. Richardson since yesterday afternoon on this amendment?

Mr. GEE. I have not had an opportunity to talk to Secretary Richardson since he met with you late yesterday afternoon. I have talked to my staff who met with you and am aware of your conversations with him. We are taking a look at your amendment, Mr. Chairman.

We are certainly sympathetic with the spirit of your amendment in recognizing the severe impact that low oil prices have had on stripper well capacity. One of the goals of our office and of our department is to preserve existing domestic production capacity of which stripper wells certainly play a big role. To the extent that your amendment moves in the spirit of helping to maintain that domestic capacity, certainly we are sympathetic. We are not, however, as you know and as Secretary Richardson indicated to you, prepared to commit to a position on your specific proposal at this time, but we will certainly be happy to take a look at it.

Mr. BARTON. As long as it is permissive and not coercive, the staff estimate is that there is no CBO scoring negative to it. So, as you said, we are moving in spirit in the direction that you all support.

Mr. GEE. That is something we are taking a look at, yes, Mr. Chairman.

Mr. BARTON. Could you comment, Mr. Secretary, on the Strategic Petroleum Reserve's Y2K capability? Are you satisfied that in the event of a Y2K problem that the SPR would still be functional and could be drawn down if necessary?

Mr. GEE. Yes, Mr. Chairman. We are absolutely confident that we have no lingering Y2K problem on the infrastructure of our Strategic Petroleum Reserve facilities. They are ready. As a matter of fact, we have already prepared all of the administrative requirements in the instance of a disruption of oil flow from foreign sources, were that the case, to be able to respond timely on our behalf; were there, for instance, some problem with one of our foreign suppliers of domestic crude.

We are confident that we are ready, and our staff in fact will be on alert when the clock strikes 12 midnight December 31 to see if there is any need to begin a drawdown, if that were the case.

Mr. BARTON. Thank you, sir.

My time has expired. The Chair would recognize Mr. Hall for 5 minutes.

Mr. HALL. Mr. Chairman, thank you.

Mr. Gee, you understand that the bill that is before us does not include reauthorization of certain programs to encourage export of American technology for renewable energy and energy efficiency, and I think you also understand that the administration supports the reauthorization of these programs. I am very hopeful that we can work out the problems with the provisions.

It does not bother me that with my connection with the Science Committee for them to refer it to them, but it seems like a useless referral and time-consuming and does not really need to be done, because I think they are largely procedural in time for next week's full committee markup, and time is pretty much of the essence right now.

Tell us a little more about these programs. I understand that some of the activities have become dormant in recent years. Give us some reasons why they ought to have life breathed back into them other than the reason that we need to do anything we can to help the energy community and that they have been pretty well run roughshod over and have not been, in my opinion, given the attention and the support of this Congress or this administration or the past administration. There are ten states out of 50 that produce this and they have to almost run over the other 40 to get anything that is worthwhile, or make trades that are almost unconscionable.

Give me some good reasons for the record as to why these programs became dormant and without appropriations, and help us put in the record where we can read it to others and others will read it why they merit an extension.

Mr. GEE. Thank you, Congressman Hall. As you know, I am the fossil energy guy at the Department of Energy and I am not the

expert in renewables or energy efficiency, but I do know that including the necessary authorizations to continue these two programs is part of this administration's, this department's desire. Let me give you a very, very brief, cursory description of what is contemplated.

One of the programs that we understand needs reauthorization is the Committee on Renewable Energy Commerce and Trade, which is a 14-member interagency working group of the Federal Government. Its purpose is to develop a partnership between the U.S. private sector and the Federal Government to mobilize resources of these various agencies to assist the renewable energy industry to increase their international market share. Close cooperation is needed between U.S. industry and our agencies because of the competitive forces that they face in a global market.

It is my understanding that this program has not been funded over the last two fiscal years. It was begun around fiscal year 1994 and was funded through fiscal year 1996.

The desire on the part of the department is to have reauthorization despite the fact that the program has not been funded during fiscal year 1997 or 1998 because of the desire to have that authorization in place were there a desire to re-appropriate funds for these programs because of the need to meet the challenges in a global marketplace and have our private sector work closely with our agencies to promote renewable technologies abroad.

The other program is the Committee on Energy Efficiency Commerce and Trade. It also is an interagency working group.

Let me get my notes in order. There is one other program.

Mr. HALL. In the interest of time, if you would like to and if the chairman approves, you could give me these things to put in the record, to be added. I just want to get them on record for those who are not here to read them and for those who are not members of this subcommittee to have them available.

Mr. GEE. The other program, Mr. Congressman, is similar to the other program. Its mission is to assist energy efficiency industry to compete in the international market through an interagency working group. In this instance, this is where competitors of U.S. firms receive direct substantial government export assistance where they face barriers into foreign markets. The purpose of this energy efficiency commerce and trade group is to consult and collaborate with representative industry groups and Federal agency heads to coordinate and leverage actions and programs of the Federal Government with the private sector.

This program has been funded on a continuous basis since fiscal year 1993. There is an outstanding request for fiscal year 2000 as well. It is intended to help leverage export assistance to foster energy efficiency technologies abroad.

Like I said, Mr. Chairman, we will be happy to provide you and the record with more information. I am not the energy efficiency expert at the Department of Energy, as you know, but we will be happy to give you additional information.

[The following was received for the record:]

The attached fact sheets on the Committee on Energy Efficiency Commerce and Trade (COEECT) and the Committee on Renewable Energy Commerce and Trade (CORECT) are provided for the record.

**COMMITTEE ON ENERGY EFFICIENCY COMMERCE AND TRADE
(COEECT)**

The Committee on Energy Efficiency Commerce and Trade (COEECT) is an inter-agency working group of fifteen Federal agencies chaired by the Department of Energy whose mission is to assist the U.S. energy efficiency industry to compete in the international market—where its competitors receive substantial government export assistance and where it faces barriers to entry into foreign markets. COEECT consults and collaborates with representative industry groups and relevant Federal agency heads to coordinate and leverage the actions and programs of the Federal Government affecting the export of energy efficiency products and services to support U.S. energy efficiency industry efforts to successfully compete for its share of the large world market. COEECT's purpose is to increase energy efficiency exports, thus creating US jobs and reducing global environmental pollution.

Funding History

FY 93: \$248K
 FY 94: \$704K
 FY 95: \$1,116K
 FY 96: \$1,116K
 FY 97: \$1,100K
 FY 98: \$1,000K
 FY 99: \$900K
 FY 00: \$1,200K (requested)

Approach

- COEECT coordinates Federal member activities.
- COEECT leverages existing Federal resources by: identifying existing export assistance programs which apply to the energy efficiency industry;
 - bringing to bear member agency resources to promote the goals of these programs on behalf of the energy efficiency industry, resulting in increased exports;
 - and pursuing the commercial financing of projects and seeking out host country matching dollars for the purchase of U.S. energy efficiency goods and services.
- COEECT partners with the U.S. energy efficiency industry by:
 - understanding its export market priorities and identifying barriers that cannot be overcome without this specialized Federal assistance;
 - developing assistance for all energy efficiency firms to enter targeted markets, including overcoming financing and regulatory barriers, identifying projects, conducting focused trade missions with contact with potential buyers from industry and government, market conditioning, project implementation, match-making, deal closure and market assessments;
 - providing industry a link to and leveraging of the wide range of government programs and activities designed to increase U.S. industry's market share.

FY 1999 Activities

COEECT continues to assist industry, especially small and medium-sized businesses that could not afford to develop business outside the U.S., increase their market penetration and global competitiveness. COEECT's activities support the U.S. energy efficiency industry in providing technical information on, and assistance in, export financing and project implementation in the areas of Latin America, Asia, and Central and Eastern Europe.

**COMMITTEE ON RENEWABLE ENERGY COMMERCE AND TRADE
(CORECT)**

The Committee on Renewable Energy Commerce and Trade (CORECT) is a 14-member interagency working group of the Federal Government. CORECT's primary objective has been to forge an effective partnership between the U.S. private sector and the Federal government to mobilize the resources of the CORECT member agencies and assist the renewable energy industry to increase their international market share. Given the large potential market for renewables exports and the increasing competition from government-aided European and Asian industries, close CORECT-industry collaboration is needed to ensure that U.S. business is able to secure a significant portion of this market. By increasing renewable energy exports, the program creates U.S. jobs, returns money to the Federal government through tax revenues and reduces pollution from traditional energy sources.

Funding History

FY 94: \$1.886 million

FY 95: \$1.884 million
 FY 96: \$1.888 million
 FY 97: \$ 0 (\$2.0 requested)
 FY 98: \$ 0 (\$2.0 requested)

Approach

First, CORECT works very closely with the U.S. renewable energy industry to obtain as clear an understanding as possible of its export objectives. This collaboration has led to the designation of four major regional markets: Latin America and the Caribbean, Asia and the Pacific, Africa, and Eastern Europe and the Commonwealth of Independent States. Within those regions high priority country markets have been identified where U.S. firms have a significant potential to sell their products and services.

Second, after the identification of barriers CORECT works with industry to design practical assistance aimed at enhancing market entry prospects for all U.S. renewable energy firms in specific country markets. The aim of the approach is to insure that CORECT works with U.S. business to overcome specific impediments identified by U.S. firms with experience in specific overseas markets.

Third, CORECT aids industry by working collaboratively to identify project lending that emphasizes commercial financing lending rather than aid from governmental resources. This has become increasingly feasible as life cycle costs for renewables have continued to decrease to the point where in countries heavily dependent on petroleum imports, many large scale renewable technologies are directly competitive with thermal electric generation systems. Additionally, CORECT is working with industry to bring about this same situation with smaller-scale rural renewable energy applications, which are increasingly seen as a more sustainable alternative than reliance on dispersed hard-to-maintain diesel generators.

Activities

No funding for CORECT was received in FY 1997, FY 1998 and FY 1999. No activities ongoing.

Mr. HALL. For that I thank you.

Will the chairman yield?

Mr. BARTON. The gentleman's time has expired, but we will yield for one more question.

Mr. HALL. I have a question of the chairman. Our visit yesterday with you and members of other departments indicated that your bill was limited to stripper wells. Have you enlarged that?

Mr. BARTON. The wording is "marginal well."

Mr. HALL. That would go up to 15?

Mr. BARTON. Fifteen barrels. That is my understanding what the definition is in the law.

Mr. HALL. How about the tertiary thrust? We discussed that a little bit.

Mr. BARTON. That is not included.

Mr. HALL. But could be if there is no objection?

Mr. BARTON. It is permissive. So it would be at the discretion of the Secretary.

Mr. HALL. I think it is a good bill and I think it certainly is a tool that might aid an industry that needs not only some aid but some kind words. Thank you. I yield back my time.

Mr. BARTON. We appreciate that support.

We want to thank our Chilean friends for your attendance and seeing democracy in action.

The gentleman from California, Mr. Rogan, is recognized for 5 minutes.

Mr. ROGAN. Mr. Chairman, thank you. Thank you for calling this hearing. I thank each of the panelists for their participation.

Mr. Gee, I was hoping you could just fill in a few background gaps for me in my knowledge of the historical background of the

Strategic Petroleum Reserve. This was created about 25 years ago as a result of the oil shocks of 1973, and the purpose of the reserve was to protect us against future shocks at least for a period of time?

Mr. GEE. That is correct, Congressman. It was started in the mid-1970's roughly as an effort among the OECD countries of which the United States is a member to collaborate in instances of oil supply emergencies where there was a disruption of oil flow. At that time, as you know, there was a huge dependency, as there still is today, on oil coming from the Persian Gulf region.

It was the United States' effort to develop a capacity to have oil in storage in underground caverns, to have roughly anywhere from a 60- to 90-day drawdown capability to mitigate price shocks in the instance of a severe oil interruption from our foreign source crude oil.

We are proud to say that this is something that the United States has made a commitment to and is viewed worldwide among International Energy Agency members as a model for other nations to follow, that is, those countries that are IEA members of which all the OECD countries are a part.

We hope that the commitment is shown by all to maintaining the reserve and to replenishing its capacity because of our continued dependence upon crude oil, which is even greater today, from foreign sources than it was in 1974, which I think at the time was around 35 percent reliance, which is now beyond that, well into around 54 or 55 percent today on foreign source crude.

Mr. ROGAN. I am sorry. You said it has gone from about 35 percent?

Mr. GEE. It was 35 percent, I believe, in 1974 and 1975, at the time we began the process to develop the Strategic Petroleum Reserve. It is now, as I understand it, around 54 or 55 percent of net imports.

Mr. ROGAN. Obviously it preceded my time in the Congress. My recollection of that time was that it was the stated policy of the United States to wean ourselves from dependence on foreign oil. What you are saying essentially sounds like we have committed a colossal failure in that regard. How do you account for that?

Mr. GEE. We have not done a very good job. I think it is a number of factors. One is the growth of the United States economy and our huge energy consumption demands. The United States is the most energy intensive country in the world. We consume more energy than any other industrialized country per capita.

Another factor, unfortunately, has simply been our unwillingness to make the necessary policy steps to move us toward a way of increasing our reliance on domestic sources. We are trying to turn that around. This administration, for instance, is committed to halting the decline in domestic production capacity by the year 2005.

We recognize that we are going to have to take steps, among other things, to improve the way we consume energy and also preserve our domestic capacity because of the perilous position it puts us in and our huge reliance on foreign source crude.

Mr. ROGAN. In that regard, is the administration also seeking out new sites to drill and produce?

Mr. GEE. We have.

Mr. ROGAN. Domestic sites?

Mr. GEE. That is a sensitive political question. On the other hand, we have been able to find areas where we think our industry ought to be entitled to go and develop. For instance, the Department of the Interior recently opened up parts of the National Petroleum Reserve in Alaska for drilling. They are now looking at various bids to help develop those public lands because of the necessity of having to find more sources of oil.

One other thing that the Department of Energy is doing—actually, a number of other things—is helping to improve the economics in oil drilling technology. We have a number of programs already in place to help lower the cost of production, particularly among the small independents who are in a financially distressed situation. We have programs working with them to foster technology transfers so that they can put in place the best available technology to lower their drilling costs.

We have another program to help lower their electricity costs. Part of the cost incurred out in the oil patch in producing oil is attributable to electric utility costs, which make up about 40 percent of overall cost of production. We are working very closely with the industry, with the independents, and with the National Association of State Energy Officials to try to find a way to guide them and help them do energy audits and find ways to lower their electricity cost which plays such a large role in keeping a lot of the marginal capacity economically viable.

Mr. ROGAN. Thank you, sir.

Mr. BARTON. The gentleman from Ohio, Mr. Sawyer, is recognized for 5 minutes for questions.

Mr. SAWYER. Thank you, Mr. Chairman. I really appreciate Secretary Gee's last comments. In 1974 and 1975 I was working at the Public Utilities Commission of Ohio, policy analysis and that sort of thing. The effect of oil on virtually all other alternative sources of energy played itself out in the real lives of people at that point.

The kind of effort that had begun, according to my staff, with recommendations from Secretary Harold Ickes in the 1940's and President Truman's Mineral Policy Commission in 1952, Eisenhower's suggestion of an oil reserve in the Suez crisis in 1956, the Cabinet Task Force on Oil Import Control recommended a reserve in 1970, and finally in 1975 we got to it.

Your chronicling the size of the reserve really raises a question. You say it is about 563 million barrels now. The current capacity is about 700.

Mr. GEE. Seven hundred.

Mr. SAWYER. The statutory target fill rate would aim us toward 750. You argue in your testimony that 750, much less 1 billion, is unrealistic today but that we will move toward analyzing what that ought to be.

Is the 60- to 90-day drawdown capacity still the standard by which we ought to judge this? What would that produce in terms of needed capacity? What should the reserve size be and how best should we hold ourselves accountable for achieving and maintaining it even in the face of budget pressures?

Mr. GEE. Our current capacity, as you indicated, Congressman, is 700 million barrels. We are currently at around 563 million barrels. After we complete our royalty in kind program with the Department of the Interior, it should be around 585 million barrels, still leaving us something around 115 million barrels shy of full capacity.

We have a size study that is under way. It is going through interagency review at this time. It is going to be developing the economics underlying the different options of continuing to fill the Strategic Petroleum Reserve and what an optimal size may be.

The study itself will not specifically recommend a size per se, but it would show the relative tradeoffs, depending upon what size we choose to opt for. For instance, if we were to go ahead and fill our capacity up to the full 700 million barrels, right now, because we have the capacity there, probably the cost would not be that great; it would be negligible. To go from 700 to 800 million barrels would probably incur some additional cost. Beyond 800 million barrels, I'm told we would then have to determine whether there are important economic benefits to be gained by going above 800 million barrels. At least that is what our technical staff tells us.

We will have a much better indication once this study comes up to be able to make a firmer recommendation on what an optimal size could be.

Right now our drawdown capability is 60 days worth. Under the International Energy Association requirements we are required to have a 90-day drawdown capacity as an IEA member. We meet that additional capacity by virtue of commercial storage, that is, storage provided by the private sector.

Mr. SAWYER. If it were all done in the reserve, would that be toward the billion barrel?

Mr. GEE. It moves us in that direction. The 1 billion barrel requirement as I understand it, was something that was in the original enabling legislation of EPCA. We were to have achieved that by 1992. Obviously we missed that target.

Mr. SAWYER. In the very brief time remaining to me and within the chairman's range of patience, can you tell me how that asset is valued for budget scoring purposes as an asset of the United States?

Mr. GEE. I am told, Congressman, that when we buy inventory it is scored and when we sell inventory it is scored, but so long as the inventory remains static it has no budgetary impact.

Mr. SAWYER. So if it were a cash deposit, it would have value, but if it is an asset, it does not?

Mr. GEE. Correct.

Mr. SAWYER. That may be something to look at, Mr. Chairman.

Mr. BARTON. I thank the gentleman from Ohio. We now recognize the gentleman from Oklahoma, which has got many, many small independent oil and gas producers, the Honorable Mr. Largent, for 5 minutes.

Mr. LARGENT. Thank you, Mr. Chairman.

Mr. Fuller, I notice that your title at the IPAA is manager of their energy forecasting.

Mr. FULLER. I am the vice president of government relations.

Mr. LARGENT. You are energy forecasting, Mr. Canes?

Mr. CANES. No.

Mr. LARGENT. Does anybody do energy forecasting?

Mr. CANES. No, sir.

Mr. BARTON. If the gentleman would yield. We want the record to show that Mr. Fuller's title on the committee handout does say energy forecasting. So Mr. Largent can read.

We have obviously made a mistake at the staff level and should not hold Mr. Largent accountable for that.

Mr. FULLER. Maybe I have skills I am unaware of.

Mr. LARGENT. Let us see. Let us test them.

What are the predictions for energy consumption for this country for the next five or 10 years? What is expected to happen? Do you know?

Mr. FULLER. I have not seen a forecast in that area. I think probably the best forecast that is put together in that regard is probably done by the Energy Information Administration.

Mr. LARGENT. Mr. Gee, do you have any idea?

Mr. GEE. I do not have the exact number, Congressman, but I do know the IEA numbers do show an upward trend of continued energy consumption.

Mr. LARGENT. Mr. Canes?

Mr. CANES. Yes, I think that is right. It largely depends upon economic activity. So long as that remains strong and positive, I think the expectation is there will be some increase in consumption of energy.

Mr. LARGENT. It seems to me I saw just recently across my desk a prediction that showed that energy consumption in this country was to double in the next ten to 20 years. I cannot remember. It is something like that.

My question is this. The United States today is currently producing domestically about 45 percent of our domestic needs. Given the fact that that consumption is going to double, say, in the next 20 years at the outside, does the United States have the capacity to maintain 45 or 50 percent of our domestic needs and produce it domestically?

Mr. Gee.

Mr. GEE. I think that is a very good question and that is something that we are taking a very careful look at. I will give you an illustration. When we talk about energy consumption, we are talking about transportation, we are talking about power generation, we are talking about the range of uses of energy in our economy.

One of the concerns we have, for instance, is we know that electric power is going put a huge demand on the drawdown of natural gas, on natural gas proven reserves. Every forecast that we have seen, particularly forecasts of the Energy Information Administration, show that there will be a huge demand for more natural gas over the next ten to 15 years for that reason.

One of the concerns we have is whether there is sufficiency of supply to meet that demand. That is something that we are working very closely with the National Petroleum Council on at this moment, doing an evaluation of what our policies are to meet the challenge of finding a way to make sure that there is sufficient natural gas supply to meet that huge demand.

Mr. LARGENT. Well, it is tough to import natural gas, isn't it?

Mr. GEE. It is going to be very difficult. We do not expect we will be able to import much natural gas. As you know, it needs to be liquefied and it is hugely expensive. So it is going to have to come presumably from a domestic source.

Mr. LARGENT. That brings me to a question about the IEA. Mr. Canes, the Strategic Petroleum Reserve, is that a part of the emergency plan of the IEA? In other words, if there was an interruption in the supply of oil worldwide, would the United States ever be called upon to use our Strategic Petroleum Reserve to send to somebody else?

Mr. CANES. I do not think it works quite that way, Mr. Largent. I believe that all countries are expected to have emergency plans and facilities.

Mr. LARGENT. For their own use?

Mr. CANES. Yes, and different countries, I think, approach this in different ways. I think some work on the demand side, and I think our choice has been to have a Strategic Petroleum Reserve to enhance supply. It is my understanding that there is no requirement to ship that oil overseas.

Mr. LARGENT. Mr. Gee, what is the average cost of a barrel of oil in the Strategic Petroleum Reserve today? Do you know?

Mr. GEE. Right now the average embedded cost price is around \$27 per barrel. That is my understanding. That is the historic embedded average cost.

Mr. LARGENT. When we sold it on a non-emergency basis in 1996 and 1997, what was the cost per barrel in the petroleum reserve and what did we sell it for?

Mr. GEE. Let me get that number for you, if I may.

[The following was received for the record:]

The average price paid for the oil in the Reserve was \$27.14 per barrel. Sales were as follows:

Fiscal Year	Amount of SPR Oil Sold	Cost per barrel
FY 1996	5.1 million barrels	\$18.95 per barrel
	12.8 million	\$17.81 per barrel
FY 1997	10.2 million	\$21.64 per barrel

Mr. LARGENT. Let me go on. What do we add to the cost of a barrel of oil just for maintenance every year in the SPR?

Mr. GEE. I am informed that it costs us approximately 25 cents per barrel per year to maintain that capacity.

Mr. LARGENT. Mr. Canes, I have a question again about the IEA. Who are the players in the IEA? Is everybody at the table? Are the Middle East countries at the table? Is Russia at the table with the IEA? And what enforcement mechanisms exist for the players that participate in the IEA in the case of worldwide interruption?

Mr. CANES. Mr. Largent, I am not completely acquainted with every country that is in there, but I believe it is largely the OECD countries that make up the primary members of the IEA.

Mr. LARGENT. So are we talking about Saudi Arabia?

Mr. CANES. No. The OECD would be primarily western Europe, Japan, the United States, Canada.

Mr. LARGENT. Russia?

Mr. CANES. I am not sure whether Russia is a member of the IEA. As far as I know, they are not, but I may be mistaken on that.

Mr. LARGENT. So we are talking about a significant number. What about Argentina or some of the countries in South America? They are not players either. So we are talking about the most significant producers in the world do not participate in the IEA.

Mr. CANES. I believe that is correct.

Mr. LARGENT. How effective can the IEA be when the most significant producers in the world are not at the table?

Mr. CANES. Sir, I believe that it was originally intended to be a mechanism for consuming countries, the large consuming countries to collectively decide on ways to deal with disruptions or emergency situations. So it has functioned largely for that purpose. That is the reason, I believe, why producers other than, say, Great Britain are not members of the organization.

Mr. LARGENT. Doesn't it make sense to try to make an effort to get the producers at the table in case there is an interruption? It is one thing to have all the people that are in need to say, OK, how are we going to do this? We don't have enough oil. How are we going to allocate? But in reality it is not up to them; it is up to the people that are producing. I do not understand why the OPEC countries, for example, are not at the table.

Mr. CANES. It might be that a different kind of mechanism which would include producers might be a good idea to try to work out what should be done in emergency, but IEA, as I understand it, was not intended for those purposes.

Mr. BARTON. The gentleman's time has expired.

Mr. LARGENT. Thank you, Mr. Chairman.

Mr. BARTON. We can submit questions for the record.

Did Mr. Fuller wish to comment on that?

Mr. FULLER. I just wanted to make a comment on that point. One of the concerns we have had, particularly as we watch this last oil price crisis, is the importance of trying to be a player in the international arena with respect to these producing countries for the United States.

As you are probably aware, there is current investigation under the section 232 process to look at the threat to national security that imported oil poses.

Our recommendations on ways to address that is a strong encouragement that the United States needs to be much more proactive with producer countries in looking at the need for supply around the world, and particularly in responding quickly to the kinds of events that we saw happen in the last 20-some months that created the price crisis that had such a devastating effect on our domestic industry.

Probably IEA is not the format for that, but it is certainly a need that we think this country needs to pursue.

Mr. BARTON. Thank you.

The gentle lady from Missouri, Ms. McCarthy, is recognized for 5 minutes.

Ms. MCCARTHY. I thank you, Mr. Chairman, and I thank you for holding this most important hearing.

Mr. Gee, through my travels and my experiences I have learned about how other countries are cleaning our clock on export of re-

newable energy to the developing countries where traditional energy just will not work. There isn't the infrastructure; there isn't the capacity; there isn't the use for oil and the traditional uses we have. Japan and other countries for some time now have been out there exporting renewables into these countries.

There has not been much said about reauthorizing these efforts, the two programs, the Committee on Renewable Energy Commerce and Trade and the Committee on Energy Efficiency Commerce and Trade, COEECT and CORECT. I wonder if you would speak to those.

I have concern, as the administration does, with regard to the impact of energy use particularly in developing nations. We do not want them going down the path that China has gone down and causing grave pollution and consequences that are going to be very expensive for the world to clean up.

Would you kindly address those matters now in preparation for our work on this bill.

Mr. GEE. Thank you, Congresswoman. Congressman Hall had already asked me the same question, but I will be happy to give you a brief description of those two programs. Let me do that simultaneously.

Ms. MCCARTHY. I do not need a description. I want to know what we are doing about reauthorizing them and also what we are doing as an administration and a government to see that we do not get our clocks cleaned in the future.

Mr. GEE. The administration is seeking reauthorization of both programs because of the necessity to underscore the importance of the export of energy efficiency and renewable technologies by U.S. companies with a collaborative effort between the private sector and our government to try to gain market entry into those developing countries and other venues that you just mentioned.

I think the purpose that they serve is to have a competitive advantage for U.S. firms who are strongly backed by other firms in other countries by their governments as well to gain market access. Both of these programs are very important, because if we do not activate them on a timely basis, the United States stands to lose a significant market share in marketing both those technologies.

Ms. MCCARTHY. Is currently losing. It isn't "stands to." The tense is wrong in the administration and in the minds of the American oil companies. British Petroleum. Look what they are doing. And it is working. What is the administration doing to get the attention of the industry here that instead of playing catch-up to get out in front of it?

Mr. GEE. Our office is the fossil energy office, but I know that Dan Reicher, who heads the Office of Energy Efficiency and Renewable Energy at the Department of Energy, has been very aggressive in working with our private sector to try to preserve and improve market share among members of our industry in those foreign venues. I will be happy to refer your questions to him. I am not the energy efficiency and renewable expert, as you know.

I can tell you today that both these programs are high priorities for our department and for our administration, because we do think that it is important for the United States to be very actively involved working with our private sector to market those tech-

nologies, because there are going to be instances when traditional uses of forms of energy are not going to be favored for a variety of reasons, either logistical or environmental, in a number of foreign regimes, and that energy efficiency and renewable energy will be the technology of choice and that it is very important for the United States to play a major role there.

Ms. MCCARTHY. I appreciate your efforts. I still think you need to use the verb tense that is most appropriate. This is not a futuristic goal. This is now, and we are behind the curve.

When oil executives come before this subcommittee and I ask them about this, they think maybe I'm on Mars or they are on Venus. I don't know. But this is a great opportunity for our economic development, for the betterment of our globe and the environment that we share, and it is like a lost opportunity, because we are still just talking about it here in this country where other nations are acting on it and have been.

I appreciate your activities. I would just like to say let's fast forward them.

I thank the Chair for his indulgence and this time.

Mr. BARTON. We have got two votes on the floor. We are going to recognize Mr. Stearns for his 5 minutes, and then we are going to recess. We will continue the hearing at the end of the recess, which should be around a quarter to noon. We will recognize Mr. Stearns for 5 minutes.

Mr. STEARNS. Thank you, Mr. Chairman. I will be brief, particularly in light of the vote.

Mr. Gee, every time I come to the House floor there is usually some amendment to decrease the fossil fuel program. Evidently you have taken reductions both from Congress as well as the Department of Energy. Isn't that true?

Mr. GEE. That is correct, Congressman.

Mr. STEARNS. Let me ask Mr. Canes and Mr. Fuller. What are the benefits of the fossil energy program? I hope you will be candid with us. Many members do not know and we are trying to determine what the benefits are. Maybe this is a perfect time for you to tell us.

Mr. FULLER. From the independent sector, we have strongly supported that program. Mr. Gee described a number of the activities that the fossil energy program has been engaged in that is particularly directed at working with independent smaller producers. Obviously most of our companies do not have the resources to develop elaborate technology steps forward.

Mr. BARTON. Would the gentleman yield on his answer. Before Congressman Shimkus and Congresswoman Wilson leave, would you all be willing to submit your questions in writing for the record? And Mr. Ehrlich and Mr. Fossella. If you all agree to do that, we can go to authorization of the bill when we come back instead of having questions. Is that acceptable? Is there any objection on the Democratic side?

When we come back, we will be ready to go to markup of this piece of legislation.

Proceed.

Mr. FULLER. This is a program that we have found to have the potential to be very beneficial. In addition, because it focuses fre-

quently on trying to establish technology transfer information to small producers, it helps us a great deal.

Mr. STEARNS. Mr. Fuller, you think it is a good program?

Mr. FULLER. We do think it is a good program.

Mr. STEARNS. You think we should increase the funding for it?

Mr. FULLER. I think you should get the funding back to where it had been. So that would be an increase from where it is now.

Mr. STEARNS. Mr. Canes.

Mr. CANES. Mr. Stearns, I was not prepared to deal with that question today. I think in general we have had a very strong working relationship between the industry and the DOE, but on this specific question I would have to get back to you for the record.

Mr. STEARNS. You mean you have got to contact the institute and talk to them?

Mr. CANES. I would want to find out.

Mr. STEARNS. This has never come across your plate whether the fossil fuel program is good or bad in your entire tenure at this particular institute?

Mr. CANES. No. Because my responsibilities have been on the economics and statistics side, I have not dealt with the research side of it and the relationship between our companies and the fossil fuel portion of DOE, but I am sure we do have some things to say on this and will be glad to supply you that.

Mr. STEARNS. Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. BARTON. Thank you. We are going to recess. Before we do, all members will have the requisite number of days to put written questions in the record for the witnesses to answer. We also would ask unanimous consent that some other national organizations put a written statement in the record subject to both minority and majority staff agreeing on those statements.

Is there objection to that?

[No response.]

Mr. BARTON. We are going to recess until a quarter to noon. We are going to reconvene at 15 until noon and we will go into markup. The witnesses are released. We are in recess.

[Whereupon at 11:15 a.m., the subcommittee was recessed, to reconvene at 11:45 a.m., this same day.]

[Additional material submitted for the record follows:]

NATIONAL ASSOCIATION FOR STATE COMMUNITY SERVICES PROGRAMS
September 13, 1999

The Honorable THOMAS BLILEY, *Chairman*
United States House of Representatives
Committee on Commerce
2125 Rayburn House Office Building
Washington, DC 20515

DEAR CONGRESSMAN BLILEY, I would like to thank the Committee for this opportunity to express the views of our organization in the matter of the hearing being held on September 16, 1999 related to the Energy Policy and Conservation Act (EPCA—42 U.S.C. 6865). The National Association for State Community Services Programs (NASCSP) is a membership organization representing state directors of the U.S. Department of Energy's (DOE) Weatherization Assistance Program (WAP) and the U.S. Department of Health and Human Services' Community Services Block Grant. DOE has offered a set of statutory changes to revise existing WAP legislation. This letter serves our testimony in support of these much needed revisions to the current laws governing this important program.

The first proposed change involves the cost per unit average. The proposed average would be increased to \$2,500, adjusted annually. A closely related proposed change involves the allowable expenditures included in the average cost per unit. When approved, the capital-intensive category would be eliminated and all higher cost units would be included in this revised higher average. Also, health and safety costs would be excluded from this average and accounted for as a separate cost category.

NASCSP fully supports these two proposed changes. Both will result in the reduction of the administrative workload at the state and local levels related to tracking separate cost categories. In addition, DOE will recognize health and safety investments as legitimate costs.

Finally, we support the DOE proposal to eliminate the out-dated energy auditing requirements and establish a more advanced energy audit standard.

WAP has undergone many changes in recent years and will likely face many more in the future as we learn more about residential energy use and discover new energy saving technologies. Because of past statutory and regulatory revisions enacted by Congress and DOE, the state and local agencies that deliver the WAP have been able to increase the program's cost effectiveness and energy savings potential by 80% between 1989 and 1996. Of course, the more than 75,000 low-income families who receive WAP services each year are the real beneficiaries. These families enjoy lower energy bills and safer, healthier, and more energy efficient living conditions. Your favorable consideration of the proposed changes currently before your Committee will help provide an even more effective program by relieving unnecessary administrative burden and helping to promote the integration of new advanced technologies.

Respectfully submitted,

TIMOTHY WARFIELD
Executive Director