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February 10, 1993

MEMORANDUM FOR ROBERT E. RUBIN

FROM: ECONe - ENERGY WORKING GROUP

SUBJECT: Additional Energy Tax Alternatives

Per the assignment to us from your principals meeting on Sunday, February 7, we have performed further analysis on the following additional energy tax alternatives:

1. an indexed BTU tax

2. an indexed BTU tax with an oil supplement

3. A uniform ad valorem tax with a varied point of application.

The indexed BTU tax simply puts the standard BTU tax on an inflation-adjusted basis as requested. The other two alternatives respond to the request to design a tax with effects on fuels in the following rank order (highest to lowest): coal, oil, natural gas.

Each of these alternatives has been evaluated at a $40 billion 1997 revenue target, allowing room for a substantial give-back. Results for these alternatives are shown in supplemental Tab B, which follows the tabular format of the original decision memorandum.

1. Indexed BTU Tax with Oil Supplement

Specification: $0.45 per million BTU tax plus a $0.60 per million BTU supplemental tax on oil ($3.50 per barrel), both indexed for general inflation after 1997.

- Meets ranking objective: equivalent to an ad valorem (source) tax of 34.4% on coal, 25.4% on oil and 17.8% on natural gas. Retains this rank order throughout the life of the tax. Strikes intended targets: carbon reduction (coal) and vehicle use (oil)

- Permits a coherent story: coal, oil and gas are taxed on a straightforward BTU basis, with an oil supplement to recognize security concerns. Reductions in oil consumption particularly affect imports. & why?

- Relatively stable: indexation to general inflation will cause some tax movement accentuating, for example, a future oil price shock, but with less amplification than an ad valorem tax tied to energy prices.

- Avoids shifting of coal production to cheaper (minemouth) western coal which a straightforward ad valorem (source) tax would encourage.

- Creates a regional disparity as a result of the particular reliance of New England and Mid-Atlantic states on relatively-highly-taxed home heating oil. This sector accounts for less than five per cent of total oil use and could be exempted from the supplemental tax (loses approximately $500 million in net revenue), although this lends complexity, opportunity for avoidance and weight to pleas of other exemption seekers.

over?

2. **Uniform Ad Valorem Tax with Varied Application Point**

Specification: 25% tax rate. Coal is taxed delivered to utilities, oil delivered to refiners and natural gas at the wellhead.

- Less effective in meeting ranking objective: tax effect on coal consumption is less than under alternative 1 and effect on natural gas more. This is true in the year 2000 but particularly true in 2010. The important lesson here is that ad valorem taxes, because of relative price movements over time (natural gas prices rising relative to coal and oil; coal prices rising least in relative terms) alter the ranking of tax effects over time away from the preferred ranking. By 2010, coal use is estimated actually to increase relative to the no-tax base case, as cheaper coal beats out competing fuels in utilities.

- Accentuates price movements: future fuel price changes amplified in U.S. markets by the rate of tax imposed.

- Avoids regional shifting of coal production because of addition of transport costs (higher for western coal) to the tax base.

- Poses a disparate regional impact for home heating oil as in alternative 1.

Alternative Give-Back Arrangements

(Awaiting OMB/Treasury results...)

TAB B.

Table B-1a: Energy Consumption in Year 2000 (percent change from Base Case)
Net Revenue Target of $42 Billion in FY 1997

	Units	1990	Base Case 2000	Indexed BTU	Indexed BTU & Oil Tax	Uniform ad valorem tax: varied application point
Oil (all)	mmb/d	17.31	18.97	-2.6%	-3.8%	-3.7%
Oil (imported)	mmb/d	7.58	10.72	-2.1% to -5.2%	-6.3%	-6.0%
Coal	mill tons	897	959	-4.3%	-2.7%	-2.2%
Natural Gas	tcf	18.8	22.8	-3.5% to -6.7%	-2.4%	-2.0% to -4.5%
Electricity	tWh	2830	3250	-3.4%	-2.5%	-2.1%

Table B-2a: Energy Consumption in Year 2010 (percent change from Base Case)
Net Revenue Target of $42 Billion in FY 1997

	Units	1990	Base Case 2000	Indexed BTU	Indexed BTU & Oil Tax	Uniform ad valorem tax: varied application point
Oil (all)	mmb/d	17.31	20.66	-2.9%	-4.3%	-5.0%
Oil (imported)	mmb/d	7.58	13.00	-2.7% to -5.0%	-5.3% to -6.7%	-6.0% to -7.7%
Coal	mill tons	897	1094	-3.9% to -6.1%	-1.2% to -4.2%	+0.4% to +3.5%
Natural Gas	tcf	18.8	25.0	-3.2% to -8.3%	-1.9% to -4.3%	-4.8% to -10.6%
Electricity	twh	2830	3960	-4.6% to -6.3%	-3.2% to -4.2%	-2.4% to -5.1%

- o The BTU tax with an oil supplement changes the consumption impact ranking of the pure BTU tax; the ranking is more consistent with environmental and oil security concerns.

- o Ranges in reported natural gas impacts reflect varying expectations regarding impacts of policies on residential conservation and fuel switching, industrial and utility consumption, and the use of natural gas as an alternative transportation fuel.

- o Shifting the application point of the ad valorem tax across fuels does not change the qualitative result of the pure at-source ad valorem tax: natural gas is most adversely affected, and coal least adversely affected.

- o Because changes in domestic oil consumption are primarily reflected through changes in import levels, domestic production falls only slightly even when consumption falls significantly.

Table B-3a: Producer Prices in Year 2000
(percent change from Base Case)

Net Revenue Target of $42 Billion in FY 1997

	Units	1990	Base Case 2000	Indexed BTU	Indexed BTU & Oil Tax	Uniform ad valorem tax: varied application point
World Oil - crude	mmb/d	20.03	22.95	-0.7%	-1.6%	-1.4%
Coal Minemouth	short ton	21.71	26.45	-1.6%	-1.3%	-1.2%
Natural Gas - Wellhead	mcf	1.71	2.58	-2.4%	-0.8%	-1.5%

Table B-4a: End-Use Prices in Year 2000
(percent change from Base Case)

Net Revenue Target of $42 Billion in FY 1997

	Units	1990	Base Case 2000	Indexed BTU	Indexed BTU & Oil Tax	Uniform ad valorem tax: varied application point
Coal - Utilities	short ton	31.32	34.38	34.1% to 40.4%	21.0% to 25.5%	24.8%
Gasoline - Retail	gallon	1.26	1.44	5.7%	8.2%	8.9%
Household Oil	gallon	1.12	1.08	7.7%	11.2%	12.1%
Household Natural Gas	mcf	6.10	6.90	9.1%	6.0%	9.0%
Electricity - Residential	kWh	0.08	0.08	12.3%	7.1% to 8.8%	7.0%

- o Price shocks that may occur in world energy markets will be amplified by and affect the receipts from any form of ad valorem tax. Market prices and receipts will be less sensitive to energy market shocks for either variant of the BTU tax.

- o The total impact of the indexed BTU tax with an oil supplement on petroleum product prices in 1997 is approximately 14.5 cents per gallon, as compared to almost 10 cents for the pure indexed BTU tax at a higher rate.

- o Residential oil use, which is unevenly distributed across regions, accounts for less than 5 percent of total oil use. The oil supplement in this sector is not a major revenue source.

Table B-5a: Change in CO_2 Emission (percent change from baseline)

Net Revenue Target of $42 Billion in FY 1997

Year	1990	2000
Baseline Emissions (mmtc)	1349	1497

	Percentage Change From Baseline
Indexed BTU	-3.5%
Indexed BTU & Oil Tax	-3.1%
Uniform ad valorem tax: varied application point	-3.1%

Environmental Meeting
Roosevelt Room, White House
12:30 - 1:30 pm Sunday, February 7, 1993

*** **Briefing information for this meeting will be provided by Katie McGinty.**

Attendees: (Tentative List)

George Frampton, Wilderness Society
Jay Hair, National Wildlife Federation
Fred Krupp, Environmental Defense Fund
Jane Perkins, Friends of the Earth
Mike McCloskey, Sierra Club
Peter Berle, National Audobon Society
Kathryn Fuller, World Wildlife Fund
John Sawhill, Nature Conservancy
Rodger Schlickheisen, Defenders of Wildlife
Jonathan Lash, World Resources Institute

MEMORANDUM FOR THE VICE PRESIDENT

FROM: KATIE

RE: MEETING WITH ENVIRONMENTAL GROUPS

DATE: 2-6-93

List of enviros who will attend:

George Frampton -- Wilderness Society
Peter Berle -- Audubon Society
Jane Perkins -- Friends of the Earth
Jay Hair -- National Wildlife Federation
Kathryn Fuller -- World Wildlife Fund
John Sawhill -- The Nature Conservancy
John Adams -- Natural Resources Defense Council
Ben Chavis -- United Church of Christ
Fred Krupp -- Environmental Defense Fund
Carl Pope -- Sierra Club

Some themes to strike with them:

o This office will be involved in all major policy making. The office will fully participate in the deliberations of all of the major councils -- domestic; economic; national security.

o The office will enable us to ensure that the environment is not a separate or secondary consideration, but a central piece of all of our decision-making.

o We're not going to banish this office to a place outside the White House complex either. It will be right next door -- centrally located so that it can be maximally involved.

o The office will also enable us to be forward-thinking. Rather than just waiting for crises to arise, this office will be able to coordinate the work of the councils -- to call for a thorough review by the agencies of our policy on various issues; to challenge them to think creatively about new policy directions; and to provide a forum for non-governmental groups and citizens groups to come together to help us chart a new and innovative course on the environment.

o The NGOs had provided me with ideas on how to organize environmental policy in the White House -- you should give them credit for what we have created here. They had emphasized to me (1) that there should be an Assistant to the President for environmental policy; (2) many said that that person should also be the head of CEQ -- what we have done here is essentially that, but we have replaced CEQ with something new and improved; (3) all emphasized that the assistant should be an integral part of all policy council deliberations.

o Why eliminate CEQ in favor of this new body? We really wanted a fresh start; we wanted a new office that would be understood from the outset to be an integral part of all policy making. We also wanted this office to be able to focus on policy. So much of CEQs resources have been drained by things like producing the environmental quality report that -- frankly -- your organizations can do a much better and more credible job of putting together.

o What about CEQs role in the NEPA process -- reviewing environmental impact statements? Until we can make this change through statute, CEQ will be maintained to fulfill that responsibility. I do believe, however, that it is important to have an objective review of the Agencies' compliance with NEPA, and we will work with Congress to devise an appropriate mechanism. We would welcome your ideas on this.

Other issues they will likely raise:

o Energy tax. They, of course, will try to find out if one really is in the works and if so, what the approach and magnitude will be. Another concern that they have is that the tax will be small (or will be a wholesale ad valorem) that will not really have any environmental benefit, but it will be sold as an environmental initiative.

While not giving them any clue as to where we are in these discussions, you should emphasize to them that (1) if the tax is small, you don't expect them to hail it as an answer to our environmental problems (indeed -- we will need their continued pressure if we are going to be able to get the tax to a meaningful level); (2) but, they should be willing to support it as a step in the right direction; (3) they should be mindful that their comments on the tax will have ramifications for our ability to bring the Europeans and Japanese around too. In particular -- if they completely denounce the tax and refuse to recognize any environmental benefits from it -- they will undermine our ability to hold the EC to the commitment they have made on energy taxes.

o Climate. We have a meeting of the Intergovernmental Negotiating Committee in March. Will the United States call for a protocol at that time?

I have been handling this by re-affirming our campaign commitment to stabilizing emissions. I have left open the exact way in which we are going to get there and specifically, whether we would push for a protocol. It may be better, for example, for us to simply say that, as we revise the draft action plan that Bush Admin started (and that now is in Fed Reg for public comment), we will ensure that the plan will achieve stabilization. Rather than wasting time negotiating a protocol, we can then achieve stabilization by simply saying that we expect Europeans and others to fulfill the commitments they have already made and pushing them to do so. We can then move beyond the protocol on stabilization and focus our efforts on things like getting a monitoring system up and running; energizing prompt start and capacity building initiatives with developing countries, etc.

o Biodiversity. Here I have been re-iterating our concerns with the intellectual property provisions and the finance provisions, but expressing our strong desire to find some way to fix those provisions and sign the treaty. Note that some countries that signed the treaty are now having trouble at home getting it ratified because of concerns raised by their own biotech companies on the ipr provisions. Note also, however, that WWF has an effort underway with Genentech and some other biotech companies here to forge an alliance in favor of signing the treaty. You should inquire about the status of those efforts.

o Commission on Sustainable Development. Negotiations underway in New York to negotiate rules of procedure for the CSD. One of main issues has been NGO access to the proceedings. I worked extensively with our negotiators on this and in the end they carried a strong message that we were supportive of ngo access and involvement. That issue has been resolved in the talks and the ngos are happy with the result. I also had our negotiator deliver a short statement that signalled a change in attitude on these issues by the new administration. Remaining sticking point in this round of talks is the status of the EC and the ability of the EC to participate in these talks essentially as a member state. We are for a much more limited role for the EC. We are joined in that position by Japan and Group of 77.

Al - These are drafts Q & A's that I have done. Al: will review & finalize for package Alice is putting together for press conf. K.

WHITE HOUSE OFFICE ON ENVIRONMENTAL POLICY

Q: How is this office different from CEQ?

A: Unlike CEQ, this Office will be involved in all major policy decisions. The Office will participate fully in the deliberations of all of the policy councils and it will coordinate the work of the councils and agencies on environmental policy. Environment won't be a separate and secondary consideration as it has been with CEQ, but it will be a critical dimension of all policy.

Q: What about the statutory functions of CEQ? How will they be handled?

A: While we are working with the Congress to make this change, CEQ certainly will be maintained to fulfill its responsibilities. We would like to move quickly to make this change, however, because this new office will be a streamlined -- and much more effective and efficient -- means of coordinating environmental policy, and we would like to get it up and running as quickly as possible.

As part of the change -- and in order for the new office to be able to focus on policy development and coordination -- we will transfer some of CEQs functions back to the Agencies. CEQ, for example is charged with producing an annual report on environmental quality. But the technical expertise for producing that report lies in the Agencies, and it really does not make sense to have a separate office duplicating the work that the agencies already do in fulfilling their own statutory mandates.

With regard to CEQs responsibilities under NEPA to review environmental impact statements, again, much of this work is already done by the various agencies. It is important to have an objective review of those impact analyses, however, and we will be working with the Congress to devise a system that allows that to happen while avoiding unnecessary duplication of effort.

Q: What will the role of the Vice President be with regard to this new office?

A: As you know, the Vice President has a long-standing interest and considerable expertise in these issues and he and I will both priortize our efforts in this area. This new office will enable us better to achieve our goal of integrating environmental considerations into the broad range of issues that we are facing.

Q: What does this new focus on the environment mean for business? Can they expect new regulatory burdens?

A: What we are trying to accomplish here is an integration of environmental policy into our other policy concerns. The previous Administration tried to tell us that there must be a trade-off between a strong economy and protection of the environment. We said in the campaign that we don't believe that that is true. Far from being a way to pit the environment against business, this new office will enable us to demonstrate that a strong economy and sound environmental protection go hand in hand.

2-5-93

THE WHITE HOUSE
WASHINGTON

Al --

Per your request for list of non-tax natural gas incentives we could use to sweeten the ~~[illegible]~~ BTU tax for the natural gas industry:

① ~~a~~ memo to me from Bill Nitze. I asked him confidentially to scope this out. Bill has organized the

②

THE WHITE HOUSE
WASHINGTON

Natural gas industry in a global warming campaign, so I figured he was in a good position to reach them.
-- Looks like their "wish list" includes many things we are doing anyway. So -- could be that their opposition won't be so great.
② copy of Chupka's memo that I asked him to do & gave to you previously when

(3)

THE WHITE HOUSE
WASHINGTON

you asked me for this
information.

Post-It™ brand fax transmittal memo 7671 | # of pages ▸ 2

[redacted]

February 5, 1993

~~Confidential~~ Memorandum

[redacted]

DETERMINED TO BE AN ADMINISTRATIVE
MARKING INITIALS: MAY DATE: 3/13/2017

Re: Possible *Quid Pro Quos* for Natural Gas Industry Support for a *Ad Valorem* Sales or BTU Tax Imposed at the Producer Level

I am assuming that you and your colleagues on the economic side of the house are focussing in on an *ad valorem* sales tax or BTU tax imposed at the producer level with an exemption for solar, wind and possibly closed-loop biomass. You have asked how we could bait the hook a little for the gas folks. Here are some suggestions for bait:

<u>Within the tax itself</u>:

Make the rate of tax slightly lower for natural gas on the grounds that it is a clean domestic fuel. AGA would prefer reflecting the environmental advantages of natural gas through a carbon tax or surcharge, but this may not politically possible at this time. Such an incentive for clean fuels within the tax itself would be the strongest form of bait.

<u>Outside of the tax - RD&D</u>:

The natural gas industry has proposed, and the environmental community has endorsed, $250 million of federal money for joint RD&D on gas end-use technologies such as gas cooling, fuel cells and natural gas vehicles in addition to what is already in the FY 1993 budget. The details are in the Sustainable Energy Blueprint budget submitted to the transition by the environmental community. It may be politically necessary to couple such supplemental funding with additional RD&D funding for efficiency and renewables per the Blueprint. [redacted]

<u>Outside of the tax - federal government initiatives</u>:

A simultaneous announcement that the federal government was converting a substantial portion of its vehicle fleet to natural gas would be pleasing to the industry. This is something the Administration should do anyway, but an early commitment could be worth a lot to AGA and its members. Another step that the gas industry would love is to direct federal power marketing authorities to promote natural gas utilization as an alternative to increased electricity supply.

<u>Outside of the tax - Exploration and Producing Incentives</u>:

If it were felt necessary to give something to the independent gas producers, it might be possible to craft a limited tax incentive directed at exploration for new gas from deep, high pressure formations. Such an incentive would make the Bob Hefners of this world extremely happy, but would mean little to the rest of the industry. My advice would be to leave it out of the package and consider it later on its own merits.

I have attached a broader and more general AGA wish list that may stimulate further thinking. We are also trying to get a number of Business Council members to sign a joint letter. I will keep you posted. Let me know how I can be of further help.

P.S. You better increase low-income weatherization to keep the consumer folks on board. [redacted]

We propose that the Clinton Administration take the following steps to support natural gas in order to reach its energy-policy objectives.

Promote Policies that Result in Displacement of Imported Oil

- Convert Federal Buildings to Natural Gas
- Convert Federal Fleets to Natural Gas
- Encourage Private-Sector Use of Natural Gas

Reprioritize Federal Support for Research, Development, Demonstration and Commercialization of Energy Technologies

- Provide Additional Funding for Gas-Related RD&D and Commercialization
- Assist in Commercialization of Natural Gas Technologies
- Support Commercialization of New Gas Cooling Technologies

Champion the Natural Gas Vehicle Market

- Accelerate Implementation of the Energy Policy Act of 1992
- Properly Implement the Clean Air Act of 1990

Promote the Most Efficient Use of Energy

- Consider Source-Efficiency, not Site-Efficiency
- Advocate Full-Cycle Appliance Efficiency Standards
- Promote Integrated Resource Planning
- Better Utilize Federal Power Marketing Authorities

Promote Clean-Burning Fuels for Electricity Generation

Help Natural Gas Contribute to Meeting Other Environmental Goals

- Ensure Effectiveness of NOx Emission Standards
- Encourage Phaseout of CFCs
- Support Voluntary Programs that Address Climate Change

Support the Low-Income Home Efficiency Assistance Program (LIHEAP)

Support Responsible Initiatives to Increase Natural Gas Supply

Encourage World-Wide Commercialization of Natural Gas Technologies

Refocus DOE Priorities

- Create an Assistant Secretary for Natural Gas
- Evaluate EIA Energy Model

Make FERC Appointments that Balance Interests

This document is from the Am. Gas Assn.

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The question remains, then, can a Btu tax be combined with other policy options to help natural gas? Here are some of the natural gas initiatives mentioned in Putting People First:

- General goal of increasing natural gas use;
- Speed certification of gas pipelines to expand markets;
- Convert the federal fleet to natural gas;
- Increase R&D into new gas applications.

These natural gas initiatives were further discussed in the environment, energy, and natural resource options document, under the following headings:

- Create an industrial policy for the development of globally competitive alternative fuel vehicles
- Executive order to convert federal fleet to alternative fuels
- Speed development and certification of natural gas pipelines
- Encourage use of natural gas throughout the economy:
    * FERC actions to promote gas as utility fuel;
    * Create Assistant Secretariat at DOE for natural gas;
    * Amend federal procurement to base decisions on life cycle energy costs;
    * Eliminate federal purchase of CFC-using cooling units in favor of natural gas chillers; and
    * Convert federal buildings from fuel oil to natural gas.

[redacted]

One alternative tax formulation that would favor natural gas over coal and petroleum, and could have substantial environmental benefits would be a graduated wholesale level ad valorem tax on coal, oil, and natural gas. For example, instead of a 12% ad valorem tax on all fossil fuels, a tax could be structured as 8% on natural gas, 12% on crude oil, and 16% on coal. This would actually hit coal less hard (relatively speaking) than either a carbon or Btu tax, but would still have an environmental rationale. I don't know how the politics would shake out on this -- whether the perceptions of ganging up on coal would dominate the discussion even though such a formula would actually be gentler on coal than an equivalent carbon or Btu tax. We can discuss the idea further if you want.

I understand that the gas industry is arguing for a retail ad valorem tax as preferable to a Btu tax. Natural gas competes effectively in three markets: (1) residential markets where gas competes against electricity in appliances such as ranges, water heaters, and dryers and where gas competes against fuel oil for heat (2) industrial markets where it competes against electricity and petroleum and (3) electricity generation where it competes against coal. In the first two markets, a retail ad valorem tax would increase electricity and fuel oil prices more than delivered gas prices, so the gas industry would prefer the ad valorem tax to either a Btu or maybe even a carbon tax. In terms of competing against coal in utility fuel markets, the gas industry would be better served by a Btu or carbon tax compared to an ad valorem tax at either the wholesale or retail level; however, fuel price is only one consideration among many in utility fuel choices, and the gas people probably think that they can compete well without the high tax on coal in these markets. Thus, it makes sense from their standpoint to argue for the retail ad valorem tax.

The environmental benefits from a retail ad valorem tax are not as great as a carbon or even a Btu tax. In particular, it would have very little impact on utility fuel choices. However, a retail ad valorem tax does not appear to produce any counterproductive incentives, as in the case where a wholesale ad valorem tax on fuels could favor coal in utility fuel markets.

As for regressivity, EPA analysis suggests that about 10% of the revenues would have to be given back in order to even the burden on lower income families. If greater relief is needed (i.e. middle class burdens reduced) then perhaps as much as 25% of the revenues would have to be dedicated toward reductions in income taxes or expansion of earned income tax credits. However, it bears mentioning that other assistance programs -- such as state and local energy assistance programs that help lower income families conserve energy -- could be expanded (as part of a jobs stimulus package) that would directly help cushion the blow for poorer families. While these programs probably can't reach everybody, they will help reduce the tax burden for some people and help reduce overall energy use (increasing environmental benefits).

Increase Energy Efficiency and Conservation

• *Increase corporate average fuel economy standards* from the current 27.5 miles per gallon to 40 miles per gallon by the year 2000, and 45 miles per gallon by 2015.

• Develop and implement revenue-neutral market incentives that *reward conservation and penalize polluters and energy-wasters.*

• Adopt transportation strategies and highway spending programs that *encourage car-pooling, high-efficiency highway technology, and mass transit* by including conservation incentives in the federal matching fund program.

• *Promote changes in utility regulation to make energy efficiency profitable* for both utilities and customers.

• *Strengthen federal programs to encourage energy-efficient housing;* encourage state and local governments to adopt building codes that encourage conservation by calling for thicker walls and windows, new compact fluorescent bulbs, more efficient insulation, and new low-cost housing construction that could cut domestic energy consumption by 25 percent using measures that would pay for themselves in five to seven years.

• *Increase energy efficiency in every federal agency* and set standards to ensure that federal grants, contracts, and projects support America's national conservation goals.

Increase Natural Gas Use

• *Implement policies to expand markets for natural gas in every sector*—homes, businesses, industry, electrical generation, and transportation.

• *Speed development and certification of new natural gas pipelines* to get natural gas to market, with special emphasis on areas not currently adequately served by natural gas.

• *Convert the enormous federal vehicle fleet to natural gas.*

• Use federal research and development dollars to *develop new natural gas applications.*

Expand the Use of Renewable Energy Sources

• *Create a civilian advanced research agency* that will support civilian research and development of *renewable technologies and renewable fuel programs.*

• Reorient the mission of hundreds of national laboratories, moving from defense R&D to *more work on commercial renewable energy projects.*

• Change the tax code to *create greater incentives for renewable energy use.*

• *Give incentives to utilities to adopt least-cost planning,* which factors environmental, social, and economic costs into fuel-use decisions. Least-cost planning is currently employed by utility companies in seventeen states.

A Safe, Environmentally Sound Energy Policy

• *Oppose increased reliance on nuclear power.* There is good reason to believe that we can meet future energy needs—with conservation and the use of alternative fuels—without having to face the staggering costs, delays and uncertainties of nuclear waste disposal.

• *Oppose federal excise gas tax increases.* Instead of a backbreaking federal gas tax, we should try conservation, *sue federal agencies that ignore environmental laws* and regulations designed to preserve our environment—so government bureaucrats are made accountable for proper and effective environmental law enforcement.

• Support efforts to *mandate public reporting on toxic chemicals used and produced by companies,* and require those companies to develop plans for reducing their toxic chemical use.

• *Crack down on environmental crime* by holding companies and polluters responsible for their behavior. Corporations that deliberately violate environmental laws will pay the price—and polluters will be sent to jail where appropriate.

Preserve America's Natural Beauty and Key Resources

• *Preserve our ancient forests* for their scientific and ecological importance.

• *Make the "no net loss" wetlands pledge a reality;* base wetlands policy on science instead of politics by working with the National Academy of Sciences and other members of the scientific community to devise appropriate policies. Our wetlands act as a natural filter for much of the water America drinks and make up one of our most important and fragile natural habitats.

• Rededicate the agencies that manage our national parks and wilderness lands to a *true conservation ethic;* expand our efforts to acquire new parklands and recreational sites with funds already available under the federal *Land and Water Conservation Fund.*

• *Designate the Arctic National Wildlife Refuge as a wilderness area* and stop the crusade for new offshore drilling.

Use Market Forces to Encourage Environmental Protection

• Place *greater emphasis on preventing and reducing pollution* before it happens, so we won't have to spend so much on cleaning it up after the fact. We can do that without big bureaucracies and public spending—by harnessing market forces, integrating environmental incentives into daily production decisions of big firms, and making polluters pay.

• Harness market forces *to reward consumers and businesses that conserve and to penalize polluters and inefficient energy users.*

• Create revenue-neutral tax incentives to encourage the use of *alternative fuels* like natural gas and *renewable energy sources* like hydroelectricity, solar power, and wind power.

Exert American Leadership for a Healthier World

• Provide *real international leadership* to protect the world's delicate environmental balance.

• *Limit U.S. carbon dioxide emissions to 1990 levels* by the year 2000 and accelerate the phase-out of substances that deplete the ozone layer.

• Call on major banks and multinational institutions to negotiate *debt-for-nature swaps* with all developing nations that allow Third World countries to reduce their crippling debt burdens by setting aside precious lands.

ENVIRONMENT, ENERGY AND NATURAL RESOURCES

ISSUE: Environmental Technology

PROPOSAL: Create An Industrial Policy for the Development of Globally Competitive AFVs by the Year 2000

Putting People First: "Instead of coddling special interests whose fortunes depend on America's addiction to foreign oil, our national energy policy will promote natural security, energy diversity, economic prosperity, and environmental protection." (p. 89)

"It's time to make the right energy choices...convert the enormous federal vehicle fleet to natural gas". (p. 89)

A number of barriers stand between a successful, market-driven clean vehicles industry and the present state of the auto industry. This proposal recommends the development of a national industrial policy that will insure that American industry is not left behind in the global race to develop the personal transportation technologies of the future.

Option 1: Create an Interagency Task Force Charged with Developing a National Plan for Commercializing Alternative-Fuel Vehicles (AFVs)

Due to the strategic importance of AFV technologies, and the care with which market forces and government policies must be combined, an Interagency Coordinating Council (FCCSET) be established and charged with reporting back to the President, within one year, as to the proper size and scope of a national AFV development plan. No legislation is required, and there are no significant near-term revenue requirements.

ENVIRONMENT, ENERGY, AND NATURAL RESOURCES

ISSUE: REGULATORY INITIATIVES

PROPOSAL: ISSUE EXECUTIVE ORDER FOR CONVERSION OF THE FEDERAL VEHICLE FLEET TO NATURAL GAS AND ELECTRIC VEHICLES

Under this initiative, an Executive Order would be issued accelerating the conversion of a substantial portion of the federal vehicle fleet to natural gas ("NGV") and electric ("EV") vehicles on a schedule that accelerates minimum fleet purchases mandated under the Comprehensive National Energy Policy Act of 1992. This would be done by (a) setting requirements for minimum percentages of new purchases or acquisitions of NGV/EV light and medium duty vehicles for FY 93-97; and (b) Establishing minimum percentage requirements for particular segments of the federal fleet that must be NGV/EV's at the end of each Fiscal Year from FY94 through FY97. (These requirements may be met either through new acquisitions or by converting existing vehicles.) The E.O. would target all accelerated AFV purchases primarily towards American cities with severe air quality problems.

Federal outlays required under option 1 are approximately $35 million in FY93 and $45 million in FY94. Under option 2, funding requirements are $35 million in FY93 and $90 million in FY94.

Option 1: Accelerate purchases of new AFVs in place of new conventional vehicles by one year from the mandates contained in the Energy Policy Act of 1992.

Option 2: Double the pace of federal AFV acquisitions by implementing, via E.O., a program to *convert* existing federal vehicles at the same rate as new AFVs are acquired (as in option 1). Because conversions require additional planning, the E.O. would require the Secretary of Energy to have in place a conversion plan for implementation beginning in FY94.

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PROPOSAL: SPEED DEVELOPMENT AND CERTIFICATION OF NEW NATURAL GAS PIPELINES

Putting People First proposes that the new Administration "speed development and certification of new natural gas pipelines to get natural gas to market, with special emphasis on areas not currently adequately served by natural gas" (p. 90-91).

New natural gas pipeline development and certification has become a bottleneck to increased natural gas usage in some regions. The rules of the game could be revised to benefit gas producers, consumers, and the environment.

Option: The FERC could initiate a rulemaking on natural gas pipeline certification early in the new Administration.

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PROPOSAL: ENCOURAGE USE OF NATURAL GAS THROUGHOUT THE AMERICAN ECONOMY

Putting People First - *"Implement policies to expand markets for natural gas in every sector -- homes, businesses, industry, electrical generation, and transportation." (p.90)*

This proposal contains five options that encourage increased natural gas use in many sectors of the U.S. economy via actions by DOE, the FERC, and other government agencies. These initiatives are not exclusive and generally involve little or no cost to the federal government. Several options have numerous design alternatives.

Option 1: **FERC Actions That Help Increase the Use of Natural Gas by Electric Generators.** The FERC could hold proceedings that help insure that electric generators obtain reliable, sufficient, low-cost gas supplies for future generating units.

Option 2: **Create an Assistant Secretary for Natural Gas and Oil at DOE.** The present designation of Assistant Secretaries at DOE does not adequately recognize the importance of natural gas to the U.S. economy, as well as many other changes in DOE's national mission.

Option 3: **Amend Federal Procedures so that Life Cycle Energy Costs Are Used to Set Efficiency Standards.** Present laws and federal procedures do not account for the fact that natural gas is supplied to end users much more efficiently than is electricity. A change in the procedures for federal buildings would improve federal energy efficiency and serve as a model for state utility commissions.

Option 4: **Eliminate Future Federal Purchases of Cooling Units That Use CFCs.** Electric air conditioning units use CFCs, whereas gas cooling units do not. An executive order that forbade the purchase of cooling equipment containing CFCs would therefore increase natural gas use and demonstrate the Administration's commitment to environmental protection.

Option 8: Convert All Federal Buildings That Use Fuel Oil to Natural Gas. Due to an unwillingness to examine conversion options, some federal facilities are heated with oil rather than cheaper, cleaner natural gas. An executive order to find and convert these buildings in a cost-effective manner could correct this situation.