

Withdrawn/Redacted Material

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Briefing	National Energy Policy Development Group [17 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	17	N.D.	
002	Agenda	National Energy Policy Development Group... [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	04/11/2001	
003	Memorandum	Tax Issues [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
004	Memorandum	Permitting Recommendation [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
005	Memorandum	Hydropower Licensing [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	

COLLECTION TITLE:

Counsel's Office, White House

SERIES:

Kavanaugh, Brett - Subject Files

FOLDER TITLE:

National Energy Policy Emails on File - Larry Lindsey [1]

FRC ID:

9695

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

Deed of Gift Restrictions

- A. Closed by Executive Order 13526 governing access to national security information.
- B. Closed by statute or by the agency which originated the document.
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Freedom of Information Act - [5 U.S.C. 552(b)]

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
006	Memorandum	Coastal Zone Management Act [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
007	Handwritten Note	Benefit... [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	
008	Memorandum	California Talking Points [3 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS] - To: Larry Lindsey - From: Bob McNally	3	04/11/2001	
009	Memorandum	Coastal Zone Management Act [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
010	Memorandum	Permitting Recommendation [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	

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012	Memorandum	Tax Issues [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
013	Briefing	National Energy Policy Development Group [11 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	11	N.D.	
014	Agenda	National Energy Policy Development Group Principals Meeting [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	03/12/2001	

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015	Agenda	National Energy Policy Development Group Principals Meeting [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	04/18/2001	
016	Memorandum	Reformulated Gasoline and Boutique Fuels [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
017	Memorandum	Background on New Source Review [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	
018	Memorandum	Tax Credit for New Vehicle Technologies [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	

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019	Memorandum	Tax Credit for Methane from Landfill Gas [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	
020	Memorandum	Accelerating Investment in Highly Efficient Combined Heat and Power (CHP) Energy Systems [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	
021	Memorandum	Electricity/Private Use [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	
022	Memorandum	Renewable Energy/Biomass [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	N.D.	

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023	Email	Appreciation Reception [Page 2] - From: Andrew Lundquist	1	06/19/2001	b6;
024	Email	Policy Issues [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS] - To: Sean O'Keefe, et al. - From: Mitchell Daniels	1	03/31/2001	
025	Email	Administrative... [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	02/16/2002	
026	Email	Agenda for Cabinet Meeting [page 3] [1 PAGE CLOSED IN PART FOR (b)(6) ON PRA RE-REVIEW 10/05/2023 KS] - From: John Fenzel	1	05/15/2001	b6;

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027	Email	Agenda for Cabinet Meeting [page 3] [1 PAGE CLOSED IN PART (b)(6) ON PRA RE-REVIEW 10/05/2023 KS] - To: Janet Walker - From: Jean Russell	1	05/16/2001	b6;
028	Schedule	Larry Lindsey Daily Schedule	1	05/04/2001	b6;
029	Schedule	Larry Lindsey Daily Schedule	1	05/04/2001	b6;
030	Email	Trade Association Liasion Council [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS] - To: Lawrence Lindsey - From: Kirk Blalock	2	04/19/2001	
031	Schedule	Larry Lindsey Daily Schedule	1	04/18/2001	b6;

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032	Email	Info for Tomorrow's NEPDG Principals' Meeting [Page 2] - From: Kjersten Drager	1	04/17/2001	b6;
033	Agenda	National Energy Policy Development Group Principals Meeting [1 PAGE RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	1	04/18/2001	
034	Memorandum	Reformulated Gasoline and Boutique Fuels [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
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042	Talking Points	Principles... [2 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	2	N.D.	
043	Email	Electricity... [Page 2] - From: Kjersten Drager	1	04/17/2001	b6;
044	Memorandum	Electricity [4 PAGES RELEASED IN WHOLE ON PRA RE-REVIEW 10/05/2023 KS]	4	N.D.	
045	Email	Electricity... [Page 2] - To: D. Marcus Sumerlin, et al. - From: Robert McNally	1	04/17/2001	b6;

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2017-0345-F

2018-0016-P

2023-0047-F

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SUPERSEDED

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
001	Briefing	National Energy Policy Development Group	17	N.D.	P5;
002	Agenda	National Energy Policy Development Group...	1	04/11/2001	P5;
003	Memorandum	Tax Issues	2	N.D.	P5;
004	Memorandum	Permitting Recommendation	2	N.D.	P5;
005	Memorandum	Hydropower Licensing	2	N.D.	P5;
006	Memorandum	Coastal Zone Management Act	2	N.D.	P5;
007	Handwritten Note	Benefit...	1	N.D.	P5;

COLLECTION TITLE:

Counsel's Office, White House

SERIES:

Kavanaugh, Brett - Subject Files

FOLDER TITLE:

National Energy Policy Emails on File - Larry Lindsey [1]

FRC ID:

9695

RESTRICTION CODES

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SUPERSEDED

DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
008	Memorandum	California Talking Points - To: Larry Lindsey - From: Bob McNally	3	04/11/2001	P5;
009	Memorandum	Coastal Zone Management Act	2	N.D.	P5;
010	Memorandum	Permitting Recommendation	2	N.D.	P5;
011	Memorandum	Hydropower Licensing	2	N.D.	P5;
012	Memorandum	Tax Issues	2	N.D.	P5;
013	Briefing	National Energy Policy Development Group	11	N.D.	P5;
014	Agenda	National Energy Policy Development Group Principals Meeting	1	03/12/2001	P5;

COLLECTION TITLE:

Counsel's Office, White House

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
015	Agenda	National Energy Policy Development Group Principals Meeting	1	04/18/2001	P5;
016	Memorandum	Reformulated Gasoline and Boutique Fuels	2	N.D.	P5;
017	Memorandum	Background on New Source Review	1	N.D.	P5;
018	Memorandum	Tax Credit for New Vehicle Technologies	1	N.D.	P5;
019	Memorandum	Tax Credit for Methane from Landfill Gas	1	N.D.	P5;
020	Memorandum	Accelerating Investment in High Efficient Combined Heat and Power (CHP) Energy Systems	1	N.D.	P5;
021	Memorandum	Electricity/Private Use	1	N.D.	P5;

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
022	Memorandum	Renewable Energy/Biomass	1	N.D.	P5;
023	Email	Appreciation Reception [Page 2] - From: Andrew Lundquist	1	06/19/2001	P6/b6;
024	Email	Policy Issues - To: Sean O'Keefe, et al. - From: Mitchell Daniels	1	03/31/2001	P5;
025	Email	Administrative...	2	02/16/2002	P5;
026	Email	Agenda for Cabinet Meeting - From: John Fenzel	3	05/15/2001	P5; P6/b6;
027	Email	Agenda for Cabinet Meeting - To: Janet Walker - From: Jean Russell	3	05/16/2001	P5; P6/b6;
028	Schedule	Larry Lindsey Daily Schedule	1	05/04/2001	P6/b6;

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
029	Schedule	Larry Lindsey Daily Schedule	1	05/04/2001	P6/b6;
030	Email	Trade Association Liasion Council - To: Lawrence Lindsey - From: Kirk Blalock	2	04/19/2001	P5;
031	Schedule	Larry Lindsey Daily Schedule	1	04/18/2001	P6/b6;
032	Email	Info for Tomorrow's NEPDG Principals' Meeting [Page 2] - From: Kjersten Drager	1	04/17/2001	P6/b6;
033	Agenda	National Energy Policy Development Group Principals Meeting	1	04/18/2001	P5;
034	Memorandum	Reformulated Gasoline and Boutique Fuels	2	N.D.	P5;
035	Memorandum	Background on New Source Review	1	N.D.	P5;

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DOCUMENT NO.	FORM	SUBJECT/TITLE	PAGES	DATE	RESTRICTION(S)
036	Memorandum	Tax Credit for New Vehicle Technologies	1	N.D.	P5;
037	Memorandum	Tax Credit for Methane Landfill Gas	1	N.D.	P5;
038	Memorandum	Accelerating Investment in Highly Efficient Combined Heat and Power (CHP) Energy Systems	1	N.D.	P5;
039	Memorandum	Electricity/Private Use	1	N.D.	P5;
040	Memorandum	Renewable Energy/Biomass	1	N.D.	P5;
041	Email	Info for Tomorrow's NEPDG Principals' Meeting [Page 2] - To: Jean Russell, et al. - From: Robert McNally	1	04/17/2001	P6/b6;
042	Talking Points	Principles	2	N.D.	P5;

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042	Email	Electricity... [Page 2] - From: Kjersten Drager	1	04/17/2001	P6/b6;
044	Memorandum	Electricity	4	N.D.	P5;
045	Email	Electricity... [Page 2] - To: D. Marcus Sumerlin, et al. - From: Robert McNally	1	04/17/2001	P6/b6;

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Brett

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STANDARD

Larry Lindsey

**National Energy Policy
Development Group**

**IN-PROGRESS
REVIEW**



April 19, 2001

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Meeting Memorandum

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Meeting Agenda

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Talking Points

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List of Participants

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Briefing Slides

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National Energy Plan Principles

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OFFICE OF THE VICE PRESIDENT
WASHINGTON

ENERGY POLICY DEVELOPMENT GROUP IN-PROGRESS REVIEW

DATE: April 19, 2001
TIME: 3:50 p.m. to 4:50 p.m.
LOCATION: The Roosevelt Room
THROUGH: Lewis Libby, Chief of Staff
FROM: Andrew Lundquist, Executive Director, NEPDG *AdL*

USE

Andrew Lundquist, Executive Director, National Energy Policy Development Group will brief the President on the status of the written report from the NEPDG and general principles and draft recommendations that will form the basis for the long-term Energy Policy.

GROUND

The Energy Policy Development Group has completed a draft of the final report. Work on the final text and recommendations. The final report is scheduled to be presented to the President in mid-May. You have been meeting weekly with members of the National Energy Policy Development Group to finalize recommendations and address policy issues. This briefing is part of the "In-Progress Review" prior to finalization of recommendations and publication of the final report.

PARTICIPANTS

Attached list

ACCESS PLAN

There will be no press at this event. The President's "Official Photographer" will be present.

SEQUENCE OF EVENTS

The event is scheduled for a total of one-half hour with an additional one-half hour allocated for questions and answers.

Event Opens Meeting

Introduction by Vice President Cheney

Remarks by Andrew Lundquist, Executive Director, NEPDG

Conclusion

2

3

4

5

6

- Closing Remarks by Vice President Cheney
- Concluding Remarks by the President

VI. REMARKS

Talking Points are attached

VI. ATTACHMENTS

Tab 2	Meeting Agenda
Tab 3	Talking Points
Tab 4	List of Participants
Tab 5	Briefing Slides
Tab 6	National Energy Plan Principles

AGENDA

MEETING WITH THE PRESIDENT NATIONAL ENERGY POLICY DEVELOPMENT GROUP APRIL 19, 2001 THE ROOSEVELT ROOM

- Opening Remarks President Bush
- Overview/Introduction Vice President Cheney
- Briefing Andrew Lundquist
- Discussion
- Conclusion Vice President Cheney
- Closing Remarks President Bush

TALKING POINTS

THE VICE PRESIDENT

NATIONAL ENERGY POLICY DEVELOPMENT GROUP: IN-PROGRESS REVIEW

APRIL 19, 2001

PURPOSE

The purpose of this briefing is to obtain your guidance concerning significant recommendations addressed by the National Energy Policy Development Group that will be included in its report to you.

NATIONAL ENERGY POLICY PRINCIPLES

There are three **guiding principles** in our report:

1. The National Energy Plan is based on **long-term thinking and will take a comprehensive approach**. There are no quick fixes.
2. The plan **protects and enhances the quality of our environment**.
3. The plan promotes **cutting-edge, 21st century technologies** to increase energy supplies and uses energy more efficiently and more cleanly.

In order to achieve these principles, we will make recommendations that can be categorized in the following four areas, classified as **Policy Imperatives**. They are:

1. **Increase supply.** Increase energy production from our domestic oil, natural gas, coal, nuclear and renewable resources while protecting our environment.
2. **Modernize infrastructure.** Repair and expand our antiquated energy infrastructure—the network of electric generators, transmission lines, refineries and pipelines that convert raw materials into useable fuel.
3. **Energy Efficiency.** Apply 21st Century technologies to energy use and production to increase efficiency and conservation.
4. **Energy Independence.** Work toward greater energy independence by making energy security a priority in our trade and foreign policy, restoring American credibility with overseas suppliers, and building strong relationships with energy producing nations in our own hemisphere.

STATUS AND NEXT STEPS

We will also brief you on the status of the development of the report; our time frame; and recommendations.

Andrew, if you would proceed with the briefing.

PARTICIPANTS

BRIEFING FOR THE PRESIDENT NATIONAL ENERGY POLICY DEVELOPMENT GROUP APRIL 19, 2001 THE ROOSEVELT ROOM

Vice President Richard Cheney
Lewis Libby, Assistant to the President and Chief of Staff to the Vice President
Mary Matalin, Assistant to the President and Counselor to the Vice President
Andrew Lundquist, Executive Director, National Energy Policy Development Group
Karen Knutson, Deputy Director, National Energy Policy Development Group
Dean McGrath, Deputy Chief of Staff to the Vice President
Jim Sims, Director of Communications, National Energy Policy Development Group
Andrew Card, Chief of Staff to the President
Lawrence Lindsey, Director, National Economic Council
Karl Rove, Senior Advisor to the President
Karen Hughes, Counselor to the President
Ruben Barrales, Director, Intergovernmental Affairs
Joshua Bolten, Assistant to the President and Deputy Chief of Staff for Policy
Cesar Conda, Assistant to the Vice President for Domestic Policy

National Energy Policy Development Group



In-Progress Review

The Challenge

- **Regional heating oil and gasoline supply disruptions**
- **Electricity shortages in regions, particularly in California**
- **Rising crude oil, heating oil, natural gas and gasoline prices**
- **Fundamental causes:**
 - **Supply is not keeping pace with demand**
 - **Aging and inadequate infrastructure**

The Coming Energy Crisis

Coal

- **Coal is our number one source of affordable energy**
- **Over 52% of our electricity was generated by coal in 2000**
- **Ongoing regulatory uncertainty has discouraged the construction of new coal-fired generators**

Nuclear

- **There has not been a single new nuclear power plant ordered since 1975**

Hydroelectric

- **Relicensing of hydroelectric facilities can take a decade and cost millions of dollars**

The Coming Energy Crisis

Demand for energy resources could outstrip supply by 2020 unless action is taken

Oil

- **Demand for oil will grow by one third by 2020**
- **Today we produce 39% less than we did in 1970**
- **Foreign imports of oil will grow to 64% by 2020**
- **Not one new refinery has been built in over 25 years**

Natural Gas

- **Demand for natural gas is expected to rise 62% by 2020**
- **Increased demand requires an additional 38,000 miles of pipelines**

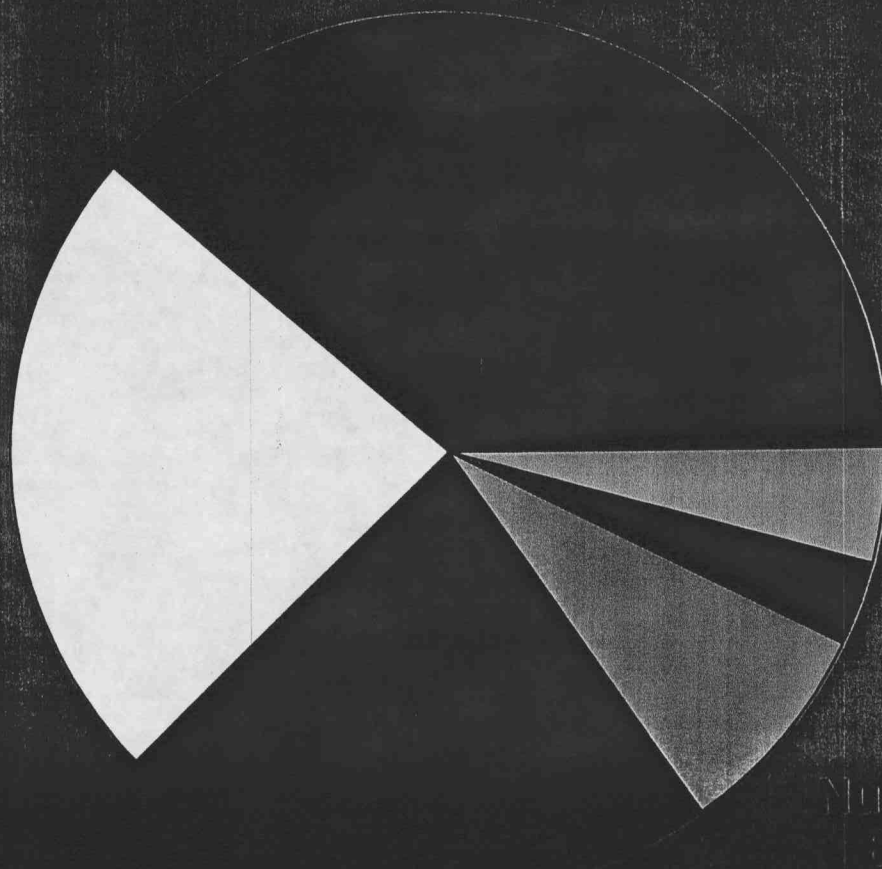
Electricity

- **Over the next 20 years, electricity demand will grow by 43%, requiring the addition of 1,300-1,900 new power plants to keep pace**
- **This will require that we build 60-90 power plants annually**

Energy Consumption by Source

2005
2006
2007

Natural Gas
23%



Non-hydropower
Renewables

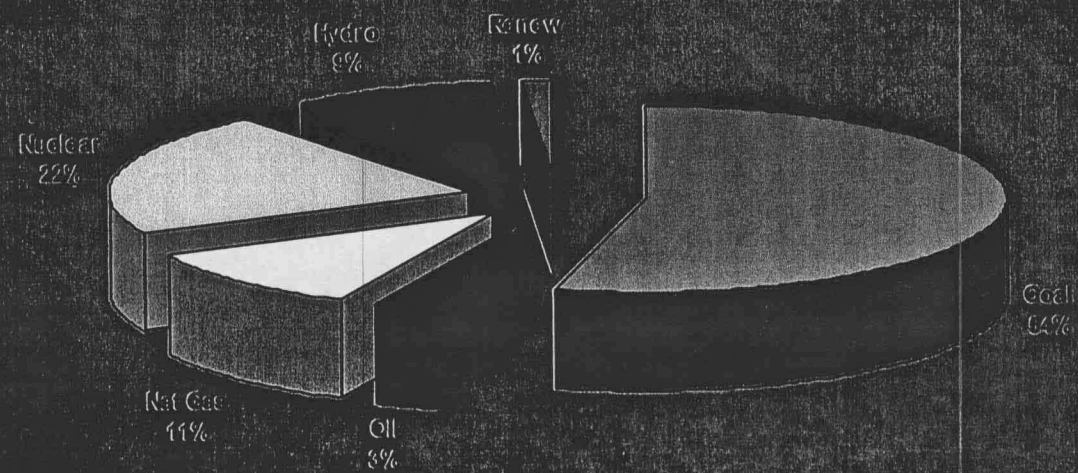
4%

Hydropower
4%

Nuclear
3%

Electricity Generation in 1999

(3.4 Trillion KWHr)



Mission

Develop a comprehensive national energy plan to promote dependable, affordable, and environmentally sound production and distribution of energy.

Our Vision

This Administration is committed to the following Guiding Principles:

- **The National Energy Plan is based on long-term thinking and takes a comprehensive approach. There are no quick fixes.**
- **The plan protects and enhances the quality of our environment.**
- **The plan promotes cutting-edge, 21st century technologies to increase domestic energy supplies and use energy more efficiently and more cleanly.**

These principles are supported by four Policy Imperatives:

- **Increase supply**
- **Modernize infrastructure**
- **Energy efficiency**
- **Energy independence**

The Solution: National Energy Policy

- ✶ • **Establish free-market solutions to provide affordable energy needed for economic growth**
- **Encourage a diversity of fuels to reduce exposure to price spikes and shortages**
- **Reduce dependence on foreign oil to increase our national security**
- **Decrease environmental impact of energy use**

Recommendations

Increase Supply...

- **Increase U.S. oil and gas production**
- **Examine barriers to Federal oil and gas leasing**
- **Remove barriers to the development and use of safe nuclear energy in the United States**
- **Support use of coal to generate electricity, applying new clean coal technology**
- **Maintain hydropower as an important source of U.S. electricity generation**
- **Reexamine the Coastal Zone Management Act**

Recommendations

...While Protecting Our Environment

- **Respect Outer Continental Shelf Leasing Moratoria**
- **Create a permanent coastal impact assistance program for states with offshore oil and gas activity**
- **Improve the environmental benefits of Reformulated Gas**
- **Support a Three Pollutant Strategy to significantly reduce and cap emissions**
- **Use 21st Century technology to protect our environment**

Recommendations

Modernize Infrastructure

- **Support Federal legislation restructuring the electric utility industry**
- **Identify and eliminate constraints on the interstate transmission grid**
- **Rationalize permitting for energy production and distribution**

Recommendations

Energy Efficiency

- **Use the tax system to incentivize desired activity (e.g., Renewable Energy)**
- **Examine ways to reduce demand for petroleum products for transportation**
- **Examine Corporate Average Fuel Economy Standards**
- **Improve Energy Efficiency and the Energy Intensity of the U.S. economy**

Concluded

Recommendations

Energy Independence

- **Move towards a North American Energy Framework**
- **Initiate a comprehensive review of sanctions affecting energy supply**

Tax Credit Proposals

Campaign and Budget Proposals

- **Support extension of tax credits for electricity produced from alternative and renewable resources**
- **15-percent tax credit for residential solar energy property, up to a maximum credit of \$2000**
- **Allow unregulated taxpayers to deduct amounts contributed to a nuclear decommissioning fund and allow to accumulate to the level needed for decommissioning**
- **Extend tax relief for marginal wells scheduled to expire this year. Make the research and experimentation tax credit permanent**

Tax Credit Proposals

Other Proposals

- **Tax credit for landfills to capture and use the methane emitted from them for electricity generation**
- **10% investment tax credits for Combined Heat and Power Energy Systems**
- **Tax Credit for New Vehicle Technologies**
- **Extend the production tax credit to other closed and open loop biomass projects**
- **Reform tax-exempt financing for prepaid natural gas supply contracts**
- **Allow state and municipal utilities to open their electric transmission systems without jeopardizing their tax exempt status**

Chapters of the Report

- **U.S Energy Supply and Demand Challenges**
- **Economic Impacts of Energy Shortages on Families, Communities, and Businesses**
- **Public Health and the Environment**
- **Increasing Energy Efficiency**
- **Development of Renewable and Alternative Energy**
- **Increasing Production of U.S. Energy Resources**
- **Infrastructure Investment, Integrity, and Safety**
- **National Energy Security and International Affairs**

National Energy Plan

The Problem

Demand for energy in the U.S. is outstripping supply, and will continue to grow dramatically to keep pace with the high-tech economy of the 21st Century. The resulting higher energy costs are squeezing family budgets, jeopardizing jobs and threatening our economy. Supplies have been limited by a regulatory structure out of step with our times and an antiquated infrastructure way past its prime. The lack of a comprehensive energy policy has led directly to the supply crisis we face today. Simply stated, the 21st Century will require more energy—the challenge is to produce that energy and produce it cleanly and efficiently.

Presidential Directive

Develop a national energy strategy to help the private sector, and government at all levels, promote dependable, affordable and environmentally sound production and distribution of energy for the future.

Guiding Principles

1. The National Energy Plan is based on **long-term thinking and will take a comprehensive approach**. There are no quick fixes.
2. The plan **protects and enhances the quality of our environment**.
3. The plan promotes **cutting-edge, 21st century technologies** to increase energy supplies and uses energy more efficiently and more cleanly.

Imperatives

1. **Increase supply.** Increase energy production from our domestic oil, natural gas, coal, nuclear and renewable resources while protecting our environment.
2. **Modernize infrastructure.** Repair and expand our antiquated energy infrastructure—the network of electric generators, transmission lines, refineries and pipelines that convert raw materials into useable fuel.
3. **Energy Efficiency.** Apply 21st Century technologies to energy use and production to increase efficiency and conservation.
4. **Energy Independence.** Work toward greater energy independence by making energy security a priority in our trade and foreign policy, restoring American credibility with overseas suppliers, and building strong relationships with energy producing nations in our own hemisphere.

AGENDA

National Energy Policy Development Group Principals Meeting

April 11, 2001

1. Update on California Energy Situation.

2. Update on Final Written Report to the President

Maybe in
addition to a numerical
"goal" for energy
efficiency,

3. Discussion of Key Report Issues and Proposed Reco

there should be
a "cap" on
time it takes
to get
permits (+ cost?)

- Tax Issues

- Permitting

- CZMA

- Hydropower

4. Executive Session (no staff) for Further Discussion

- Further Discussion on Proposed Recommendations

**Bush Administration Focused on Energy Crisis;
Won't Be Caught 'Napping'**
By Secretary of Energy Spencer Abraham

California's Largest Utility Files for Bankruptcy. The New Energy Crunch.
Rolling Blackouts Return to California. Gas Price Surge Predicted.

These are not Department of Energy press releases; they are major media headlines in recent months. Yet, amazingly, in the face of these reports, some want to spend their time debating whether or not we confront an energy crisis.

Indeed, in its April 9th edition, the Washington Post ran a full-length feature story and a lengthy op-ed by former Energy Secretary Bill Richardson devoted to parsing whether we have a "crisis" or simply face "serious challenges." While some may want to spend time on such theoretical exercises - perhaps in the hope that they can somehow justify opposing or delaying essential changes in U.S. energy policy while we argue over semantics -- the Bush Administration is working to surmount a number of energy challenges we confronted upon taking office.

On day one:

* We discovered that America's oil imports had reached a record 57%. Yet, the Clinton Administration had relentlessly placed opportunities for new supplies of oil and gas off limits, and had no serious plan to increase domestic production;

* We discovered that the projected demand for electricity over the next two decades would require the construction of more than one power plant a week for 20 years; yet, the Federal Government had no plan to address the siting, permitting and Clinton-imposed regulatory roadblocks impeding such construction;

* We discovered that our energy infrastructure limitations required the construction of nearly 300,000 miles of distribution and transmission lines for natural gas and countless new electricity transmission lines. Yet, no plan existed even to address the kind of obvious bottlenecks that caused price spikes in New York City last summer;

* We found California in total energy meltdown. Yet, no action had been taken by the Clinton-appointed Federal Energy Regulatory Commission (FERC) to force refunds of excessive charges for wholesale electricity, nor had any effort been undertaken to provide California with desperately needed help to expedite new power generation;

* We discovered that last October the Clinton Administration had ordered the Bonneville Power Administration (BPA), which services people in the Northwest, to enter into long-term contracts to provide power BPA was

not legally obligated to deliver, thus compelling BPA to buy expensive power on the open market that now must be paid for by rate increases that could reach 300%,

And on and on and on.

That's what we inherited. It is understandable that some would like to divert attention from these failures with partisan attacks on the Bush Administration that masquerade as appeals to "bipartisanship." But aside from correcting obvious misstatements of fact, we are not interested in rehashing the Clinton Administration's energy performance. We are focused on addressing the challenges now. Here is what we have done, among other steps, during our brief tenure in office:

- * From day one, the President has worked to keep the lights on in California. We have responded to virtually every California request to expedite new generation and transmission and to prevent production shut-downs;

- * The Federal Energy Regulatory Commission, now led by a Bush-appointed chairman, has - for the first time during the California crisis -- ordered the refunds of over a hundred million dollars of excessive charges for wholesale electricity;

- * In his first week in office, President Bush appointed a cabinet-level task force to develop the kind of long-term energy plan needed to address the aforementioned problems. This plan will, contrary to Mr. Richardson's assertions, focus both on increasing energy supply as well as on conservation/energy efficiency.

Notwithstanding the advocacy of Mr. Richardson and others, there are several strategies our plan will not include:

- * First, we will not impose price caps on wholesale electricity markets. Price caps won't cut demand; and they certainly won't increase supply. Mr. Richardson's assertion that price caps would "allow new generating capacity to be added," is a view shared by virtually no one. What price caps will do is guarantee that we have more blackouts and that they will last longer;

- * Second, we won't beg for oil. OPEC's decisions to cut production, which Mr. Richardson suggests began after we took office, actually resumed during the Clinton Administration. They underscore the fact that other countries will look to their own interests first and that we must do the same. We intend to maintain a "dialogue" with OPEC and other producers, but such discussions would be far more positive if the U.S. had diversified its oil sources in recent years.

- * Third, we won't simply extend Clinton Administration energy

spending priorities. These approaches failed to avert our current energy crisis. Contrary to Mr. Richardson's claim, we haven't cut the Department of Energy's energy efficiency and renewable energy programs by 30%. What we have done is change priorities (including nearly doubling our weatherization program for the poor), reduce or eliminate programs whose missions had changed, and maintained the core competencies of remaining programs so we can rebuild them consistent with the President's National Energy Plan.

* Finally, we won't be "caught napping" as the previous Administration admitted it did about the energy crisis.

When the President's task force completes its work in the next few weeks, Americans will understand our challenge and pull together to confront and surmount this crisis. Unless, of course, we postpone taking necessary action while we waste time debating the appropriate description of the problem, in which case these very real problems are only going to get worse.

###

TAX ISSUES

Issue

Should tax recommendations be contained in the National Energy Policy Report?

Background

The FY 2002 budget includes \$2.7 billion over FY 2002 – 2011 in energy-related tax initiatives (announced during the presidential campaign) for renewable energy sources and for nuclear decommissioning costs.

The budget would:

(1) Extend the present 1.7 cents per kilowatt hour tax credit for electricity produced from wind and biomass; expand eligible biomass sources to include forest-related sources, agricultural sources, and certain urban sources; and allow a credit for electricity produced from biomass cofired with coal;

(2) Provide a new 15-percent tax credit for residential solar energy property, up to a maximum credit of \$2000;

(3) Allow unregulated taxpayers to deduct amounts contributed to a nuclear decommissioning fund and permit nuclear decommissioning funds to accumulate the full amount needed for decommissioning.

(4) The budget also would extend certain tax relief for marginal wells that is scheduled to expire this year and would make permanent the research and experimentation tax credit.

The Internal Revenue Code provides significant tax supports for oil and gas production that generally are not available to other businesses and tax incentives for the increased use of renewable energy sources, certain energy technologies and conservation. Tax incentives for oil and gas production are estimated to total \$9.8 billion for FY 2002 - 2006. Tax incentives for renewable energy sources, certain energy technologies and conservation are estimated to total \$1.2 billion for FY 2002 - 2006.

Pros

In appropriate circumstances, it is possible that tax incentives would increase energy production, conservation, and the use of renewable energy sources.

The President's tax reduction plan includes a significant commitment to renewable energy sources and nuclear decommissioning. It also would encourage research on new technologies by making the research and experimentation tax credit permanent. Additional tax incentives would increase the cost of the tax plan above the \$1.6 trillion limit set by the President.

Cons

Arguably, targeted tax incentives distort markets by targeting only certain investments while other more cost-effective investments are overlooked. They create large windfalls for activities that would have occurred absent the incentives, and increase the complexity of the tax code.

In addition, the perception is that the oil and gas industry is already highly tax favored. Additional subsidies could be difficult to justify in view of the almost three-fold increase in the price of oil since December 1998 and the concomitant transfer of income from consumers to domestic producers.

PERMITTING RECOMMENDATION

Proposed Recommendation: "Building on the President's California energy directive, the President should issue an Executive Order directing federal agencies to expedite permits and other federal actions necessary for energy-related project approvals on a national basis, in an environmentally sound manner. This Order would establish an interagency task force chaired by the Council on Environmental Quality (CEQ) to ensure that federal agencies responsible for permitting energy-related facilities are coordinating their efforts. The task force will ensure that federal agencies set up appropriate mechanisms to coordinate federal, state and local permitting activity in particular regions where increased activity is expected (e.g., California, Alaska's North Slope)."

NOTE: The Energy Policy report would also include agency-specific recommendations to implement this Executive Order (e.g., the Environmental Protection Agency (EPA) would provide guidance to expedite permitting of highly energy efficient combined heat and power facilities, develop a rapid response task force for energy permits, etc.).

Background:

Environmental permitting and other reviews are the primary mechanism for ensuring that environmental and public health impacts of energy-related activities are limited or mitigated. These requirements help clean the air and water, ensure proper handling of waste, protect fish and wildlife, preserve critical habitat, and protect eco-systems.

The federal agencies responsible for these permits and reviews include CEQ, the Department of the Interior, Commerce, EPA, and their component offices or bureaus. For many programs, however, state agencies are the primary permitting authority.

CEQ manages the interagency environmental review process required by the National Environmental Protection Act.

Industry is often frustrated with the length of time it takes to complete the permitting process and the number of agencies from whom they need approval.

President Bush issued a directive in February directing federal agencies to expedite permit issuance in California.

Expediting the approval process will allow newer, cleaner energy sources to be operational sooner.

Pros:

Expediting environmental permitting and review will help energy providers meet energy needs during this crisis without sacrificing environmental and public health protections.

Cons:

Environmentalists may claim that some of the agency-level actions to expedite permits will weaken environmental protections.

Industry may claim that the actions do not go far enough and that permitting requirements will be costly and time consuming.

Hydropower Licensing

Proposed Report Recommendation

There is a need to reduce the time and cost of the hydropower licensing process. FERC and the resource agencies are working on ways to streamline the process and to make it less costly. The Administration encourages FERC and the resource agencies to continue exploring methods to make the licensing process more efficient and less burdensome, while preserving environmental goals. In addition, the Administration recognizes the importance of optimizing the efficiency and reliability of existing hydropower facilities, and will encourage efforts toward that end.

Background

Currently, the federal resource agencies are working with FERC to remove obstacles to increasing energy production. This Administration is moving forward on a number of administrative reforms developed by an interagency task force on hydropower licensing that was formed during the previous Administration. The Administration is evaluating other reforms recommended by the interagency task force, and is considering additional changes (such as those listed below) to make the hydropower licensing process more efficient and effective. Furthermore, FERC is completing a report to Congress on measures to reduce time and costs for licensing.

Specific recommendations could include:

1. Involving FERC staff in licensing actions at the beginning of the pre-filing consultation process so they can provide guidance to participants. This will prevent disputes over study requests and information needs, allowing necessary information to be collected in a timely fashion.
2. Developing an interagency agreement to resolve conflicting license conditions by the resource agencies before the conditions are submitted to FERC for inclusion in a license.
3. Developing a concise guidance manual and website for participants in the hydropower licensing process.
4. Considering the use of FERC's existing license exemption option for certain projects with expiring licenses.

5. Encouraging FERC to adopt timelines for its actions in the licensing process.
6. Developing a mechanism for resource agencies to work with FERC as cooperating agencies on a single National Environmental Policy Act document for the project.
7. Assessing staffing needs within each resource agency involved in licensing procedures, and considering a mechanism for direct funding of the agencies for their costs incurred during licensing proceedings.
8. Examining Commerce and the Interior Departments' procedures for prescribing "fishways" under section 18 of the Federal Power Act, as well as the development of other license conditions.

Pros

Clearly defined licensing procedures would reduce the regulatory burden on applicants, and provide them with more certainty during the process. More cooperation among the involved agencies would reduce cost and uncertainty about licensing conditions. The length of time for obtaining a license would decrease.

Cons

Although these improvements would streamline the current licensing process, they do not necessarily ensure increased hydropower production or capacity.

Coastal Zone Management Act

Proposed Report Recommendation

The Administration should re-examine the Federal legal and policy regime (statutes, regulations, and executive orders) to determine if changes are needed that relate to energy-related activities and the siting of energy facilities in the coastal zone and on the outer continental shelf (OCS).

Background

The Coastal Zone Management Act (CZMA) was originally enacted in 1971, and was reauthorized in 1996. States develop voluntary Coastal Management Programs (CMPs) to balance economic development with resource protection. Once a state has a Federally approved CMP, Federal actions must be consistent with State CMPs if the Federal action will have reasonably foreseeable coastal effects. The CZMA requires that States consider the national interest in siting energy facilities. There have been concerns about whether Federal consistency provisions have prevented efficient exploration and production of energy surrounding coastal regions.

An examination of the Federal legal and policy regime could include the following:

1. Determining whether the interaction between the Coastal Zone Management Act (CZMA) regulations and Outer Continental Shelf Lands Act (OCSLA) and its regulations provide an efficient mechanism to address economic and environmental effects to State coastal resources, and allow for environmentally-sound and timely energy development.
2. Providing guidance to Federal agencies, States and industry explaining the relationship between CZMA regulations and other Federal energy programs, including when and how the CZMA regulations require State consistency review, and how to streamline such reviews.
3. Supporting a statutory amendment establishing a deadline for the Secretary of Commerce's decision on an appeal of a Federal or State agency decision, while still allowing for the development of a decision record that meets Administrative Procedure Act requirements.
4. Determining whether the existing requirement that States provide OCS applicants with notice of the status of their consistency review within three months, should include an itemization of any additional information necessary for States to complete the consistency

- review of a proposed OCS action.
5. Expediently reviewing existing environmental and technical information to determine if the information supports:

- OCS oil and gas leasing, exploration, and development in some areas currently off limits to OCS oil and gas activities (if the status were to change).
- OCS oil and gas leasing, exploration, and development in areas currently open to OCS oil and gas activities.
- construction of pipelines through coastal and ocean waters.
- licensing hydroelectric facilities on appropriate waterways.
- siting other forms of energy facilities in coastal and ocean environments (*e.g.*, wind power fields, ocean thermal energy conversion (OTEC) facilities).

Pros

Administration action in this area could reduce delays in energy exploration and production in coastal areas. It would provide more regulatory certainty, and would reduce costs associated with the process.

Cons

Concerns may be raised about whether changes will adversely affect the protection of the nation's coastal and ocean environment. Furthermore, changes to the process for consistency determinations could cause concern about the respective roles and rights of the Federal and State governments.

Benefit of not loading up
on tax credits →

preserves the principle
that new \$ for alternative
fuels comes from AMWK
+ western production

Side-by-Side of National Energy Plans

TAX INCENTIVES – ENERGY EFFICIENCY			
	Murkowski/Breaux (S. 389)	Bingaman (S. 596)	
BUSINESS ENERGY PROPERTY	Establishes a 10% investment tax credit for purchase of distributed power (fuel cells, micro-turbines, wind, solar) or combined heat and power property used in business. (Sec. 971)	Establishes tax credits for ten to thirty percent of investments in renewable energy technologies and energy-efficient property used in business. Includes solar water heaters and photovoltaic panels, geothermal technologies, combined heat and power systems, low core loss distribution transformers, anaerobic digester property, wind turbines, fuel cells, heat pumps, central air conditioners, and advanced natural gas water heaters, furnaces and cooling equipment. (Sec. 101) Provides a 7-year depreciation schedule for distributed generation facilities. (Sec. 301)	
RESIDENTIAL ENERGY EFFICIENCY	Provides a 20% tax credit, up to \$2,000 per dwelling, for improvements to existing homes to improve energy efficiency. Sets forth procedures for determining whether homes qualify for tax credits by comparing them to model housing codes. (Sec. 972) Provides a 20% tax credit, up to \$2,000 per dwelling, for construction of new energy-efficient residential homes. Sets forth procedures for determining whether homes qualify for tax credits by comparing them to model housing codes. (Sec. 973)	Provides incentives for new energy efficient residential construction, including manufactured housing and certain incentives for modifications to existing housing. (Sec. 201)	

Side-by-Side of National Energy Plans

TAX INCENTIVES – ENERGY EFFICIENCY			
	Murkowski/Breaux (S. 389)	Bingaman (S. 596)	
COMMERCIAL BUILDING ENERGY EFFICIENCY		Provides tax deductions for increasing energy efficiency in non-residential buildings (commercial buildings, schools, and rental housing) compared to a national model standard. (Sec. 102)	
APPLIANCE ENERGY EFFICIENCY	Provides consumer tax credits of \$50 or \$100 for purchase of clothes washers and refrigerators that exceed Department of Energy efficiency standards by various increments. (Sec. 974)	Provides credits for the manufacture of high efficiency clothes washers and refrigerators. (Sec. 103)	
HYBRID VEHICLES	Provides consumer tax credits of \$500, \$1,000, or \$2,000 for purchase of hybrid motor vehicles, depending on system efficiency. (Sec. 975)		

Side-by-Side of National Energy Plans

TAX INCENTIVES – ALTERNATIVE FUELS			
	Murkowski/Breaux (S. 389)	Bingaman (S. 596)	
ALTERNATIVE FUEL VEHICLES	Establishes a tax credit equal to 50% of the incremental cost of purchase of an alternative fuel vehicle. Credits are capped at \$5,000 to \$50,000 depending on vehicle weight, and increase if the vehicle also meets emissions criteria. (Sec. 981)		
ELECTRIC VEHICLES	Modifies existing tax credit for electric vehicles to vary between \$4,250 and \$42,500 depending on gross vehicle weight and performance characteristics. (Sec. 982)		
RETAIL FUEL SALE	Provides for a business tax credit of 25 cents for each gasoline gallon equivalent of alternative fuel sold at retail. (Sec. 983)		
REFUELING PROPERTY	Extends for three years the existing deduction for alternative fuel refueling property. (Sec. 984) Establishes an additional tax deduction on any expenses in excess of \$100,000 spent on alternative fueling station infrastructure, and establishes a tax deduction for the cost of installation of such infrastructure, capped at \$30,000. (Sec. 985)		
ALLOCATION OF ETHANOL CREDIT TO COOPERATIVE		Amends the existing credit for small ethanol producers to allow farmer-owned cooperatives to utilize that credit. (Sec. 608)	

Side-by-Side of National Energy Plans

TAX INCENTIVES – RENEWABLE ENERGY			
	Murkowski/Breaux (S. 389)	Bingaman (S. 596)	
PRODUCTION TAX CREDIT	Extends the existing Section 45 tax credit for production of electricity from renewable resources to include almost all biomass and agricultural waste, wood waste, municipal solid waste, landfill gas, geothermal, incremental hydropower, and steel co-generation. Extends credit for all qualified resources (including wind) to 2011. (Sec. 991)	Amends Section 45 to include open-loop biomass, including co-firing with biomass, and geothermal, landfill methane, incremental hydropower, municipal waste and steel cogeneration as qualifying energy resources. Increases the credit to 1.8 cents per kwh, except co-firing. (Sec. 302)	
RESIDENTIAL ENERGY PROPERTY	Provides a 15% tax credit, to a maximum of \$2,000, for installation of residential solar and wind energy equipment. Tax credit would be reduced by amounts funded by Federal, state or local grant programs. (Sec. 992)	Provides credits of 15 to 30% of the installed cost of certain renewable and fuel cell property. (Sec. 202)	
TAX-EXEMPT FINANCING FOR BAGASSE	Extends tax-exempt bond financing authority for solid waste disposal facilities to facilities using bagasse (sugar cane waste) to manufacture ethanol. (Sec. 993)	Clarifies that certain Hawaiian facilities using bagasse to produce ethanol are eligible for tax exempt financing. (Sec. 303)	

April 11, 2001

MEMORANDUM FOR LARRY LINDSEY
CC: MARC SUMERLIN
FROM: BOB MCNALLY
SUBJECT: California Talking Points – April 11 NEPD
 Principals' Meeting

Theme: PG&E bankruptcy takes the initiative from Gray Davis and puts it in the hands of bankruptcy judge. Bankruptcy might help the supply-demand imbalance somewhat because lenders now have a higher assurance of payment and another rate hike may be forced. PG&E's action diminishes the impact of the subsequent agreement between Southern California Edison and Governor Davis, which must be approved by the Legislature, PUC, and FERC.

PG&E Bankruptcy

Pacific Gas & Electric Company's Chapter 11 filing is the third largest bankruptcy in U.S. history. It is serious, but not unexpected.

According to PG&E and the manager of California's electricity grid, the bankruptcy is not expected to exacerbate the projected supply-demand imbalance in California this summer.

In fact, Chapter 11 reorganization could possibly help the supply-demand situation somewhat, as new creditors will hold a higher claim on PG&E assets than those creditors who lent to the utility prior to bankruptcy.

In addition, bankruptcy proceedings could force another retail rate hike, which would have the additional benefit of helping the supply-demand imbalance.

Many participants, from energy generators to the State Treasurer, believe that the financial settlement under Chapter 11 will be more orderly than the political negotiations so far.

PG&E announced it would not seek a rate hike as part of its Chapter 11 reorganization, but the bankruptcy judge may force one anyway.

The law and precedent are not clear about whether a bankruptcy judge can order retail rate increases. Judges in other states have twice recommended rate increases, but never imposed them over the opposition of a public utility commission.

Deal between Governor Davis and SoCal Edison

Governor Davis announced a deal (in the form of a Memorandum of Understanding) with Southern California Edison the involved:

- The State's purchase of the utility's 12,000 mile transmission system for \$2.76 billion.
- Commitment by SoCal Edison to sell electricity from its power plants at low a set rate based on a margin above the cost of production. Edison was guaranteed 11.6% earnings through 2010.
- Both sides have the right to terminate the MOU if the necessary legislation is not signed by 12/31/01.
- Dismissal of SCE's lawsuit to raise retail rates.
- Conservation easements on SCE lands.
- Investment of \$3 billion into capital improvements of utility property.
- \$400 million contribution by SCE's holding company.

Many hurdles remain, including enactment of enabling legislation by the California legislature, and approval by the California Public Utilities Commission and Federal Energy Regulatory Commission.

The prospect of legislative action is uncertain. The legislature is less enthusiastic about a plan to own one-quarter of the State's transmission lines than it was about a plan to own the entire grid. The Governor has

proclaimed from the beginning that the transmission line scheme would require purchasing all three of the utilities lines in order to work.

Republicans also oppose the plan.

State Senate President Burton (D) said he is concerned about dedicating a portion of consumers' rates to pay off SCE's debt. "I have always had a concern about a dedicated rate component that would have ratepayers picking up utilities' back debt that may have been built up fraudulently through price gouging or mismanagement. There is a question whether ratepayers should have to gargle that."

Coastal Zone Management Act

Proposed Report Recommendation

The Administration should re-examine the Federal legal and policy regime (statutes, regulations, and executive orders) to determine if changes are needed that relate to energy-related activities and the siting of energy facilities in the coastal zone and on the outer continental shelf (OCS).

Background

The Coastal Zone Management Act (CZMA) was originally enacted in 1971, and was reauthorized in 1996. States develop voluntary Coastal Management Programs (CMPs) to balance economic development with resource protection. Once a state has a Federally approved CMP, Federal actions must be consistent with State CMPs if the Federal action will have reasonably foreseeable coastal effects. The CZMA requires that States consider the national interest in siting energy facilities. There have been concerns about whether Federal consistency provisions have prevented efficient exploration and production of energy surrounding coastal regions.

An examination of the Federal legal and policy regime could include the following:

1. Determining whether the interaction between the Coastal Zone Management Act (CZMA) regulations and Outer Continental Shelf Lands Act (OCSLA) and its regulations provide an efficient mechanism to address economic and environmental effects to State coastal resources, and allow for environmentally-sound and timely energy development.
2. Providing guidance to Federal agencies, States and industry explaining the relationship between CZMA regulations and other Federal energy programs, including when and how the CZMA regulations require State consistency review, and how to streamline such reviews.
3. Supporting a statutory amendment establishing a deadline for the Secretary of Commerce's decision on an appeal of a Federal or State agency decision, while still allowing for the development of a decision record that meets Administrative Procedure Act requirements.
4. Determining whether the existing requirement that States provide OCS applicants with notice of the status of their consistency review within three months, should include an itemization of any additional information necessary for States to complete the consistency review of a proposed OCS action.
5. Expeditiously reviewing existing environmental and technical information to determine if the information supports:

- OCS oil and gas leasing, exploration, and development in some areas currently off limits to OCS oil and gas activities (if the status were to change).
- OCS oil and gas leasing, exploration, and development in areas currently open to OCS oil and gas activities.
- construction of pipelines through coastal and ocean waters.
- licensing hydroelectric facilities on appropriate waterways.
- siting other forms of energy facilities in coastal and ocean environments (e.g., wind power fields, ocean thermal energy conversion (OTEC) facilities).

Pros

Administration action in this area could reduce delays in energy exploration and production in coastal areas. It would provide more regulatory certainty, and would reduce costs associated with the process.

Cons

Concerns may be raised about whether changes will adversely affect the protection of the nation's coastal and ocean environment. Furthermore, changes to the process for consistency determinations could cause concern about the respective roles and rights of the Federal and State governments.

PERMITTING RECOMMENDATION

Proposed Recommendation: "Building on the President's California energy directive, the President should issue an Executive Order directing federal agencies to expedite permits and other federal actions necessary for energy-related project approvals on a national basis, in an environmentally sound manner. This Order would establish an interagency task force chaired by the Council on Environmental Quality (CEQ) to ensure that federal agencies responsible for permitting energy-related facilities are coordinating their efforts. The task force will ensure that federal agencies set up appropriate mechanisms to coordinate federal, state and local permitting activity in particular regions where increased activity is expected (e.g., California, Alaska's North Slope)."

NOTE: The Energy Policy report would also include agency-specific recommendations to implement this Executive Order (e.g., the Environmental Protection Agency (EPA) would provide guidance to expedite permitting of highly energy efficient combined heat and power facilities, develop a rapid response task force for energy permits, etc.).

Background:

Environmental permitting and other reviews are the primary mechanism for ensuring that environmental and public health impacts of energy-related activities are limited or mitigated. These requirements help clean the air and water, ensure proper handling of waste, protect fish and wildlife, preserve critical habitat, and protect eco-systems.

The federal agencies responsible for these permits and reviews include CEQ, the Department of the Interior, EPA, and their component offices or bureaus. For many programs, however, state agencies are the primary permitting authority.

CEQ manages the interagency environmental review process required by the National Environmental Protection Act.

Industry is often frustrated with the length of time it takes to complete the permitting process and the number of agencies from whom they need approval.

President Bush issued a directive in February directing federal agencies to expedite permit issuance in California.

Expediting the approval process will allow newer, cleaner energy sources to be operational sooner.

Pros:

Expediting environmental permitting and review will help energy providers meet energy needs during this crisis without sacrificing environmental and public health protections.

Cons:

Environmentalists may claim that some of the agency-level actions to expedite permits will weaken environmental protections.

Industry may claim that the actions do not go far enough and that permitting requirements will be costly and time consuming.

Hydropower Licensing

Proposed Report Recommendation

There is a need to reduce the time and cost of the hydropower licensing process. FERC and the resource agencies are working on ways to streamline the process and to make it less costly. The Administration encourages FERC and the resource agencies to continue exploring methods to make the licensing process more efficient and less burdensome, while preserving environmental goals. In addition, the Administration recognizes the importance of optimizing the efficiency and reliability of existing hydropower facilities, and will encourage efforts toward that end.

Background

Currently, the federal resource agencies are working with FERC to remove obstacles to increasing energy production. This Administration is moving forward on a number of administrative reforms developed by an interagency task force on hydropower licensing that was formed during the previous Administration. The Administration is evaluating other reforms recommended by the interagency task force, and is considering additional changes (such as those listed below) to make the hydropower licensing process more efficient and effective. Furthermore, FERC is completing a report to Congress on measures to reduce time and costs for licensing.

Specific recommendations could include:

1. Involving FERC staff in licensing actions at the beginning of the pre-filing consultation process so they can provide guidance to participants. This will prevent disputes over study requests and information needs, allowing necessary information to be collected in a timely fashion.
2. Developing an interagency agreement to resolve conflicting license conditions by the resource agencies before the conditions are submitted to FERC for inclusion in a license.
3. Developing a concise guidance manual and website for participants in the hydropower licensing process.
4. Considering the use of FERC's existing license exemption option for certain projects with expiring licenses.
5. Encouraging FERC to adopt timelines for its actions in the licensing process.

6. Developing a mechanism for resource agencies to work with FERC as cooperating agencies on a single National Environmental Policy Act document for the project.
7. Assessing staffing needs within each resource agency involved in licensing procedures, and considering a mechanism for direct funding of the agencies for their costs incurred during licensing proceedings.
8. Examining Commerce and the Interior Departments' procedures for prescribing "fishways" under section 18 of the Federal Power Act, as well as the development of other license conditions.

Pros

Clearly defined licensing procedures would reduce the regulatory burden on applicants, and provide them with more certainty during the process. More cooperation among the involved agencies would reduce cost and uncertainty about licensing conditions. The length of time for obtaining a license would decrease.

Cons

Although these improvements would streamline the current licensing process, they do not necessarily ensure increased hydropower production or capacity.

TAX ISSUES

Issue

Should tax recommendations be contained in the National Energy Policy Report?

Background

The FY 2002 budget includes \$2.7 billion over FY 2002 – 2011 in energy-related tax initiatives (announced during the presidential campaign) for renewable energy sources and for nuclear decommissioning costs.

The budget would:

- (1) Extend the present 1.7 cents per kilowatt hour tax credit for electricity produced from wind and biomass; expand eligible biomass sources to include forest-related sources, agricultural sources, and certain urban sources; and allow a credit for electricity produced from biomass cofired with coal;
- (2) Provide a new 15-percent tax credit for residential solar energy property, up to a maximum credit of \$2000;
- (3) Allow unregulated taxpayers to deduct amounts contributed to a nuclear decommissioning fund and permit nuclear decommissioning funds to accumulate the full amount needed for decommissioning.
- (4) The budget also would extend certain tax relief for marginal wells that is scheduled to expire this year and would make permanent the research and experimentation tax credit.

The Internal Revenue Code provides significant tax supports for oil and gas production that generally are not available to other businesses and tax incentives for the increased use of renewable energy sources, certain energy technologies and conservation. Tax incentives for oil and gas production are estimated to total \$9.8 billion for FY 2002 - 2006. Tax incentives for renewable energy sources, certain energy technologies and conservation are estimated to total \$1.2 billion for FY 2002 - 2006.

Pros

In appropriate circumstances, it is possible that tax incentives would increase energy production, conservation, and the use of renewable energy sources.

The President's tax reduction plan includes a significant commitment to renewable energy sources and nuclear decommissioning. It also would encourage research on new technologies by making the research and experimentation tax credit permanent. Additional tax incentives would increase the cost of the tax plan above the \$1.6 trillion limit set by the President.

Cons

Arguably, targeted tax incentives distort markets by targeting only certain investments while other more cost-effective investments are overlooked. They create large windfalls for activities that would have occurred absent the incentives, and increase the complexity of the tax code.

In addition, the perception is that the oil and gas industry is already highly tax favored. Additional subsidies could be difficult to justify in view of the almost three-fold increase in the price of oil since December 1998 and the concomitant transfer of income from consumers to domestic producers.

National Energy Policy Development Group



Review of Energy Issues

Agenda

- Corporate Average Fuel Economy (CAFE) Standards
- National Energy Policy Implementation
- Siting of Transmission Lines
- Nuclear Power
- New Source Review
- Outer Continental Shelf Impact Assistance
- Sanctions
- Moratoria on Outer Continental Shelf Leasing
- Executive Order for Regulations Significantly Impacting Energy

Corporate Average Fuel Economy (CAFE) Standards

These standards regulate the level of emissions from cars and trucks. For the last several years, a congressional prohibition has existed on issuing any new rules to upgrade these standards.

Recommendation:

“Responsibly crafted CAFE standards should increase efficiency without negatively impacting the U.S. automotive industry. The determination of future fuel economy standards must therefore be addressed analytically and based on sound science. Accordingly, the NEPD Group recommends that the President direct the Secretary of Transportation to review and provide recommendation on establishing CAFE standards with due consideration to the National Academy of Sciences study to be released in July 2001. The Secretary is also directed to consider passenger safety, economic concerns, and disparate impact on the U.S. versus foreign fleets of automobiles. The President also directs the Secretary of Transportation to look at other market-based approaches to increasing the national average fuel economy of new motor vehicles.”

National Energy Policy Implementation

There are many multi-agency issues surrounding implementation of a national energy plan. In order to achieve effective implementation, the National Energy Policy Development Group should remain in place.

Recommendation:

“The National Energy Policy Development Group, established by the President on January 29, 2001, will continue to work and meet on the implementation of the National Energy Policy and other ways to advance dependable, affordable, and environmentally sound production and distribution of energy.”

Siting of Transmission Lines

Currently, the lack of federal authority to site electric transmission lines is one of several obstacles to the development of a reliable national transmission grid or the further development of regional transmission grids. Individual states have authority to site transmission lines. FERC sets the transmission rate of return but does not have a role in siting.

Other obstacles include: the ability to achieve a positive rate of return for investors, federal lands restrictions, and environmental concerns. These are being addressed by de-regulation, access through federal lands and improving the permitting process.

Federal authority already exists to site pipelines, interstate highways and railroads in recognition of their role in interstate commerce.

As Governor, you made several strong statements supporting private property and federalism statements.

Recommendation:

The National Energy Policy Development Group recommends the President initiate legislation to develop federal siting authority.

Or

The National Energy Policy Development Group recommends the President direct the Department of Energy to study Federal siting of transmission facilities with a goal of creating a reliable national grid.

Nuclear Power

This report recognizes the environmental benefit of safe, nuclear technology. Nuclear energy has no emissions but there are other significant environmental issues regarding nuclear waste.

There are several deterrents to increasing nuclear power. The principle barrier to increasing nuclear energy is the industry's unwillingness to take investment risks in an uncertain regulatory environment, the issue of waste disposal, and public perceptions about the safety of nuclear power.

In Texas, there are two nuclear power plants. They have had no safety or environmental problems.

Recommendations:

"Recommend the President support the expansion of nuclear power in the United States taking the following actions:

- **Improve nuclear safety regulation and encourage utilities to purchase and re-license existing nuclear plants.**
- **Provide for permanent disposal of nuclear waste in deep geologic repository designated on the basis of best science.**
- **Provide greater regulatory certainty for nuclear power plants.**
- **Support legislation clarifying that qualified funds set aside by plant owners for eventual decommissioning shall not be taxed as part of the transaction.**
- **Encourage the Nuclear Regulatory Commission to ensure NRC staff is prepared to evaluate and expedite applications of advanced nuclear reactors (such as Pebble Bed Modular reactors).**
- **Support legislation to extend the Price-Anderson Act, which expires on August 1, 2001.**
- **Support legislation to eliminate the NRC's redundant responsibility to review anti-trust violations."**

New Source Review

Outer Continental Shelf Impact Assistance

The NEPD Group recommends the President work with Congress to create a permanent coastal impact assistance program for states with offshore oil and gas activity to help mitigate the impacts of the activity off and on their shores.

Recommendation:

The Secretary of the Interior shall propose legislation authorizing OCS impact assistance.

Sanctions

Some sanctions have an impact on energy supply. As part of his confirmation process, Secretary Powell indicated he would undertake a thorough sanctions review to determine which we should maintain. At a later date, you reiterated your commitment to maintaining the sanctions on Iran and Libya.

Recommendation:

“Direct the Secretaries of State, Treasury and Commerce to initiate a comprehensive review of sanctions, and seek to engage Congress in a partnership for reforming them. This review is not intended to remove sanctions from countries like Iran, Iraq or Libya.”

Moratoria on Outer Continental Shelf Leasing

Last Fall, the campaign document committed to: support the moratoria on new leases for oil and gas drilling off the coast of Florida and California; and to work with State leaders and local affected communities to determine on a case-by-case basis whether or not drilling should go forward on existing leases.

Recommendation:

The Administration supports moratoria against new leases for oil and gas drilling off the Pacific and Atlantic coasts, off Florida, and in Bristol Bay and a new moratorium against new leases in the Straits of Florida. The Administration will work with State leaders and local affected communities to determine on a case-by-case basis whether or not drilling should go forward on existing leases in these areas and *whether or not limited adjustments to moratoria can be accommodated.*

Executive Order for Regulations Significantly Impacting Energy

The NEPD Group recommends the President issue an Executive Order to direct all federal agencies to include in any regulatory action that could significantly and adversely affect energy supplies, distribution, or use, a detailed statement on (1) the energy impact of the proposed action, (2) any adverse energy effects which cannot be avoided should the proposal be implemented, and (3) alternatives to the proposed action. The agencies would be directed to include this statement in all submissions to OMB of proposed regulations covered by Executive Order 12866 as well as in all notices of proposed regulations published in the Federal Register.

AGENDA
National Energy Policy Development Group
March 12, 2001

1. Update on California energy situation.
2. Update on Final Written Report to the President.
3. Discussion of upcoming meeting with the President.
4. Initial rollout discussion.
5. Briefing on the Annual Energy Outlook.

AGENDA

National Energy Policy Development Group Principals Meeting

April 18, 2001

1. Update on California Energy Situation (Larry Lindsey)
2. Update on Final Written Report to the President (Vice President)
3. Discussion of Key Report Issues and Proposed Recommendations (Vice President)
 - Energy Policy Principles
 - Tax Issues
 - New Source Review
 - Reformulated Gas
 - Electricity Deregulation
4. Executive Session (no staff) for Further Discussion
 - Further Discussion on Proposed Recommendations

REFORMULATED GASOLINE AND BOUTIQUE FUELS

Proposed Recommendation

"The President should direct the Administrator of the Environmental Protection Agency to study opportunities to maintain or improve the environmental benefits of state and local "boutique" clean fuel programs while exploring ways to increase the flexibility of the fuels distribution infrastructure. In conducting this study the Administrator shall consult with the Department of Energy and other agencies, as needed."

Background

What are boutique fuels? Boutique fuels are specific fuel requirements adopted by state or local governments, most often to achieve greater motor vehicle emissions reductions than would occur with the use of conventional gasoline.

The Clean Air Act allows states, if there is an air quality need, to adopt unique clean fuel requirements. About 20 states have adopted clean fuel programs for part or all of the state. Most require gasoline with lower volatility than federal standards, often because the Clean Air Act does not allow them to join the federal reformulated gasoline (RFG) program.

As state and local governments look to boutique fuel programs to help address serious air pollution problems, the fuels industry is challenged to produce and distribute a greater variety of fuel formulations.

What is reformulated gasoline? Cleaner-burning RFG is a very effective air pollution control program. The Clean Air Act of 1990 required its use beginning in 1995 in the 10 most polluted cities. Cities in 13 other states voluntarily joined the program, so today 30% of U.S. gasoline is reformulated. In addition to pollution reduction standards, the statute also requires that RFG contain at least 2% by weight of an oxygenated additive.

Vehicles using RFG emit over 25% less smog-forming and toxic pollutants than vehicles using conventional gas. The total emission reductions are equivalent to removing the pollution from 16 million cars and trucks.

The Act allows fuel providers to select the oxygenate, and today about 80% of RFG (primarily the mid-Atlantic, northeast, Texas and California) has MTBE, and 20% (primarily Chicago and Milwaukee) has ethanol.

Action by a number of states to ban the use of MTBE as a gasoline additive is the single biggest factor that threatens to proliferate boutique fuel requirements over the next several years. To date, 22 states have banned or are considering a ban of MTBE. MTBE is being banned due to widespread contamination of groundwater and drinking water supplies.

Pros

Industry has raised the issue of boutique fuels repeatedly and this study will demonstrate the Administration is serious about addressing it.

Cons

States may be wary that such a study will lead to greater restrictions on their ability to address air pollution problems through cleaner fuels programs.

Addressing boutique fuels requires statutory changes to the Clean Air Act.

The fuels industry may be concerned that action today is needed rather than a study.

BACKGROUND ON NEW SOURCE REVIEW

- The Clean Air Act's New Source Review (NSR) program requires sources to install modern pollution control equipment when a source is first built and when a source makes a major modification that increases emissions.
 - When Congress amended the Clean Air Act in 1977, it decided this approach would be less expensive and less disruptive than requiring all sources to install modern pollution controls on a defined time line.
 - Thus, in 1977, Congress exempted (or grandfathered) existing coal-fired power plants from requirements to install modern pollution controls because they were told that the plants had useful lives of only about 30 years. Instead of requiring controls on plants that were being phased out, Congress decided that controls should be required when new plants were built or existing plants were modified significantly.
- Utilities have found ways to extend the useful life of many of these grandfathered power plants for another 30 years or more, but without installing modern pollution controls.
- Under NSR, sources have two options:
 - to avoid NSR by agreeing not to increase their emissions (which they can do by making changes that do not increase emissions, or by installing controls on one part of the facility to offset increases at another part of the facility, or by agreeing to a state permit term limiting emissions), or
 - to put on controls in conjunction with an upgrade project or a new facility (i.e., go through traditional NSR).
- The process for deciding whether a modification is subject to NSR can be time-consuming and complicated.
- In many states, a state or local agency (not EPA) runs the NSR program.
- The New Source Review program has produced significant benefits -- reducing air pollution by well over 100 million tons.
- The Energy Policy Report addresses New Source Review (NSR) by recommending that the Administration:
 - issue a Presidential order to streamline and coordinate permitting of energy-related activities, which includes NSR;
 - for utilities, develop three pollutant legislation;
 - for combined heat and power facilities and for brownfield energy development, provide guidance to fast track these activities through the permit process; and
 - for other energy-related activities (e.g., oil refineries), work with states, industry, environmentalists and other stakeholders to streamline the NSR process while achieving equivalent environmental benefits.

Tax Credit for New Vehicle Technologies

Proposal: An individual, temporary income tax credit available for purchase of new hybrid (gasoline/electric) or fuel cell vehicles between 2002 and 2007.

Mechanism: The vehicle tax credit would range from \$1000 to \$4000, with the specific amount determined by the percent improvement in fuel economy (miles per gallon) relative to a comparable baseline vehicle. Fuel economy improvements of 25%/50%/100%/200% would qualify for credits of \$1000/\$2000/\$3000/\$4000, respectively.

Background: A tax credit based on fuel economy improvement ensures that the intended energy and environmental benefits are achieved, and it ensures that all vehicles have the opportunity to compete for the credits, not just small vehicles. A similar performance-based proposal is expected to be introduced soon by Senators Hatch and Jeffords, with a broad coalition of support from auto manufacturers, environmental groups, and energy efficiency advocates

A temporary tax credit could be an extremely effective tool to help launch new automotive technologies into the marketplace. While promising new technologies are being developed, there are two major barriers to commercialization: the higher initial costs of new technologies and consumer reluctance to try new technologies. A tax credit targeted to consumers directly addresses both of these initial barriers, speeding the development of the technology. While all domestic automakers have plans to introduce a limited production of gasoline/electric hybrid SUVs or light trucks by 2004, a temporary tax credit could ultimately be the difference between a small, high-cost niche market and more competitive, high volume production. Higher production levels of new technologies will lead to cost reductions and further improvements in performance, allowing these technologies to better compete on their own merits after the tax credit.

In addition to improving the long-term competitiveness of these technologies, the credit would also help automakers meet their CAFE requirements. To the extent that the credits help domestic auto manufacturers achieve their voluntary pledges to improve overall SUV fuel economy by 25% over the next five years, the credits would contribute to an overall fuel economy improvement that reduces oil consumption and air emissions.

Cost: The Department of Treasury had previously estimated the cost of a similar vehicle income tax credit proposal at \$2 billion for the period 2001-2005. The cost of this performance-based tax credit would be proportional to how effective it is in getting new technologies on the road: if the tax credit is ineffective, there is little cost to the government.

Tax Credit for Methane from Landfill Gas

Proposal: Tax credit for landfills capture and utilize the methane emitted from them.

Mechanism: Expand the scope of the Section 29 tax credit to make it available for new landfill methane projects. The credit could be tiered depending on whether or not a landfill is already required by federal law to collect and flare their methane emissions due to local air pollution concerns. A proper incentive level to encourage electricity generation would be 1.5 cents/kWh (or the equivalent in terms of dollars/mmbtu) for landfills not required to collect and flare their landfill gas, and 1.0 cents/kWh for regulated landfills.

Background: Methane emissions from landfills can be captured and burned to generate electricity, providing a renewable energy source that: (1) increases electricity supplies; (2) reduces VOC air pollutants from landfills; and (3) reduces greenhouse gas emissions (methane is a greenhouse gas that is about 20 times as potent as carbon dioxide ton for ton). The technologies to collect and utilize landfill methane to generate electricity, as a medium-quality fuel, or to convert to high-quality natural gas or vehicle fuel are in the market. However, several barriers prevent the full deployment of these technologies, including the perceived higher risk of new technologies or approaches and the price uncertainty generated by restructuring energy markets, particularly in the electricity supply sector. Methane-to-electricity projects can be developed at a levelized cost of about 3-4 cents/kWh. However, today's utility avoided cost rates are often much lower.

In the past, the Section 29 Nonconventional Fuels Tax Credit subsidized landfill gas-to-energy projects, and it was quite successful in encouraging project development. In recent years, however, the scope of the tax credit has been narrowed, and it is no longer available for new landfill methane projects. Without a credit, most regulated landfills will likely flare their methane rather than use it, foregoing the environmental benefits of displacing fossil fuel use. With this tax credit, we would expect about 1,000 MW of new electricity generating capacity from landfills over the next decade.

COST: Such a credit would cost about \$250 million over five years, and \$835 million over 10 years. The credit would be available for ten years for new projects beginning between 2002 and 2006.

Accelerating Investment in Highly Efficient Combined Heat and Power (CHP) Energy Systems

Proposal: 1) 10 % investment tax credits for CHP systems or 2) shorten the depreciation life for CHP projects.

Mechanism:

10% Investment Tax Credit for CHP

Currently, there are no tax credits available for CHP systems. A 10% investment tax credit would spur the increased use of CHP. By targeting medium to small-sized projects (below 50 megawatts in capacity) that offer environmental improvements but that are only marginally economically attractive, this tax credit can be most efficient.

Shortened Depreciation Life for CHP Projects

By uniformly setting the depreciation life for new efficient CHP equipment at 7 years (irrespective of ownership, capacity or other factors), the economics for these projects will be significantly improved, resulting in increased investment in these important energy saving technologies. A 7-year recovery period is a simple, yet fair approach, and consistent with tax policy on other capital investments.

Background: Up to 70% of the energy used in power plants is lost as steam vented to the air. Combined heat and power systems capture the waste steam from power plants and use it for industrial processes or to heat buildings, reducing the wasted energy from electricity generation can be reduced to only 10-30%. CHP systems can reduce overall energy consumption, lower total energy costs, increase electric system reliability, and provide environmental benefits. CHP projects face a variety of market and institutional barriers that prevent greater use of this family of highly efficient technologies.

The current tax code imposes widely varying depreciation schedules for CHP equipment (ranging from 7 years, or less, to 39 years) depending upon a variety of factors including ownership, capacity, and ultimate customer for the energy products (typically electricity and steam). These discrepancies are not reflective of the typical investment lives of these projects in the rapidly evolving market for electricity and, therefore, result in a significant financial penalty for companies or investors to support new CHP.

COST:

10% Investment Tax Credit: A 10% credit for a five year period should cost on the order of \$1.4 billion over that period. An earlier estimate of a 7% investment tax credit over a five year period project a \$1 billion cost to the Treasury.

Shortened Depreciation Life for CHP Projects: Treasury had previously estimated the cost of a similar depreciation life change at \$1 billion for a 10-year period.

This 7-year period would be applied to all CHP facility equipment that meets specific efficiency levels.

Electricity/Private Use

Proposal: Reform the private use limit on transmission and distribution facilities to provide open access.

Mechanism:

Background: Under current law, electricity generation and transmission and distribution facilities owned by State and municipal utilities are financed with tax-exempt bonds. The tax-exempt status of these bonds is forfeit if other parties use the facilities, which discourages State and municipal utilities from providing open access to their transmission and distribution facilities. This restriction is known as the "private use" limit.

State and municipal utilities own about 10 percent of the interstate transmission grid, and serve 20 percent of consumers. Unless the private use limit on transmission and distribution facilities is reformed, transmission access will be limited and retail competition will be curtailed (State competition laws allow State and municipal utilities to decide whether to open their retail markets).

Cost: The cost of removing the private use limit for transmission and distribution facilities is \$941 million over 5 years.

Renewable Energy/Biomass

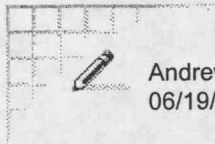
Proposal: Expand biomass sources eligible for the production tax credit to include municipal solid waste. (The President's budget proposal proposed expanding the production tax credit beyond closed loop facilities to open loop facilities and this proposal would further extend the production tax credit).

Mechanism:

Background: Under current law, waste-to-energy facilities do not qualify for the production tax credit available to other biomass projects. Waste-to-energy facilities generate electricity using municipal solid waste as fuel. These facilities must comply with new Clean Air Act standards and employ modern pollution control equipment. Waste-to-energy facilities account for the bulk of renewable energy electricity generation.

This proposal has a second benefit, environmental improvement, since these facilities help cities meet the challenge of solid waste disposal.

Cost: The cost of extending the production tax credit to new waste-to-energy facilities is \$135 million over 5 years.



Andrew D. Lundquist
06/19/2001 04:59:20 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Appreciation Reception - Thursday, June 21

Please join the National Energy Policy Development Group staff for a reception this Thursday, June 21, from 5:30 to 7:00 p.m., out on Mrs. Cheney's balcony, 200 OEOB. We would like to thank everyone for their efforts in producing the 2001 National Energy Policy.

We'll have snacks and plenty of beverages.

If you plan to join us and need to be cleared into the building, please e-mail Kjersten Drager at kdrager@ovp.eop.gov, with your name, social security number and date of birth.

We look forward to seeing you Thursday. -Andrew

Message Sent To: _____

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Mitchell Daniels
03/31/2001 10:06:49 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Joshua B. Bolten/WHO/EOP@EOP, Lawrence B. Lindsey/OPD/EOP@EOP
Subject: Policy issues

I thought the list of issue possibilities was well done. I have been through the 47 summary papers and have categorized them as follows:

25 seem fully appropriate and ripe for DPC (or NEC, the division of labor is not yet clear to me) activity. I will be supplying that list and the accompanying one-pagers to Josh on Monday.

There are 3 others -- Yucca Mountain, OCS leasing, and LIHEAP/oil and gas royalties -- that could be added but strike me as candidates to be subsumed and settled in the context of the National Energy Policy review now ongoing. Josh can determine that.

There are a few on which I want to visit with Jay and perhaps others of you before deciding, but which I believe for one reason or another probably do not require attention from the West Wing. And, there are a few -- information security, SSA disability claims process, etc. -- that strike me as simply part of our management responsibility and raise no issues of policy.

All in all, this is a good product. If there are significant issues missing, they don't occur to me. Let's visit Monday and finalize.

Message Sent To:

Sean C. O'Keefe/OMB/EOP@EOP
Augustine T. Smythe/OMB/EOP@EOP
James C. Capretta/OMB/EOP@EOP
Robin Cleveland/OMB/EOP@EOP
Marcus Peacock/OMB/EOP@EOP
Jay P. Lefkowitz/OMB/EOP@EOP



Kjersten S. Drager
03/05/2001 01:50:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Carol J. Thompson/WHO/EOP@EOP, Sandra L. Via/OMB/EOP@EOP, Megan D. Moran/OVP/EOP@EOP, Janet P. Walker/OPD/EOP@EOP
Subject: NEPDG Meeting Chaired by VPOTUS - TOMORROW, MARCH 6, 10AM

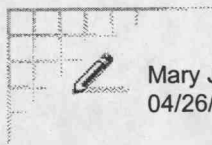
The National Energy Policy Development Group's second principal's meeting chaired by Vice President Cheney will take place TOMORROW, Tuesday, March 6, at 10:00 a.m., in the Vice President's Ceremonial Office, EEOB 2nd floor. The staff contact for this event is John Fenzel and he can be reached at 456-7953. Please let us know if you will be able to attend.

Thank you,

Kjersten Drager
Assistant to the Director, NEPDG

Message Sent To:

John W. Howard/WHO/EOP@EOP
Joshua B. Bolten/WHO/EOP@EOP
Mitchell Daniels/OMB/EOP@EOP
Mary J. Matalin/OVP/EOP@EOP
Lawrence B. Lindsey/OPD/EOP@EOP



Mary J. Matalin
04/26/2001 04:58:02 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: The Vice President's TIME Magazine Energy Interview

This will come out Monday. Sunday talkers may be asked about it. For all others, it tracks with the principles guiding the President's National Energy Policy Development task force and is the walk up to the President's unveiling of his plan next month.



0426cheney.doc

Message Sent To:

Andrew H. Card/WHO/EOP@EOP
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Karl C. Rove/WHO/EOP@EOP
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Nicholas E. Calio/WHO/EOP@EOP
Lawrence A. Fleischer/WHO/EOP@EOP
Claire E. Buchan/WHO/EOP@EOP
Jennifer K. Millerwise/WHO/EOP@EOP
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Cesar Conda/OVP/EOP@EOP
Eric S. Edelman/OVP/EOP@EOP
John P. McConnell/OVP/EOP@EOP
Debra R. Dunn/OVP/EOP@EOP
Andrew D. Lundquist/OVP/EOP@EOP
Karen Y. Knutson/OVP/EOP@EOP
Juleanna R. Glover/OVP/EOP@EOP
Kyle.Mcslarrow@hq.doe.gov @ inet

THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript April 26, 2001

TELEPHONE INTERVIEW OF THE VICE PRESIDENT

Q -- working together on the story.

THE VICE PRESIDENT: Okay.

Q Now, Mary tells me you like to get into the lion's den, so I will ask you some nasty questions to start with.

THE VICE PRESIDENT: You guys have never done that before.
(Laughter.)

Q Some critics have suggested that you've labeled the current situation as an energy crisis, in part to reward your many campaign supporters in the energy sector. That's a question with a couple components. Why don't you fire away?

THE VICE PRESIDENT: Obviously, that's not the case. We, during the course of the campaign, did mention that we thought it was a problem that there was no national energy policy for several years, and that if you look down the road, the storm cloud on the horizon out there that could potentially adversely affect our long-term economic outlook was potential problems in the energy area.

Now, here we are in April of 2001 and we are talking about rolling blackouts in California and power shortages all up and down the West Coast, up into the Northwest, and rapidly rising prices for various forms of energy. And it is a situation in which we clearly have not kept pace, in terms of production with the growing demand for energy in various forms, especially in the electric area.

I think it is pretty clear, if you are caught in the middle of a traffic jam caused by a power outage in Los Angeles, that

it is a serious problem.

Q And what about the politics of it?

THE VICE PRESIDENT: What about the politics of it? The fact of the matter is, these are tough issues. If they were easy issues, the Clinton Administration would have done something about it. They didn't; they basically steered clear of all of this.

But I and the President believe that it is our responsibility to raise these important questions, to have this debate and dialogue, if you will, and engage the country on the question of what kind of energy policies we want long term, to take on, for example, to address such questions as the issue of whether or not we ought to go back and look at nuclear power again.

Q Um-hmm.

THE VICE PRESIDENT: Those are not politically easy things to do, but they are a responsible course of action, given the importance of this issue.

Q And your central principles as you entered this issue were what?

THE VICE PRESIDENT: I think if you look at what we are trying to do, we are trying to focus on the long term, take a broad, comprehensive approach that looks at all aspects of the problem and the opportunity here, that focuses not only on the need to meet our growing demand for energy, but also to do it in an environmentally sound fashion, to make certain, as we all recognize it's a very important consideration going forward, that we as well take a look at conservation and alternative sources and renewable, at the same time that we focus on the more traditional sources of power. That we focus on technology. New technology offers tremendous opportunities here to both meet our needs and at the same time protect the environment.

Q Mr. Vice President? There has been some fair amount of talk about the secrecy, if you will, surrounding the process

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involving your task force. I wonder if you could address that, in terms of what is the difference between the way your task force is operating and the way the one that was chaired by Hillary Clinton in the health care area, the way that was conducted? And I will follow up on that in a second.

THE VICE PRESIDENT: I don't think there is any comparison at all. This basically is a meeting, a series of meetings of a committee made up of the Cabinet and the senior administration officials. As we go -- we're allowed to get together and make policy, that's what we get paid to do. But there are no outside groups in the meetings that we have when we meet as the Energy Task Force. There have been meetings with outsiders by various individual members of the task force and by staff, and there they met with a broad range of folks from the environmental community, from the energy industries and so forth.

But those are not policy meetings. So, I mean, everything we are doing is totally consistent with the way government is supposed to operate. We have meetings of Cabinet committees all the time and senior officials on all kinds of policies that are not open in the sense that we don't have outsiders present and the press isn't there, but this is all preparatory to teeing up decisions that the President can make. And then once a decision has been made and an administration policy developed, then it is announced and it becomes public.

Q Well, thank you --

THE VICE PRESIDENT: There is nothing any different about how we are proceeding here with respect to the Energy Task Force than the way we look at economic policy or prepare the budget or look at national security questions. This is traditionally the way administrations operate. We aren't doing anything different.

Q Right. Just briefly, some people have, despite what you just said, they sort of wonder what's going on in there. What is going on in there?

THE VICE PRESIDENT: What is going on in there? Well, we are having -- we've got a staff that is pulled together. It's

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headed by a man named Andrew Lundquist who works for me, who is the director of the operation. I've got a small staff assigned to it. And the various Cabinet members and agency heads that are involved all contribute staff as well, too. And they are working, putting together a report.

We have given the President a preliminary, sort of interim report earlier on. We will come to him eventually with a polished report that will be made public that will lay out the case in terms of why we think there is a problem as well as make a series of recommendations. He will have to sit down and decide which ones he wants to accept and adopt as administration policy.

So what we are doing is preparing this report basically for him, with the idea that eventually it will come to fruition as a comprehensive national energy policy. We're covering several different things. We're focusing, obviously, on increasing supply and there we're looking at all the various aspects of where we get energy from and the very sources that we use to generate electricity and how we handle our transportation fuels, et cetera. We are talking about the whole question of the need to modernize our infrastructure.

Part of the problem is not only the question of generating electric power, for example, but it is also our transmission lines, the fact that we badly need to modernize that infrastructure. Some of the problems in California, for example, have to do with the difficulty they have from moving power from northern California to southern California, because of an inadequate power grid.

We get into the whole area of transportation fuels and gasoline, rising prices there. One of our big problems is we haven't built any new refineries in this country for 25 years. Refineries are running flat out at maximum capacity and having to put a lot of complex additives into the product in order to meet various clean air requirements. That combination of things, our desire to have a good, clean environment but also to meet those needs for fuel comes back again to the infrastructure that's available, the capacity of those refineries.

MORE

We're talking about energy conservation and about how we can use new technology to get more bang for the buck in terms of the energy we do use and reduce the amount of energy consumption per unit of output. We're talking about independence, energy independence, and avoiding the kinds of threats to our security that will develop if we don't address these kinds of questions long term.

So it's a good, broad-based study being done by Cabinet officials with help from their staffs and involves the Secretary of Energy and the Secretary of the Interior, Secretary of Commerce and Treasury. Josh Bolton had a policy in the White House. Joe Allbaugh is involved, the head of FEMA. A broad range of Administration officials have come together to work on this particular problem.

Q Now, the environmentalists have credited you with taking the time to -- not you specifically, your staff, taking the time to meet with them.

THE VICE PRESIDENT: Right.

Q If they have a kind of conceptual concern, it is that the task force itself is weighted with industry veterans. And to what extent are the environmental concerns addressed and voiced inside of your regular meetings?

THE VICE PRESIDENT: I think you've got a broad cross section of opinions there and certainly the debates we have over what we ought to do in various areas don't reflect unanimity of opinion. I mean, we have pretty good arguments over how we ought to proceed and what kind of recommendations we ought to make on various issues.

Also at the table is Christine Todd Whitman, the EPA administrator, who I think is pretty well known for her views and her institutional responsibilities and statutory responsibilities to implement our environmental laws. And the same for Gale Norton, the Secretary of the Interior. We are a diverse group that the President has pulled together in his administration.

MORE

To say we are all industry veterans, I certainly wouldn't accept that characterization. But I also think it's important to have people at the table who do know something about the energy business. After all, that's what we're trying to address.

Q Yesterday, your task force -- some of the task force reps, met with the coal industry, I guess to give them a little tickler about what may be in the report. Are there going to be meetings like that with other groups, including environmentalists?

THE VICE PRESIDENT: Well, we are still in the process, obviously, of preparing the report. But as we get closer to the date when we think we've got a product to take to the president and he is ready to make decisions, then we clearly are going to want to have a fairly comprehensive roll-out of the proposal. We will want to talk to any group that wants to hear from us. We will be looking for, in terms of places we can find, to come explain what we are doing and try to build support for the program. I can't believe there is anybody out there we won't talk to.

Q Why was the coal industry chosen first?

THE VICE PRESIDENT: I don't know that they were chosen first. We met with the environmental groups, I know the staff did, back in early April, three or four weeks ago.

Q Um-hmm. But not at this juncture. I mean --

THE VICE PRESIDENT: Well, it's a continuous process. You know, where there is a certain time urgency in terms of trying to get something done in reasonable order here. But I don't think anybody is discriminating for or against anybody in that process of talking with outside groups. We've talked with a lot of them.

Q Right. Mr. Vice President, can I ask you, coal is certainly the most plentiful domestic resource that we have. And, by some accounting measures, it is also one of the cheaper ones.

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How does coal fit into your plan, would you say? And is it wise, considering the environmental problems associated with -- that it could take for clean coal technology to solve the problem, to have a big role for coal, if that is what it is?

THE VICE PRESIDENT: Well, coal is important. You start with a proposition that about 52 percent of all of our electric generating capacity in the country today is coal fired. So it is already a very, very important part of our energy situation.

One of the things that is important to keep in mind is that we estimate that some 1,300 to 1,900 new generating facilities will be required over the next 20 years. It depends on various assumptions there. But say the conservative estimate of some 1,300 power plants works out to about 65 power plants per year. Some of those are bound to be coal fired. And coal is important because, as I say, the technology is well developed. It's also affordable. It's one of the lowest cost forms of energy that we've got out there.

We've already invested a lot in terms of Clean Air Act and success in implementing the Clean Air Act and reducing emissions from coal-fired plants. We need to do more. The President has recommended to the Congress that we spend some \$2 billion next year on clean coal technology and finding ways to make coal an even cleaner fuel to burn in the future. So I expect it will be important going forward.

A lot of the emphasis is going to be on natural gas. Currently, the expectation is -- in terms of people planning future power plants -- as much as 90 percent of that future generating capacity will be gas fired. What that does, of course though, is that raises questions about where we're going to get the gas. There's a lot of it out there but it needs to be developed. You have to go find it. You have to produce it. You've got to process it, you've got to build pipelines to get it to the power plant. You've got to invest.

For example, we estimate some 38,000 miles of new gas pipelines over the next 20 years, if you're going to have that kind of reliance on natural gas. Gas is attractive partly

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because it is a relatively clean-burning fuel. So there are environmental reasons for going with gas. But both gas and coal also do emit carbon dioxide when you burn them.

That, in turn, gets us over to looking at this whole question of whether or not we ought to go back and reconsider nuclear plants and new nuclear technologies as a way of addressing some of our future demand for electric power while at the same time reducing the problem of greenhouse emissions and possibly global warming.

Q You've emphasized -- made pretty clear the energy needs we face and the potential for crisis. In your calculus, are you emphasizing energy over environmental concerns? Adam just asked you, for instance, about the environmental costs of coal.

THE VICE PRESIDENT: Well, the fact of the matter is, we have to do both. This is a country that there is no question we have to have adequate supplies of energy if we are going to have a fully functioning economy that meets the needs and desires of the American people for an ever-improving standard of living. At the same time, we have a strong national commitment to wanting to make sure that we pass on the environment to our kids and grandkids in better shape than we found it. But there is no reason in the world we can't do both.

An awful lot of the technology that has been developed in recent years, and I think will be developed in the future, is aimed specifically at allowing us to produce the energy we need while, at the same time, improving the environment.

If you go back and look at what has transpired, for example, with respect to the last several years in terms of our energy consumption, we've done a lot to reduce the pollutants coming into the atmosphere as a result of energy production. We've actually significantly increased our overall level of economic production. We've increased our consumption of energy. But at the same time, we have reduced the amount of pollutants released into the atmosphere as a result of things already on the books and new technology.

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When we get into areas of meeting these energy needs, I think it's a false choice to say either we're going to have a clean environment or we're going to have adequate supplies of energy. I think there are folks out there who want to try to make that case. But it's increasingly difficult to make because our technology has gotten so good at allowing us to do both.

Q During the campaign, you emphasized how some places like West Virginia were kind of left out of the winners' column in the Clinton Administration. What are the politics of coal in your view? If I can ask you to put your political hat on for a second?

THE VICE PRESIDENT: I think coal is, from a political standpoint, important partly for the consumers because, as I mentioned earlier, it is one of the most affordable sources of energy we've got. Secondly, there is a very large supply out there. We've got huge coal reserves in this country, we know where they are and we know how to develop them relatively cheaply. We've got the infrastructure there in terms of transport and so forth.

At the same time, there are clearly a number of areas where we've got a number of jobs connected with the coal industry, people who are actively involved in that business in mining and transporting and processing the coal, so it does have important considerations. You wouldn't look at it purely in political terms. I think good politics is a sound energy policy and that's what we intend to have.

Q Mr. Vice President, thank you for your time here. One last point.

Obviously, as you outlined when you began your remarks, this is not a softball situation. You've taken on a tough challenge because you feel it needs to be addressed.

Going forward politically, what kind of a reception do you expect Congress --

THE VICE PRESIDENT: Excuse me.

MORE

Q We don't know the details, but there are going to be some controversial proposals coming out and there may be what some people would describe as strong medicine. So how do you expect that to play and do you expect that to play through the Congress successfully?

THE VICE PRESIDENT: Well, I think this is frankly the beginning of a debate that's likely to last for a long time. There isn't any one particular piece of legislation you can go past and say, there, we've solved that problem.

What we're trying to do is to put together a set of governmental policies and, in many cases, make certain that policies that are already in place are being implemented in a way that lets us move forward in terms of making sure that we've got the kind of energy supplies we're going to need in the future.

Look at California. California is a good example of how to get in trouble with unwise policies. We ended up there with an unwise regulatory scheme that created significant problems for the power industry. We ended up on the one hand trying to maintain price controls on the consumer.

The ultimate outcome, of course, was that you had a 24 percent increase in demand and virtually no increase in generating capacity over the last several years. So they lost the cushion they had. And now we get into a tough year like this year and all of a sudden they're faced with the possibility of rolling blackouts and power shortages that could have significant adverse economic consequences not only for California but the country.

So we know what happens when we don't do it right. And what we are trying to do is get our act together, so to speak, as a government and be able to move forward in terms of pursuing intelligent policies that give us the energy supplies we need but at the same time pays due regard to our legitimate concern about making sure we take care of the environment. But we can do both.

Q Mr. Vice President, you've been very generous. Thank

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you very much. Is there anything you wanted to add?

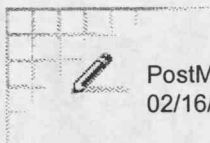
THE VICE PRESIDENT: No, I think, as I say, I think we're off to a good start. It should be an interesting debate and dialogue. I find members of Congress are eager to join at this point and I think we'll have a good package.

Q Thank you so much.

THE VICE PRESIDENT: You bet.

END

MORE



PostMaster
02/16/2002 11:45:56 AM

Record Type: Record

To: All EOP Users

cc:

Subject: ADMINISTRATIVE ALERT: Instruction Regarding Court Direction on NEPDG Records



Instruction Regarding Court Direction on NEPDG Records

We wish to bring to your attention the following request transmitted to us late yesterday evening by the Department of Justice relating to the records of the former National Energy Policy Development Group, also sometimes informally called the Energy Task Force:

"In a recent hearing in Judicial Watch, Inc. v. National Energy Policy Development Group, the court directed that the government continue to retain its records relating to the former National Energy Policy Development Group (NEPDG). In accord with the court's direction, **I am requesting your assistance in preserving all records of your agency or office related to the NEPDG.**

"This request includes all documents, in any medium, including electronic records and correspondence, computer records and storage devices, notes and memoranda that relate in any way to the NEPDG. Although federal law imposes broad requirements for preserving certain documents, we are requesting your assistance in ensuring that all documents relating to the NEPDG be preserved, even if there would be a question whether the document would be a presidential or federal record or even if its destruction might otherwise be permitted by law.

"At this time, we are only requesting that you ensure the retention of the records. Thank you for your cooperation." [emphasis added]

You are directed to comply with the Department of Justice's request quoted above in all respects.

If you have any questions, please contact my office. Thank you.

#000166

Alberto R. Gonzales
Counsel to the President

Larry Lindsey Daily Schedule

May 16, 2001 - Wednesday Economic Policy
Briefing with POTUS 11:35am

7:30a Senior Staff Meeting

8:00a

8:40a NO NEC Staff Meeting

8:45a -Meeting to discuss Two Tax Plan
Options
Linda 622-0733

9:00a

10:00a

10:15a Meet Josh and Andy Card to talk about
tax ideas in Sec. Card's office.

11:00a

11:35a to 11:55a Economic Policy Briefing with
POTUS in Oval Office

12:00p to 1:30p PRROL Lunch in Condi Rice's
office
Contact: Liz 69491

1:00p

1:30p to 2:30p NEC Staff Meeting

2:00p

2:15p DROP BY MEETING-- Marc will be
meeting with a group from ChoicePoint
to talk about privacy issues. Contact:
Bob Barnett---434-5034,

2:45p CAR 28

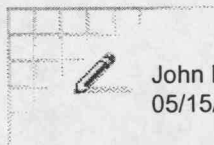
3:00p Meeting with Olympia Snowe in Russell
Senate Building 154 . Contact: Allison
Jones 67848.

3:30p CAR 28

4:00p to 5:00p NEPD Presentation of Energy
Report to the President in the Cabinet
Room during Cabinet Meeting

5:00p to 5:30p MEETING-- with Hank
Paulsen, Head Goldman Sachs per
request of Josh Bolten Contact: Carol
Thompson

- PRESS TIME



John Fenzel
05/15/2001 10:36:49 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Agenda for Cabinet Meeting: May 16, 4:00pm

Below is the Agenda for the Cabinet Meeting scheduled for Wednesday, May 16th at 4:00pm. The NEPD Group Report will be presented to the President at this meeting, and will not be available for release in advance. The Report, Briefing Books and Media Talking Points will be available at the meeting. Please pass this agenda on to Principals.

John Fenzel

AGENDA
NATIONAL ENERGY POLICY DEVELOPMENT GROUP
May 16, 2001
THE CABINET ROOM

- | | |
|--|-----------------------|
| • Opening Remarks | President Bush |
| • Introduction and Meeting Agenda | Vice President Cheney |
| • NEPD Report Overview | Andrew Lundquist |
| • Review of Message and Rollout Strategy | Mary Matalin |
| • Discussion | |

- Conclusion

Vice President Cheney

- Concluding Remarks

President Bush

Message Sent To:

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Charles M. Smith/OVP/EOP@EOP
Charles D. McGrath Jr/OVP/EOP@EOP
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Jean M. Russell 05/16/2001 09:09:23 AM

Record Type: Record

To: Janet P. Walker/OPD/EOP@EOP

CC:

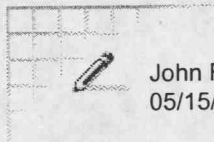
Subject: Agenda for Cabinet Meeting: May 16, 4:00pm

LL does NOT present today--sorry about all of the confusion.

jeannie

FYI---I called Kasich's office regarding the June event and they said they were sending information this week about the details.

----- Forwarded by Jean M. Russell/OPD/EOP on 05/16/2001 09:05 AM -----



John Fenzel
05/15/2001 10:36:49 PM

Record Type: Record

To: See the distribution list at the bottom of this message

CC:

Subject: Agenda for Cabinet Meeting: May 16, 4:00pm

Below is the Agenda for the Cabinet Meeting scheduled for Wednesday, May 16th at 4:00pm. The NEPD Group Report will be presented to the President at this meeting, and will not be available for release in advance. The Report, Briefing Books and Media Talking Points will be available at the meeting. Please pass this agenda on to Principals.

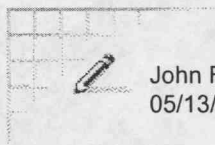
John Fenzel

**AGENDA
NATIONAL ENERGY POLICY DEVELOPMENT GROUP
May 16, 2001
THE CABINET ROOM**

- Opening Remarks President Bush
 - Introduction and Meeting Agenda Vice President Cheney
 - NEPD Report Overview Andrew Lundquist
 - Review of Message and Rollout Strategy Mary Matalin
-
- Discussion
 - Conclusion Vice President Cheney
 - Concluding Remarks President Bush

Message Sent To:

Juleanna R. Glover/OVP/EOP@EOP
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Joel D. Kaplan/WHO/EOP@EOP
Keith.Collins@USDA.gov @ inet
Joseph.Glauber@USDA.gov @ inet
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Mleblanc@ceq.eop.gov @ inet
Margot.Anderson@HQ.DOE.GOV @ inet
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John Fenzel
05/13/2001 10:46:06 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Presentation of the NEPD Group Report to the President

The Final Report of the National Energy Policy Development Group will be presented to the President during a Cabinet Meeting at **4:00pm on Wednesday, May 16th, in the Cabinet Room**. Participants for this meeting are provided below.

Please do not hesitate to contact me if you have any questions: 456-7953

John Fenzel

PARTICIPANTS

The Cabinet

Vice President Richard Cheney
Secretary Paul O'Neill, Secretary of the Treasury
Secretary Gale Norton, Secretary of the Interior
Secretary Ann Veneman, Secretary of Agriculture
Secretary Don Evans, Secretary of Commerce
Secretary Norman Mineta, Secretary of Transportation
Secretary Spencer Abraham, Secretary of Energy
Secretary Colin Powell, Secretary of State
Secretary Donald Rumsfeld, Secretary of Defense
Secretary Tommy Thompson, Secretary of Health and Human Services
Secretary Roderick Paige, Secretary of Education
Secretary Mel Martinez, Secretary of Housing and Urban Development
Secretary Elaine Chao, Secretary of Labor
Secretary Anthony Principi, Secretary of Veterans Affairs
Mr. John Ashcroft, Attorney General
Ms. Christie Whitman, Administrator, Environmental Protection Agency
Mr. Joe Allbaugh, Director, Federal Emergency Management Agency

Key Staff:

Andrew Card, Chief of Staff to the President

Karen Hughes, Senior Counselor to the President
Karl Rove, Senior Advisor to the President
Lewis Libby, Assistant to the President and Chief of Staff to the Vice President
Ari Fleischer, Assistant to the President and White House Press Secretary
Mary Matalin, Assistant to the President and Counselor to the Vice President
Mr. Mitchell Daniels, Director, Office of Management and Budget
Mr. Josh Bolten, Deputy Chief of Staff to the President
Mr. Lawrence Lindsey, Director, National Economic Council
Mr. Ruben Barrales, Assistant to the President for Intergovernmental Affairs
Dean McGrath, Deputy Chief of Staff to the Vice President
Andrew Lundquist, Executive Director, National Energy Policy Development Group
Cesar Conda, Assistant to the Vice President for Domestic Policy
John Howard, Director, Council on Environmental Quality
Karen Knutson, Deputy Director, National Energy Policy Development Group
Bob McNally, Special Assistant to the President for Economic Policy
Kyle McSillarow, Chief of Staff, Department of Energy
Jim Sims, Director of Communications, National Energy Policy Development Group
Dr. Glenn Hubbard, Chairman-Designate of the Council of Economic Advisors

Message Sent To:

Andrew H. Card/WHO/EOP@EOP
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Karl C. Rove/WHO/EOP@EOP
Lewis Libby/OVP/EOP@EOP
Lawrence A. Fleischer/WHO/EOP@EOP
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Jhowardj@ceq.EOP.gov @ inet

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Vickie A. McQuade/WHO/EOP@EOP
Nicole E. Grodner/WHO/EOP@EOP
Susan B. Ralston/WHO/EOP@EOP
Debra Heiden/OVP/EOP@EOP
Jennifer H. Mayfield/OVP/EOP
Elizabeth W. Kleppe/OVP/EOP

Larry Lindsey Daily Schedule

May 4, 2001 - Friday Economic Policy Briefing
with POTUS 11:00am

7:30a Senior Staff Meeting

8:00a

8:15a CAR 28

8:30a to 9:30a Breakfast with the Federal
Advisory Council at the Park Hyatt Hotel
Contact: Amy (b)(6)

8:40a NEC Staff Meeting--Marc Chairs

9:00a

9:15a to 9:45a FYI 9:15am Employment
Call-(Glenn Hubbard will lead, Marc and
Pippa will join)

9:30a CAR 28

9:45a Meet with Minister Heizo Takenaka,
successor to Minister Aso U05979
Contact: Kawaguchi (b)(6)

10:00a

10:30a Meeting with Yasuo Kanzaki and Mr.
Hisao Hiraoka. U02676
Contact: Sachie Kato, (b)(6)

11:00a to 11:35a Economic Policy Briefing with
POTUS in the Oval Office

11:25a Energy Meeting in the Roosevelt Room

12:00p to 1:00p Lunch with Dick McCormick in
the White House Mess U04011,
(b)(6)

1:00p

1:15p MEETING-- Bonneville energy (BPA).
Purpose is discuss the projected
Bonneville rate increases.

2:00p

2:30p to 3:15p Meeting with Austrian Federal
Minister of Economics and Labour, Mr.
Martin Bartenstein. Would like to
discuss WTO, and economic
topics.U05408 Contact: Marcus
(b)(6) Information to follow. Will be
bringing a photographer

3:00p

4:00p MEETING--with the National Mediation
Board U06026
Steve Krabel - (b)(6)

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Board U06026
Steve Kregel -- (b)(6)

Janet P. Walker
05/04/2001 07:40:10 AM

Record Type: Record

To: D. Marcus Sumerlin/OPD/EOP@EOP, Jean M. Russell/OPD/EOP@EOP

cc:

Subject: TODAY Energy Issues Discussion with the President

FYI

Forwarded by Janet P. Walker/OPD/EOP on 05/04/2001 07:37 AM

John Fenzel
05/03/2001 05:59:32 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: See the distribution list at the bottom of this message
Energy Issues Discussion with the President

A meeting with the President and Vice President to discuss high profile energy issues has been scheduled in the Roosevelt Room for 30 minutes, from 11:25 am to 11:55 am.

The meeting will only show on the President's private schedule.

A list of attendees is provided below.

A summary of the issues to be discussed will be sent to you in a forthcoming email message.

If you have any questions, please contact me at: 6-7953.

John Fenzel

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Karen Hughes, Senior Counselor to the President
Karl Rove, Senior Advisor to the President
Mitchell Daniels, Director, Office of Management and Budget
Joshua Bolten, Deputy Chief of Staff to the President
Lawrence Lindsey, Director, National Economic Council
Secretary Andrew Card, Chief of Staff to the President
Chief of Staff to the President and Chief of Staff to the Vice President

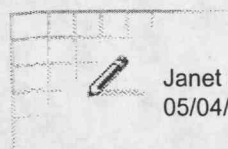
Mary Matalin, Assistant to the President and Counselor to the Vice President
Dean McGrath, Deputy Chief of Staff to the Vice President
Andrew Lundquist, Executive Director, National Energy Policy Development Group
Cesar Conda, Assistant to the Vice President for Domestic Policy
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Bob McNally, Special Assistant to the President for Economic Policy
Ari Fleischer, Assistant to the President and White House Press Secretary

Message Sent To:

Karen Hughes/WHO/EOP@EOP
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Message Copied To:

Melissa S. Bennett/WHO/EOP@EOP
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Ashley M. Snee/OVP/EOP@EOP



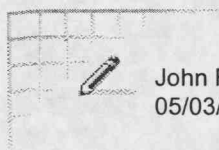
Janet P. Walker
05/04/2001 07:40:10 AM

Record Type: Record

To: D. Marcus Sumerlin/OPD/EOP@EOP, Jean M. Russell/OPD/EOP@EOP
cc:
Subject: TODAY Energy Issues Discussion with the President

FYI

----- Forwarded by Janet P. Walker/OPD/EOP on 05/04/2001 07:37 AM -----



John Fenzel
05/03/2001 05:59:32 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Energy Issues Discussion with the President

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Mitchell Daniels, Director, Office of Management and Budget
Joshua Bolten, Deputy Chief of Staff to the President
Lawrence Lindsey, Director, National Economic Council
Secretary Andrew Card, Chief of Staff to the President
Lewis Libby, Assistant to the President and Chief of Staff to the Vice President

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Cesar Conda, Assistant to the Vice President for Domestic Policy
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Bob McNally, Special Assistant to the President for Economic Policy
Ari Fleischer, Assistant to the President and White House Press Secretary

Message Sent To:

Karen Hughes/WHO/EOP@EOP
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Megan D. Moran/OVP/EOP
Debra Heiden/OVP/EOP@EOP
Ashley M. Snee/OVP/EOP@EOP

Larry Lindsey Daily Schedule

April 19, 2001 - Thursday

7:30a Senior Staff Meeting

8:00a

8:20a Meet with Marc and Gary

8:40a NEC Staff Meeting

9:00a

9:30a Meeting with Daniel Marx, Argentinian Finance Minister at the Department of Treasury with John Taylor. You will be accompanied by Clay Lowery. Contact: Natan Ebstein, DTR

10:00a

10:30a to 11:30a Legislative Strategy Meeting in Andy Card's office (Faith Based Initiatives 10:30-10:50 and taxes/budget 10:50-11:30)

11:00a

12:00p CAR 28

12:15p Trade Liaison Council Lunch. Contact: Dana Hudson, 202-393-5055

1:00p CAR 28

2:00p

2:45p PRESS TIME-- Edwina CXL'D

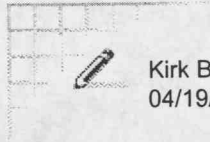
3:00p

4:00p STOP SCHEDULING

5:00p

6:00p REGRET--Long Range Planning Meeting. CXL'D. Please forward any suggested items by 4/12

- Congressional Recess



Kirk Blalock
04/19/2001 10:21:43 AM

Record Type: Record

To: Lawrence B. Lindsey/OPD/EOP@EOP
cc: Jean M. Russell/OPD/EOP@EOP, Lezlee J. Westine/WHO/EOP@EOP
Subject: Trade Association Liaison Council

I understand you are speaking to the TALC Today at lunch. TALC is a very valuable group, and the majority its membership has endorsed the President's Tax Relief Package. Below are a few thoughts of background for you on some of the people who will attend the lunch:

Steve Anderson, President, National Restaurant Association - the National Restaurant Association has endorsed the President's Tax Relief Package and their entire leadership attended a WH Briefing with POTUS on April 2nd.

John Block, President and CEO, Food Distributors International - Food Distributors has endorsed the President's Tax Relief Package. John attended a briefing with Trade Association Leaders and the POTUS, you and O'Neill on February 23rd. John is actively recruiting additional agricultural organizations to join in supporting the President's plan.

Red Cavaney, President, American Petroleum Institute - API has endorsed the President's Tax Relief Package and has actively recruited all of their member companies to do the same. Red Cavaney is a huge supporter, great friend and your host for lunch. API is a member of the producers coalition on the need for a National Energy Policy.

Jack Gerard, President, National Mining Association - NMA has endorsed the President's Tax Relief Package. In addition, NMA is a member of the producers coalition on the need for a National Energy Policy. NMA will participate in a Coal Mining briefing on April 25th at the WH on the NEPDG.

Carol Hallett, President, Air Transport Association of America - ATA has endorsed the President's Tax Relief Package. In addition, ATA recruited all the airline CEOs to do the same. You met with the ATA Board of Directors at their quarterly Meeting in March. The ATA has a current request in to meet with the President on Air Traffic Control issues at their upcoming quarterly Meeting.

Bruce Josten, VP, US Chamber of Commerce - the US Chamber has endorsed the President's Tax Relief Package. In addition, the US Chamber has actively recruited its 3,000 state and local chambers to do the same. The US Chamber hosted the POTUS on Monday, April 16th for his Tax Day Speech. The US Chamber is a member of the producers coalition on the need for a National Energy Policy.

Dirk Van Dongen, SVP, National Association Wholesaler-Distributors. NAW has endorsed the President's Tax Relief

Package. In addition, NAW manages the Tax Relief Coalition, a third-party organization which promotes the President's

Tax Relief Package. Currently, the Tax Relief Coalition is comprised of over 750 member companies and associations.

My thoughts for the balance of your comments are:

1. Tax Relief Package
2. The need for a national energy policy

I am likely to attend the lunch as well. If you need any additional information or want me to ride over with you, please let me know. Thank you.

Larry Lindsey Daily Schedule

April 18, 2001 - Wednesday

7:30a Senior Staff Meeting

8:00a

8:20a Meet with Marc and Gary

8:40a NEC Staff Meeting

9:00a

9:30a HOLD--Jon Robson, soon to be
Chairman of the Export-Import Bank will
drop by to say hello

10:00a to 11:30a NEPD Principals Meeting in
the Vice President's Ceremonial Office.
+1 Contact: John Fenzel

Talking Points and Agenda are in
Briefing Book

11:00a

11:30a Talk with Secretary Abraham after
Energy meeting about OPEC. Bob will
meet you over by the VP's ceremonial
office. Contact: (b)(6), Todd

12:00p Lunch with Jeff Weinberg in the White
House Mess ext. 53457. U99994

1:00p

1:15p Meet with Joanna Barnhart U99736,
(b)(6) Re: Social Security
Commissioner

Questions are in Briefing Book

2:00p to 2:30p White House Briefing for
State-Based Think Tanks in EEOB
Room 476, Contact: Matt Smith

2:45p Argus Group--Dan Mastromarco and
the Coalition for Fundamental Tax
Reform. They would like to talk about
tax reform. Contact: (b)(6)
U00492, U00477, U00541

Letter in Briefing Book

3:00p

4:00p to 5:00p PRESS TIME Edwina

5:00p

5:40p Economic Policy Briefing with POTUS
in Oval Office
Topics of discussion include: energy,

tax policy, and Social Security

- Congressional Recess
- CANCELLED--Courtesy Visit by Hugh Price,
President of the Urban League. Contact:
Dylan Glenn



Kjersten S. Drager
04/17/2001 02:44:01 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Info. for Tomorrow's NEPDG Principals' Meeting



AGENDA for 18 April 01 Principals' Meeting



REFORMULATED GASOLINE AND BOUTIQUE FU NEW SOURCE REVIEW, TAX CREDIT PAPERS.d



REPORT PRINCIPLES.

Attached above for tomorrow's 10:00 a.m. National Energy Policy Development Group Principals' Meeting in the Vice President's Ceremonial Office are the following:

- The Agenda
- Background Papers on the "Major" Report Issues/Potential Recommendations Which Include:
 1. Report Principles (Andrew Lundquist)
 2. Tax Credit Issues (Administrator Whitman and Secretary Abraham)
 3. New Source Review (Administrator Whitman)
 4. Reformulated Gas (Administrator Whitman)
 5. Electricity Deregulation (Secretary Abraham) NOTE: THIS PAPER IS FORTHCOMING.

Please let us know if you have any questions. Thanks, Kjersten (456-7050)

Message Sent To: _____

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Joseph.Kelliher@HQ.DOE.gov @ inet
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AGENDA

National Energy Policy Development Group Principals Meeting

April 18, 2001

1. Update on California Energy Situation (Larry Lindsey)
2. Update on Final Written Report to the President (Vice President)
3. Discussion of Key Report Issues and Proposed Recommendations (Vice President)
 - Energy Policy Principles
 - Tax Issues
 - New Source Review
 - Reformulated Gas
 - Electricity Deregulation
4. Executive Session (no staff) for Further Discussion
 - Further Discussion on Proposed Recommendations

REFORMULATED GASOLINE AND BOUTIQUE FUELS

Proposed Recommendation

"The President should direct the Administrator of the Environmental Protection Agency to study opportunities to maintain or improve the environmental benefits of state and local "boutique" clean fuel programs while exploring ways to increase the flexibility of the fuels distribution infrastructure. In conducting this study the Administrator shall consult with the Department of Energy and other agencies, as needed."

Background

What are boutique fuels? Boutique fuels are specific fuel requirements adopted by state or local governments, most often to achieve greater motor vehicle emissions reductions than would occur with the use of conventional gasoline.

The Clean Air Act allows states, if there is an air quality need, to adopt unique clean fuel requirements. About 20 states have adopted clean fuel programs for part or all of the state. Most require gasoline with lower volatility than federal standards, often because the Clean Air Act does not allow them to join the federal reformulated gasoline (RFG) program.

As state and local governments look to boutique fuel programs to help address serious air pollution problems, the fuels industry is challenged to produce and distribute a greater variety of fuel formulations.

What is reformulated gasoline? Cleaner-burning RFG is a very effective air pollution control program. The Clean Air Act of 1990 required its use beginning in 1995 in the 10 most polluted cities. Cities in 13 other states voluntarily joined the program, so today 30% of U.S. gasoline is reformulated. In addition to pollution reduction standards, the statute also requires that RFG contain at least 2% by weight of an oxygenated additive.

Vehicles using RFG emit over 25% less smog-forming and toxic pollutants than vehicles using conventional gas. The total emission reductions are equivalent to removing the pollution from 16 million cars and trucks.

The Act allows fuel providers to select the oxygenate, and today about 80% of RFG (primarily the mid-Atlantic, northeast, Texas and California) has MTBE, and 20% (primarily Chicago and Milwaukee) has ethanol.

Action by a number of states to ban the use of MTBE as a gasoline additive is the single biggest factor that threatens to proliferate boutique fuel requirements over the next several years. To date, 22 states have banned or are considering a ban of MTBE. MTBE is being banned due to widespread contamination of groundwater and drinking water supplies.

Pros

Industry has raised the issue of boutique fuels repeatedly and this study will demonstrate the Administration is serious about addressing it.

Cons

States may be wary that such a study will lead to greater restrictions on their ability to address air pollution problems through cleaner fuels programs.

Addressing boutique fuels requires statutory changes to the Clean Air Act.

The fuels industry may be concerned that action today is needed rather than a study.

BACKGROUND ON NEW SOURCE REVIEW

- The Clean Air Act's New Source Review (NSR) program requires sources to install modern pollution control equipment when a source is first built and when a source makes a major modification that increases emissions.
 - When Congress amended the Clean Air Act in 1977, it decided this approach would be less expensive and less disruptive than requiring all sources to install modern pollution controls on a defined time line.
 - Thus, in 1977, Congress exempted (or grandfathered) existing coal-fired power plants from requirements to install modern pollution controls because they were told that the plants had useful lives of only about 30 years. Instead of requiring controls on plants that were being phased out, Congress decided that controls should be required when new plants were built or existing plants were modified significantly.
- Utilities have found ways to extend the useful life of many of these grandfathered power plants for another 30 years or more, but without installing modern pollution controls.
- Under NSR, sources have two options:
 - to avoid NSR by agreeing not to increase their emissions (which they can do by making changes that do not increase emissions, or by installing controls on one part of the facility to offset increases at another part of the facility, or by agreeing to a state permit term limiting emissions), or
 - to put on controls in conjunction with an upgrade project or a new facility (i.e., go through traditional NSR).
- The process for deciding whether a modification is subject to NSR can be time-consuming and complicated.
- In many states, a state or local agency (not EPA) runs the NSR program.
- The New Source Review program has produced significant benefits -- reducing air pollution by well over 100 million tons.
- The Energy Policy Report addresses New Source Review (NSR) by recommending that the Administration:
 - issue a Presidential order to streamline and coordinate permitting of energy-related activities, which includes NSR;
 - for utilities, develop three pollutant legislation;
 - for combined heat and power facilities and for brownfield energy development, provide guidance to fast track these activities through the permit process; and
 - for other energy-related activities (e.g., oil refineries), work with states, industry, environmentalists and other stakeholders to streamline the NSR process while achieving equivalent environmental benefits.

Tax Credit for New Vehicle Technologies

Proposal: An individual, temporary income tax credit available for purchase of new hybrid (gasoline/electric) or fuel cell vehicles between 2002 and 2007.

Mechanism: The vehicle tax credit would range from \$1000 to \$4000, with the specific amount determined by the percent improvement in fuel economy (miles per gallon) relative to a comparable baseline vehicle. Fuel economy improvements of 25%/50%/100%/200% would qualify for credits of \$1000/\$2000/\$3000/\$4000, respectively.

Background: A tax credit based on fuel economy improvement ensures that the intended energy and environmental benefits are achieved, and it ensures that all vehicles have the opportunity to compete for the credits, not just small vehicles. A similar performance-based proposal is expected to be introduced soon by Senators Hatch and Jeffords, with a broad coalition of support from auto manufacturers, environmental groups, and energy efficiency advocates

A temporary tax credit could be an extremely effective tool to help launch new automotive technologies into the marketplace. While promising new technologies are being developed, there are two major barriers to commercialization: the higher initial costs of new technologies and consumer reluctance to try new technologies. A tax credit targeted to consumers directly addresses both of these initial barriers, speeding the development of the technology. While all domestic automakers have plans to introduce a limited production of gasoline/electric hybrid SUVs or light trucks by 2004, a temporary tax credit could ultimately be the difference between a small, high-cost niche market and more competitive, high volume production. Higher production levels of new technologies will lead to cost reductions and further improvements in performance, allowing these technologies to better compete on their own merits after the tax credit.

In addition to improving the long-term competitiveness of these technologies, the credit would also help automakers meet their CAFE requirements. To the extent that the credits help domestic auto manufacturers achieve their voluntary pledges to improve overall SUV fuel economy by 25% over the next five years, the credits would contribute to an overall fuel economy improvement that reduces oil consumption and air emissions.

Cost: The Department of Treasury had previously estimated the cost of a similar vehicle income tax credit proposal at \$2 billion for the period 2001-2005. The cost of this performance-based tax credit would be proportional to how effective it is in getting new technologies on the road: if the tax credit is ineffective, there is little cost to the government.

Tax Credit for Methane from Landfill Gas

Proposal: Tax credit for landfills capture and utilize the methane emitted from them.

Mechanism: Expand the scope of the Section 29 tax credit to make it available for new landfill methane projects. The credit could be tiered depending on whether or not a landfill is already required by federal law to collect and flare their methane emissions due to local air pollution concerns. A proper incentive level to encourage electricity generation would be 1.5 cents/kWh (or the equivalent in terms of dollars/mmbtu) for landfills not required to collect and flare their landfill gas, and 1.0 cents/kWh for regulated landfills.

Background: Methane emissions from landfills can be captured and burned to generate electricity, providing a renewable energy source that: (1) increases electricity supplies; (2) reduces VOC air pollutants from landfills; and (3) reduces greenhouse gas emissions (methane is a greenhouse gas that is about 20 times as potent as carbon dioxide ton for ton). The technologies to collect and utilize landfill methane to generate electricity, as a medium-quality fuel, or to convert to high-quality natural gas or vehicle fuel are in the market. However, several barriers prevent the full deployment of these technologies, including the perceived higher risk of new technologies or approaches and the price uncertainty generated by restructuring energy markets, particularly in the electricity supply sector. Methane-to-electricity projects can be developed at a levelized cost of about 3-4 cents/kWh. However, today's utility avoided cost rates are often much lower.

In the past, the Section 29 Nonconventional Fuels Tax Credit subsidized landfill gas-to-energy projects, and it was quite successful in encouraging project development. In recent years, however, the scope of the tax credit has been narrowed, and it is no longer available for new landfill methane projects. Without a credit, most regulated landfills will likely flare their methane rather than use it, foregoing the environmental benefits of displacing fossil fuel use. With this tax credit, we would expect about 1,000 MW of new electricity generating capacity from landfills over the next decade.

COST: Such a credit would cost about \$250 million over five years, and \$835 million over 10 years. The credit would be available for ten years for new projects beginning between 2002 and 2006.

Accelerating Investment in Highly Efficient Combined Heat and Power (CHP) Energy Systems

Proposal: 1) 10 % investment tax credits for CHP systems or 2) shorten the depreciation life for CHP projects.

Mechanism:

10% Investment Tax Credit for CHP

Currently, there are no tax credits available for CHP systems. A 10% investment tax credit would spur the increased use of CHP. By targeting medium to small-sized projects (below 50 megawatts in capacity) that offer environmental improvements but that are only marginally economically attractive, this tax credit can be most efficient.

Shortened Depreciation Life for CHP Projects

By uniformly setting the depreciation life for new efficient CHP equipment at 7 years (irrespective of ownership, capacity or other factors), the economics for these projects will be significantly improved, resulting in increased investment in these important energy saving technologies. A 7-year recovery period is a simple, yet fair approach, and consistent with tax policy on other capital investments.

Background: Up to 70% of the energy used in power plants is lost as steam vented to the air. Combined heat and power systems capture the waste steam from power plants and use it for industrial processes or to heat buildings, reducing the wasted energy from electricity generation can be reduced to only 10-30%. CHP systems can reduce overall energy consumption, lower total energy costs, increase electric system reliability, and provide environmental benefits. CHP projects face a variety of market and institutional barriers that prevent greater use of this family of highly efficient technologies.

The current tax code imposes widely varying depreciation schedules for CHP equipment (ranging from 7 years, or less, to 39 years) depending upon a variety of factors including ownership, capacity, and ultimate customer for the energy products (typically electricity and steam). These discrepancies are not reflective of the typical investment lives of these projects in the rapidly evolving market for electricity and, therefore, result in a significant financial penalty for companies or investors to support new CHP.

COST:

10% Investment Tax Credit: A 10% credit for a five year period should cost on the order of \$1.4 billion over that period. An earlier estimate of a 7% investment tax credit over a five year period project a \$1 billion cost to the Treasury.

Shortened Depreciation Life for CHP Projects: Treasury had previously estimated the cost of a similar depreciation life change at \$1 billion for a 10-year period.

This 7-year period would be applied to all CHP facility equipment that meets specific efficiency levels.

Electricity/Private Use

Proposal: Reform the private use limit on transmission and distribution facilities to provide open access.

Mechanism:

Background: Under current law, electricity generation and transmission and distribution facilities owned by State and municipal utilities are financed with tax-exempt bonds. The tax-exempt status of these bonds is forfeit if other parties use the facilities, which discourages State and municipal utilities from providing open access to their transmission and distribution facilities. This restriction is known as the "private use" limit.

State and municipal utilities own about 10 percent of the interstate transmission grid, and serve 20 percent of consumers. Unless the private use limit on transmission and distribution facilities is reformed, transmission access will be limited and retail competition will be curtailed (State competition laws allow State and municipal utilities to decide whether to open their retail markets).

Cost: The cost of removing the private use limit for transmission and distribution facilities is \$941 million over 5 years.

Renewable Energy/Biomass

Proposal: Expand biomass sources eligible for the production tax credit to include municipal solid waste. (The President's budget proposal proposed expanding the production tax credit beyond closed loop facilities to open loop facilities and this proposal would further extend the production tax credit).

Mechanism:

Background: Under current law, waste-to-energy facilities do not qualify for the production tax credit available to other biomass projects. Waste-to-energy facilities generate electricity using municipal solid waste as fuel. These facilities must comply with new Clean Air Act standards and employ modern pollution control equipment. Waste-to-energy facilities account for the bulk of renewable energy electricity generation.

This proposal has a second benefit, environmental improvement, since these facilities help cities meet the challenge of solid waste disposal.

Cost: The cost of extending the production tax credit to new waste-to-energy facilities is \$135 million over 5 years.

Robert C. McNally

04/17/2001 02:52:46 PM

Record Type: Record

To: Jean M. Russell/OPD/EOP@EOP
cc: D. Marcus Sumerlin/OPD/EOP@EOP
Subject: Info. for Tomorrow's NEPDG Principals' Meeting

Jeannie,
Would you please print these out and give them to Larry?
Thanks,
Bob

----- Forwarded by Robert C. McNally/OPD/EOP on 04/17/2001 02:52 PM -----

 Kjersten S. Drager
04/17/2001 02:44:01 PM

Record Type: Record

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Subject: Info. for Tomorrow's NEPDG Principals' Meeting


AGENDA for 18 April 01 Principals' Meeting

  
REFORMULATED GASOLINE AND BOUTIQUE FU NEW SOURCE REVIEW, TAX CREDIT PAPERS, d


REPORT PRINCIPLES.

Attached above for tomorrow's 10:00 a.m. National Energy Policy Development Group Principals' Meeting in the Vice President's Ceremonial Office are the following:

- The Agenda
- Background Papers on the "Major" Report Issues/Potential Recommendations Which Include:
 1. Report Principles (Andrew Lundquist)
 2. Tax Credit Issues (Administrator Whitman and Secretary Abraham)
 3. New Source Review (Administrator Whitman)
 4. Reformulated Gas (Administrator Whitman)

5. Electricity Deregulation (Secretary Abraham) NOTE: THIS PAPER IS FORTHCOMING.

Please let us know if you have any questions. Thanks, Kjersten (456-7050)

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PRINCIPLES OF THE NATIONAL ENERGY STRATEGY

Develop and Implement a Long-Term and Comprehensive National Energy Strategy, Based on Free-Market Solutions.

The energy crisis now gripping our economy has been building for years. Families and businesses being squeezed by high energy costs are paying the price for years of neglect and the lack of a coherent national energy strategy. Only a concerted, focused and forward-looking effort by both the public and private sectors will succeed in strengthening America's energy independence and security. Where possible, free-market solutions will provide the best possible solution to our energy needs. However, where market distortions occur, action may be necessary to meet the challenge of increasing supply and reducing demand.

Limit the Impacts of High Energy Prices and Supply Disruptions Caused by the Lack of an Energy Plan.

There is significant potential for serious energy problems throughout the remainder of this year. The Administration will be prepared to address the immediate needs of the people who need help the most.

Increase America's Domestic Energy Supplies.

America has been allowed to slip into a dangerous and ever-increasing reliance on foreign sources of energy. We must find ways to harness new technologies and responsible management strategies to increase our domestic production of energy in an environmentally responsible manner.

Repair and Expand our Aging Energy Infrastructure.

America's energy infrastructure – the production facilities and transportation network that delivers energy to the consumer – has not kept up with our growing economy and been allowed to deteriorate over the years. This has driven up energy costs, prevented efficient distribution of energy, jeopardized public safety and the environment, and led to critical energy shortages.

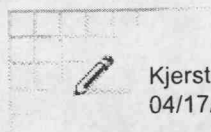
Protect and Enhance our Environment and Encourage Energy Conservation.

The lack of an energy plan has endangered the environment. By harnessing America's ingenuity and considerable technological know-how, the President's plan will increase domestic energy supplies while preserving our environmental heritage.

By providing incentives for energy conservation, the President's plan will encourage families and businesses to use less energy and lower their energy bills. Improved energy efficiency will reduce our reliance on energy imports and lessen the likelihood of energy shortages. It also helps American families enjoy a higher quality of life with less energy use, less pollution, and lower total costs.

Strengthen America's Energy Security by Making it a Priority of U.S. Foreign Policy

By promoting national energy self-sufficiency, we decrease our reliance on foreign sources of energy. However, in a global energy marketplace, U.S. national energy and economic security is directly linked to the provision of domestic and international energy supplies not only to our shores, but to those of our trading partners as well.



Kjersten S. Drager
04/17/2001 06:15:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: Electricity Issue Paper Attached...



ELECTRICITY.do
for tomorrow's 10:00 a.m. National Energy Policy Development Group Principals' Meeting. The new
"Report Principles" document will be handed out at tomorrow's meeting.

Thanks, Kjersten

Message Sent To: _____

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ELECTRICITY

Report Statement

The electricity industry is going through a period of dramatic change. States are opening their retail markets to competition, the most recent step on a long transition from reliance on regulation to reliance on competitive forces to provide ample electricity supplies at reasonable prices. This transition from regulation to competition began in 1978, with enactment of the Public Utility Regulatory Policies Act. The California electricity crisis is not a referendum on the merits of competition in electricity markets. Instead, the California crisis demonstrates that a poorly designed State retail competition plan can have disastrous results if electricity supply does not keep pace with increased demand. The California experience is a vivid reminder of the need to assure that the U.S. maintains its electricity infrastructure, the interstate transmission grid. The Bush Administration supports policies to promote competition in electricity markets, protect consumers, remove transmission constraints, and improve reliability.

Background

One of the most important energy issues facing the Administration and the Congress is electricity restructuring. The electricity industry is going through a period of unprecedented change. As a result of Federal and State initiatives the industry is increasingly relying on competition – rather than regulation – to deliver ample electricity supplies at reasonable prices. Increased competition is resulting in structural changes in the industry, such as the rise of independent power producers and a wave of mergers, diversification, and divestiture (both voluntary and involuntary), which in turn builds momentum for increased competition in electricity markets.

There has long been competition in electricity markets subject to Federal jurisdiction, namely wholesale power markets. Competition in electricity markets increased after enactment of the Public Utility Regulatory Policies Act of 1978, which promoted nonutility generation. Open access transmission policies adopted by the Federal Energy Regulatory Commission (FERC) in the late 1980s further promoted competition in wholesale power markets. Congress largely ratified these policies with enactment of the Energy Policy Act of 1992, which also promoted nonutility generation. FERC took another large step to promote competition with its open access rule in 1996.

Increased competition in wholesale power markets put pressure on States to open their retail markets (under current law, FERC has jurisdiction over the wholesale power market, while States have jurisdiction over retail markets). Beginning in 1996, States began to open their retail markets to competition in order to lower electricity prices. Experience showed that rate regulation did not effectively control costs, and costs charged by utilities varied widely. States have increasingly turned to competition to lower prices. At this point, 25 States have opted to open their retail electricity markets.

Since 1995, Congress has been grappling with electricity competition legislation. Initial efforts sought to require that States open their retail markets by a date certain. Those efforts were abandoned due to a lack of Congressional support. Subsequent efforts focused on promoting competition in electricity markets and complementing State retail competition plans, rather than preempting State law and requiring retail competition. This approach assumes the trend towards State adoption of retail competition continues. There is a need for legislation, since some issues require Federal legislation.

The California electricity crisis threatens to slow the movement towards competitive retail markets. However, the California crisis is not a referendum on the merits of competition in electricity markets. Instead, the California crisis demonstrates that a poorly designed State retail competition plan can have disastrous results if electricity supply does not keep pace with increased demand. At heart, the California electricity crisis is a supply crisis. California allowed demand to outstrip supply, and did nothing to lower barriers to entry through reform of its failed siting process. In fact, if California had retained its old regulatory system they would face the same supply shortage. The risk that the California experience will repeat itself is low, since other States have not modeled their retail competition plans on the California scheme.

In addition, the California crisis shows that electricity markets do not stay neatly confined within legal and jurisdictional bounds. Disastrous mistakes made by the State of California had dire effects on the entire West, due to regional interconnection. California's failure to reform flawed market rules under State jurisdiction – such as forcing utilities to purchase all their power through volatile spot markets, requiring the single price auction system, and barring bilateral contracts – drove up wholesale prices.

A better gauge of the potential for retail competition to lower prices is found in Pennsylvania, where electricity prices have fallen sharply as a result of competition. In addition, there is every reason to believe the Texas plan will be a success. Unlike California, Texas has lowered barriers to entry and encouraged addition of electricity supply. This demonstrates an understanding that neither competitive markets nor regulated markets succeed in the face of supply shortages.

There are a host of electricity policy issues. These issues can be grouped into four general categories: (1) removing transmission constraints; (2) improving reliability; (3) promoting competition; and (4) protecting consumers.

Removing Transmission Constraints

1. Federal transmission siting (alternatives: Federal transmission siting only when a State is unable or unwilling to site interstate transmission facilities within a reasonable period; authorize regional agencies to site transmission facilities)
2. Encourage FERC to consider incentive ratemaking proposals
3. DOE national grid study to identify transmission bottlenecks
4. Expedite transmission siting across Federal lands by establishing lead agency for NEPA review and authorizing lead agency to set deadlines for agency action

5. Expand Federal transmission grid in areas where transmission is constrained (raise BPA debt limit to permit expansion of BPA grid) (joint ownership with non-Federal entities could significantly lower cost to Federal government)

Improving Reliability

1. Establish self-regulating organization certified by FERC to enforce reliability standards
2. Support DOE research and development on reliability and superconductivity

Promoting Competition

1. Repeal PUHCA
2. Repeal PURPA mandatory purchase obligation
3. Reduce regulatory uncertainty by clarifying Federal and State jurisdiction
4. Encourage entry through uniform interconnection procedures for both distribution (distributed generation) and transmission facilities (power plants)
5. Provide open access to transmission systems subject to FERC jurisdiction
6. Improve transmission access by expanding FERC jurisdiction over interstate transmission system (currently, FERC has no authority over 33 percent of the interstate grid owned by Federal utilities, State and municipal utilities, and cooperatives) while proposing private use tax rules in order to hold State and municipal utilities that provide open access harmless
7. Promote regional transmission organizations (RTOs) by encouraging Federal utilities to participate in RTOs and proposing any necessary legislation
8. Encourage FERC to make RTO participation mandatory
9. Eliminate the "TVA fence" and provide for FERC regulation of TVA wholesale sales

Protecting Consumers

1. Remove regulatory barriers to aggregation of small consumers and propose FTC rules to protect consumers against "slamming" and "cramming," require uniform information disclosure, and protect privacy

Recommendation

Following are two basic options on how to proceed with respect to electricity:

1. Direct the Secretary of Energy to propose comprehensive electricity legislation that promotes competition, protects consumers, enhances reliability, promotes renewable energy, repeals PUHCA and ends the PURPA mandatory purchase requirement. Encourage FERC to use its existing statutory authority to promote competition and encourage investment in transmission facilities.
2. Propose that the Administration support a broad range of policy issues relating to promoting competition, while also proposing removing transmission constraints, improving reliability, and protecting consumers (consisting of the extensive list above).

Pros/Cons

Pros

Option 2 provides the Administration the best opportunity to take leadership on electricity issues. However, the electricity crisis in California and the West has created doubts by some in Congress about the merits of comprehensive electricity legislation. Option 1 allows a focus on the pressing issues such as transmission bottlenecks and reliability, while largely restating the campaign position on competition (general endorsement of competition with no specifics).

Cons

Option 1 may be interpreted as a sign that the Administration has backed away from promoting competition in electricity markets as a result of the California electricity crisis, since it does not build on the campaign position. That interpretation could be refuted if DOE launches a process to develop an electricity bill in the near future.

The con of options 2 is simply time constraints. Many of the electricity issues are complicated and controversial, and it will be difficult to develop positions along the time lines envisioned for the energy plan. In addition, it may prove difficult to pass legislation promoting competition in the midst of the California electricity crisis.



"Kelliher, Joseph" <Joseph.Kelliher@hq.doe.gov>
04/17/2001 07:04:05 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: See the distribution list at the bottom of this message
Subject: RE: Electricity Issue Paper Attached...

Revised version of electricity paper

-----Original Message-----

From: Kjersten_S._Drager@ovp.eop.gov%internet
[mailto:Kjersten_S._Drager@ovp.eop.gov]
Sent: Tuesday, April 17, 2001 6:15 PM
To: Kelliher, Joseph; Anderson, Margot;
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James_T._Sims@ovp.eop.gov%internet
Subject: Electricity Issue Paper Attached...

(See attached file: ELECTRICITY.doc)
for tomorrow's 10:00 a.m. National Energy Policy Development Group
Principals' Meeting. The new "Report Principles" document will be handed
out at tomorrow's meeting.

Thanks, Kjersten



- att1.unk

Message Sent To: _____

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Robert C. McNally

04/17/2001 06:34:08 PM

Record Type: Record

To: D. Marcus Sumerlin/OPD/EOP@EOP, Jean M. Russell/OPD/EOP@EOP, Emily Willeford/OPD/EOP@EOP

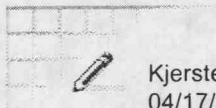
CC:

Subject: Electricity Issue Paper Attached...

Larry would need to see this as well...

Bob

----- Forwarded by Robert C. McNally/OPD/EOP on 04/17/2001 06:33 PM -----



Kjersten S. Drager
04/17/2001 06:15:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message

Subject: Electricity Issue Paper Attached...



ELECTRICITY.do
for tomorrow's 10:00 a.m. National Energy Policy Development Group Principals' Meeting. The new "Report Principles" document will be handed out at tomorrow's meeting.

Thanks, Kjersten

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