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Climate Change Budget/Finance FY1999 Appropriations [1]

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EMBARGOED UNTIL 10:06 AM, SATURDAY, JANUARY 31, 1998

PRESIDENT CLINTON'S \$6 BILLION CLIMATE CHANGE INITIATIVE
January 31, 1998

"Our overriding environmental challenge tonight is the worldwide problem of climate change, global warming, the gathering crisis that requires worldwide action... We have it in our power to act right here, right now. I propose \$6 billion in tax cuts and research and development to encourage innovation, renewable energy, fuel-efficient cars, energy-efficient homes." President Bill Clinton, State of the Union address, January 27, 1998

A \$6 billion initiative over 5 years to cut greenhouse gas emissions. Following the historic Kyoto agreement reached in December 1997, the Administration is proposing a dramatic new program of tax cuts and R&D aimed at cutting greenhouse gas emissions. The initiative amounts to \$6.3 billion over 5 years -- \$1.3 billion more than the \$5 billion package the President promised in his October 22 speech on this issue.

\$3.6 billion in tax credits. The proposed package contains \$3.6 billion over the next 5 years in tax cuts for energy efficient purchases and renewable energy.

- **Tax credits for fuel efficient cars.** The tax package includes tax credits of \$3,000 to \$4,000 for consumers who purchase advanced technology, highly fuel efficient vehicles -- expected to total \$660 million over the next five years.
- **Tax credits for rooftop solar systems.** Another tax provision provides a 15 percent credit (up to \$2,000) for purchases of rooftop solar electricity and hot water systems -- to provide incentives for meeting the Million Solar Roofs goal.
- **Other tax credits for energy efficiency.** The tax cuts also include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a \$2,000 credit for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

\$2.7 billion in new R&D spending. The package also contains \$2.7 billion over the next 5 years in additional research and development spending -- covering the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity), plus carbon removal and sequestration, Federal facilities, and crossing cutting analyses and research. Selected examples of the R&D effort include:

- **Partnership for a New Generation of Vehicles (PNGV).** PNGV is a government-industry effort to develop attractive, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars. In FY99, the combined proposal for PNGV is \$277 million, up from \$227 million appropriated in FY98. Similar government-industry efforts are proposed to develop cleaner, more efficient diesel engines for both light trucks and heavy trucks.
- **Renewable energy.** The package includes expanded research partnerships for key renewable technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The FY99 budget proposes a \$100 million increase in DOE for solar and renewable energy R&D -- a 37 percent increase over FY98.

Climate Change Technology Initiative: \$3.6 Billion in Tax Incentives

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, \$5 billion package of tax incentives and research and development spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December 1997 to reduce greenhouse gas emissions, the President is now proposing a \$6.3 billion initiative over 5 years -- including \$3.6 billion of tax incentives that will encourage energy efficiency and help develop low-carbon energy sources (see Table 1). The initiative covers the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity).

TABLE 1

Tax Incentives	Revenue effect (dollars in billions)
	Total FY 1999-2003
Buildings	
Provide tax credit for energy-efficient building equipment	-1.4
Provide tax credit for new energy-efficient homes	-0.2
Provide tax credit for rooftop solar systems	-0.1
Transportation	
Provide tax credits for highly fuel efficient vehicles	-0.7
Equalize tax treatment of parking and transit and vanpool benefits	-0.1
Industry	
Provide tax credit for combined heat and power systems	-0.9
Provide tax credit for certain circuit breaker equipment	*
Provide tax credit for PFC/HFC recycling equipment	*
Electricity	
Extend tax credit for electricity produced from wind and biomass	-0.2
Climate Change Tax Initiative	
Total	-3.6

* Less than -\$50 million.

BUILDINGS

- Tax credit for energy-efficient building equipment.*** Improvements in the energy efficiency of both residential and commercial buildings can be obtained through tax credits that encourage the purchase of highly efficient equipment: fuel cells, electric heat pump water heaters, natural gas water heaters, electric heat pumps, natural gas heat pumps, and advanced central air conditioners. The credit would be 20 percent of the cost of the investment, subject to a cap. The credit would generally be available for equipment purchased between January 1, 1999 and December 31, 2003.

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- ***Tax credit for new energy-efficient homes.*** The energy efficiency of new homes could be improved through the use of energy efficient building practices and efficient heating and cooling equipment. To encourage the purchase of new highly energy-efficient homes, a tax credit would be provided equal to one percent of the purchase price (up to a maximum credit of \$2,000) of new homes that greatly exceed building standards. The full credit would be available for homes purchased between January 1, 1999 and December 31, 2003. A credit of up to \$1,000 would be available for homes purchased between January 1, 2004 and December 31, 2005.
- ***Tax credit for rooftop solar systems.*** Solar energy systems have the potential to reduce greenhouse gas emissions and energy costs for businesses and individuals. A tax credit equal to 15 percent of the cost of rooftop photovoltaic (PV) systems and solar water heating systems would make these systems more affordable and encourage their purchase. The maximum credit would be \$2,000 for PV systems and \$1,000 for solar water heating systems. The credit would apply to equipment placed in service between January 1, 1999 and December 31, 2003 for solar water heating systems, and December 31, 2005 for rooftop PV systems.

INDUSTRY

- ***Tax credit for combined heat and power (CHP) systems.*** CHP systems use thermal energy that is otherwise wasted in producing electricity by more conventional methods. To encourage and accelerate investment in CHP equipment, a 10 percent tax credit would be provided for investments in CHP systems that meet certain energy efficiency requirements. The credit would apply to property placed in service between January 1, 1999 and December 31, 2003.
- ***Tax credit for replacement of certain circuit breaker equipment.*** Sulfur hexafluoride (SF₆), an extremely harmful greenhouse gas, is used in some large power circuit breakers used in the transmission and distribution of electric power. A 10 percent tax credit would be provided for the purchase of new circuit breakers that replace certain circuit breakers that are prone to leak SF₆. The credit would apply to new equipment placed in service between January 1, 1999 and December 31, 2003.
- ***Tax credit for perfluorocarbon (PFC) and hydrofluorocarbon (HFC) recycling equipment.*** PFCs and HFCs are extremely potent greenhouse gases and are used extensively in the semiconductor manufacturing industry. A 10 percent tax credit would be provided for the purchase of PFC/HFC recycling equipment to recover gases used in the production of semiconductors. The credit would apply to equipment placed in service between January 1, 1999 and December 31, 2003.

TRANSPORTATION

- ***Tax credit for highly fuel efficient vehicles.*** Cars and light trucks (including minivans, sport utilities, and pickups) currently account for 20 percent of greenhouse gas emissions. Tax credits for highly fuel efficient vehicles will help to move vehicles that are ultra efficient from the laboratory to the highway. Tripling a car's fuel economy reduces its emissions of carbon dioxide by 67 percent; doubling a car's fuel economy reduces its emissions of carbon dioxide by 50 percent.
 - ***Credit for vehicles with triple the base fuel economy.*** This credit would be \$4,000 for each vehicle that gets three times the base fuel economy for its class. The \$4,000 credit would be available for purchases of qualifying vehicles beginning January 1, 2003. The credit amount would phase down to \$3,000 in 2007, \$2,000 in 2008, and \$1,000 in 2009, and would phase out in 2010.
 - ***Credit for vehicles with twice the base fuel economy.*** This credit would be \$3,000 for each vehicle that gets twice the base fuel economy for its class. The \$3,000 credit would be available for purchases of qualifying vehicles beginning January 1, 2000. The credit amount would phase down to \$2,000 in 2004, \$1,000 in 2005, and would phase out in 2006.
 - These credits would be available for all qualifying vehicles, including cars, minivans, sport utility vehicles, pickup trucks, and electric vehicles.
 - The Administration looks forward to working with the auto manufacturers and other interested parties on the details of the tax incentives.
- ***Equalize the tax treatment of parking and transit benefits.*** This initiative would equalize the tax treatment of parking benefits and transit and vanpool benefits. To encourage public transportation and vanpools, employers would be allowed to provide tax free transit and vanpool benefits in lieu of compensation, up to the same amount that they can provide for parking beginning January 1, 1999.

ELECTRICITY

- ***Extension of tax credit for electricity produced from wind and biomass.*** To encourage the production of electricity from wind and certain biomass, a 5-year extension is proposed for the present 1.5 cent per kilowatt hour tax credit (adjusted for inflation after 1992). The present credit, which applies to facilities placed in service before July 1, 1999, would be extended for five years.

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Climate Change Technology Initiative: \$2.7 Billion in Research and Development

January 31, 1998

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, \$5 billion package of tax incentives and research and development spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December 1997 to reduce greenhouse gas emissions, the President is now proposing a \$6.3 billion initiative over 5 years -- including \$2.7 billion in increased R&D spending (see Table 1). For FY 1999, the budget shows \$473 million in increased spending on climate-change related technologies (\$1.292 billion vs. \$819 million in FY 1998) and \$421 million in tax incentives, for a total first-year initiative of \$894 million.

TABLE 1

Direct Programs	Dollars in Millions				
	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Total Increase 1999-2003
BY AGENCY					
Energy	657	729	1060	+331	+1,899
Environmental Protection Agency	86	90	205	+115	+677
Housing and Urban Development	--	--	10	+10	+10
Commerce	--	--	7	+7	+38
Agriculture	--	--	10	+10	+86
R&D Program Total	743	819	1,292	+473	+2,710
Climate Change Technology Total	743	819	1,713	+894	+6,345

TABLE 2

Direct Programs	Dollars in Millions		
	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999
BY AREA OF EFFORT			
Buildings	146	264	+118
Industry	156	216	+60
Transportation	246	356	+110
Electricity	220	332	+112
Carbon Sequestration and Cross-Cutting Research	0	42	+42
Policy Analysis, Market Incentives	6	26	+20
Program Direction	45	57	+12
Climate Change Technology			
Direct R&D Total	819	1,292	+473

Columns may not add due to rounding.

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The principal focus of the initiative is an R&D portfolio that covers the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity), plus carbon removal and sequestration, Federal facilities, and crossing cutting analyses and research. (In Table 2, Federal facilities are included under Buildings.)

BUILDINGS

- ***Partnership for Advanced Technologies in Housing (PATH).*** HUD will lead a team that includes DOE and EPA to work with the building industry to develop, demonstrate, and deploy housing technologies and practices that are inexpensive, highly efficient, and attractive to consumers. This effort will also focus on streamlining Federal, state, and local codes and regulations, education outreach, and creating local markets for PATH housing using pilot sites and demonstrations.
- ***Million Solar Roofs.*** In June of 1997, the President announced an initiative to encourage the installation of one million solar hot water and solar photovoltaic (PV) installations on buildings over the next 10 years. DOE will fund cost-reduction R&D for solar thermal and rooftop PV systems, and will establish partnerships with communities, builders, and other Federal agencies to promote the use of building-mounted solar systems.
- ***Increased R&D.*** In addition to encouraging the deployment of the best available technologies, DOE is also increasing its research on building systems modeling, to help architectural engineers, and on major components such as next-generation heat-pumps, cooling systems, furnaces, and lighting.

INDUSTRY

- ***Partnerships with industry.*** DOE works closely with industry on technology roadmaps and plans to reduce energy consumption and secure early reductions in greenhouse gas emissions. Industries already engaged in this effort include aluminum, steel, glass, paper and forest products, metal casting, and chemicals. These technology roadmaps form the basis for cost-shared R&D with industry teams and consortia.
 - This work will be enhanced within DOE, and complementary efforts will be undertaken by EPA, USDA, and DOC (NIST), which will lead to voluntary greenhouse gas reduction programs within industry.
- ***Advanced power generation.*** R&D will be accelerated on advanced turbines, fuel cells, and other technologies, and new approaches to capturing useful work or heat through several temperature stages (e.g. electric generation, industrial process steam, steam building heat) in factories or commercial buildings will be demonstrated. When commercially accepted, these systems will allow us to capture the waste heat the Nation now throws away.

TRANSPORTATION

- ***Partnership for a New Generation of Vehicles (PNGV).*** A government-industry effort to develop attractive, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars, or roughly 80 miles per gallon. Five agencies participate in PNGV -- DOE is the largest player, followed by EPA, DOC, NSF, and DOT.
 - The program will lead to "concept cars" in the year 2000 and production prototypes in 2004.
 - This winter, industry and the government have announced the designs that they will pursue -- hybrid vehicles that combine a power source (a piston engine or fuel cell) with battery storage and electric motors.
 - In FY99, the combined request for PNGV-related work in those agencies is \$277 million, up from \$227 million appropriated in FY98.
- ***Partnerships for Light and Heavy Trucks.*** Similar government-industry efforts are proposed to develop cleaner, more efficient diesel engines for both light trucks and heavy trucks.
 - DOE has been engaged in R&D on cleaner, more efficient large truck engines for several years, and that effort will be stepped up in FY99, in coordination with increased work on large diesel engines at EPA and DOD.
 - A government-industry partnership is currently being formed for R&D on smaller diesel engines suitable for light trucks and sport-utility vehicles (SUVs), which are the fastest-growing class of passenger vehicles. A clean, efficient diesel engine could improve the fuel-economy of light trucks and SUVs by 35 percent.
- ***Sustainable Transportation.*** This initiative would promote alternatives to single-occupancy vehicle travel using pilot projects in selected communities modeled after the highly successful approach adopted by the Portland, Oregon metropolitan region.
 - The sustainable transportation programs in EPA and DOE will be coordinated with existing and planned DOT programs. (DOT is not funded within the Climate Change Technology Initiative, however.)

ELECTRICITY

- **Renewable energy.** Expand research partnerships for key renewable technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The same programs will also be supporting increased R&D in hydrogen production and storage and in superconductivity.
 - The FY99 budget proposes a \$100 million increase in DOE for solar and renewable energy R&D -- a 37 percent increase over FY98.
- **Nuclear power-plant life extension.** DOE will initiate an R&D effort addressing the critical technology needs to allow currently-operating nuclear power plants to safely extend their operating lifetimes by 10 to 20 years. Under current NRC licences, approximately 60 gigawatts of electric generating capacity would have to be retired between now and 2015. Providing the technologies necessary to safely operate these plants for another 10 to 20 years will make the transition to other low-carbon energy sources, such as solar and renewable energy, much easier.
- **Innovative coal combustion technologies.** In FY99, DOE will initiate a research program on innovative new approaches to coal combustion that offer the possibility of much lower carbon emissions than existing technologies.

CARBON REMOVAL AND SEQUESTRATION.

- **Sequestration R&D.** Research initiatives are being funded in both basic and applied research to find ways to remove carbon dioxide (CO₂) from combustion gases and sequester (store) the carbon so that it does not enter the atmosphere.
 - DOE's basic science office will engage in biochemical and microbial research.
 - DOE's fossil energy office will conduct an applied sequestration R&D program, jointly managed with the basic science office.
 - USDA will initiate research on enhancing the carbon-sequestering capabilities of agricultural species. NIST will support complementary biotechnology work on plant metabolism and carbon use.

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CROSSCUTTING ANALYSIS AND RESEARCH

- ***Emissions credits, incentives, and trading.*** EPA will lead an effort, assisted by DOE, to evaluate options for a domestic trading system and early reduction program in industry. The Federal government will work with stakeholders to understand their views and interests, and to build the institutional capacity needed to implement a carbon emissions credit and trading system.
- ***Program and science assessments.*** DOE will lead efforts to assess the implications of new research results produced by the Global Change Research Program, in order to determine what geographic and technological responses may be appropriate.

Proposed New Section 572(a)

New language underscored.
Deleted language bracketed.

Funds made available in this Act for activities not previously justified to the Committees on Appropriations to support programs or activities promoting country participation in the Framework Convention on Climate Change or climate change activities in the energy, industry, urban, land use (primarily forestry, biodiversity, and agriculture) sectors [and activities that reduce vulnerability to climate change] shall only be made available subject to the regular notification procedures of the Committees on Appropriations.

Proposed insert for section

On page ~~71~~, line 17, after "activities" insert "and for the purpose of supporting sustainable energy development and use"

-
- How about report on amount of \$ being spent on climate related activities (along with restatement of current notification procedures?)
 - Do talky pts / key language. / Colleague
 - Kara Leahy

1 TO PROHIBIT FOREIGN ASSISTANCE TO THE GOVERN-
2 MENT OF RUSSIA SHOULD IT ENACT LAWS WHICH
3 WOULD DISCRIMINATE AGAINST MINORITY RELI-
4 GIOUS FAITHS IN THE RUSSIAN FEDERATION

5 SEC. 571. (a) None of the funds appropriated under
6 this Act may be made available for the Government of
7 Russian Federation, after 180 days from the date of en-
8 actment of this Act, unless the President determines and
9 certifies in writing to the Committee on Appropriations
10 and the Committee on Foreign Relations of the Senate
11 that the Government of the Russian Federation has imple-
12 mented no statute, executive order, regulation or similar
13 government action that would discriminate, or would have
14 as its principal effect discrimination, against religious
15 groups or religious communities in the Russian Federation
16 in violation of accepted international agreements on
17 human rights and religious freedoms to which the Russian
18 Federation is a party.

19 GREENHOUSE GAS EMISSIONS

20 SEC. 572. (a) Funds made available in this Act to
21 support programs or activities promoting country partici-
22 pation in the Framework Convention on Climate Change
23 or climate change activities in the energy, industry, urban,
24 land use (primarily forestry, biodiversity and agriculture)
25 sectors [and activities that reduce vulnerability to climate
26 change] shall only be made available subject to the regular

J. 1087

If they want to know how much is being spent on
climate, why not just ask for a report?

David Hakes
Suzanne Palmer
J. Brown

1 notification procedures of the Committees on Appropria-
2 tions.

3 (b) The President shall provide a detailed account of
4 all Federal agency obligations and expenditures for cli-
5 mate change programs and activities, domestic and inter-
6 national, for fiscal year 1998, planned obligations for such
7 activities in fiscal year 1999, and any plan for programs
8 thereafter in the context of negotiations to amend the
9 Framework Convention on Climate Change (FCCC) to the
10 Committees on Appropriations no later than December 15,
11 1998: *Provided*, That such report shall include an account-
12 ing of expenditures by agency with each agency identifying
13 climate change activities and associated costs by line item
14 as presented in the President's Budget Appendix.

15 WITHHOLDING ASSISTANCE TO COUNTRIES VIOLATING

16 UNITED NATIONS SANCTIONS AGAINST LIBYA

17 SEC. 573. (a) WITHHOLDING OF ASSISTANCE.—Ex-
18 cept as provided in subsection (b), whenever the President
19 determines and certifies to Congress that the government
20 of any country is violating any sanction against Libya im-
21 posed pursuant to United Nations Security Council Reso-
22 lution 731, 748, or 883, then not less than 5 percent of
23 the funds allocated for the country under section 653(a)
24 of the Foreign Assistance Act of 1961 out of appropria-
25 tions in this Act shall be withheld from obligation and ex-
26 penditure for that country.

SPECIAL AUTHORITIES

1
2 SEC. 540. (a) Funds appropriated in title II of this
3 Act that are made available for Afghanistan, Lebanon,
4 and for victims of war, displaced children, displaced Bur-
5 mese, humanitarian assistance for Romania, and humani-
6 tarian assistance for the peoples of Kosova, may be made
7 available notwithstanding any other provision of law: Pro-
8 vided, That any such funds that are made available for
9 Cambodia shall be subject to the provisions of section
10 531(e) of the Foreign Assistance Act of 1961 and section
11 906 of the International Security and Development Co-
12 operation Act of 1985.

13 (b) Funds appropriated by this Act to carry out the
14 provisions of sections 103 through 105 of the Foreign As-
15 sistance Act of 1961 may be used, notwithstanding any
16 other provision of law, for the purpose of supporting tropi-
17 cal forestry and biodiversity conservation activities: Pro-
18 vided, That such assistance shall be subject to sections
19 116, 502B, and 620A of the Foreign Assistance Act of
20 1961.

21 (c) The Agency for International Development may
22 employ personal services contractors, notwithstanding any
23 other provision of law, for the purpose of administering
24 programs for the West Bank and Gaza.

1 TITLE VI—MULTILATERAL ECONOMIC
2 ASSISTANCE

3 FUNDS APPROPRIATED TO THE PRESIDENT
4 CONTRIBUTION TO THE INTERNATIONAL BANK FOR
5 RECONSTRUCTION AND DEVELOPMENT
6 GLOBAL ENVIRONMENT FACILITY

7 For payment to the International Bank for Recon-
8 struction and Development by the Secretary of the Treas-
9 ury, for the United States contribution to the Global Envi-
10 ronment Facility (GEF), \$47,500,000 to remain available
11 for contributions previously due.

12 CONTRIBUTION TO THE INTER-AMERICAN DEVELOPMENT
13 BANK

14 FUND FOR SPECIAL OPERATIONS

15 For payment to the Inter-American Bank by the Sec-
16 retary of the Treasury, for the United States share of the
17 increase in resources for the Fund for Special Operations,
18 \$21,152,000, to remain available until expended for con-
19 tributions previously due.

20 CONTRIBUTION TO THE ENTERPRISE FOR AMERICAS
21 MULTILATERAL INVESTMENT FUND

22 For payment to the Enterprise for the Americas Mul-
23 tilateral Investment Fund by the Secretary of the Treas-
24 ury, for the United States contribution to the Fund,
25 \$50,000,000 to remain available until expended for con-
26 tributions previously due.

Corps Act, the Inter-American Foundation Act, or the African Development Foundation Act. The appropriate agency shall promptly report to the Committee on Appropriations whenever it is conducting activities or is proposing to conduct activities in a country for which assistance is prohibited.

IMPACT ON JOBS IN THE UNITED STATES

Sec. 538. None of the funds appropriated by this Act may be obligated or expended to provide—

(1) any financial incentive to a business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production is being replaced by such enterprise outside the United States;

(2) assistance for the purpose of establishing or developing in a foreign country any export processing zone or designated area in which the tax, tariff, labor, environment, and safety laws of that country do not apply, in part or in whole, to activities carried out within that zone or area, unless the President determines and certifies that such assistance is not likely to cause a loss of jobs within the United States; or

(3) assistance for any project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, including any designated zone or area in that country. Provided, That in recognition that the application of this subsection should be commensurate with the level of development of the recipient country and sector, the provisions of this subsection shall not preclude assistance for the informal sector in such country, micro and small-scale enterprise, and smallholder agriculture.

SPECIAL AUTHORITY

Sec. 539. (a) Funds appropriated in title II of this Act that are made available for Afghanistan, Lebanon, and for victims of war, displaced children, displaced Burmese, humanitarian assistance for Romania, and humanitarian assistance for the peoples of Bosnia and Herzegovina, Croatia, and Kosovo, may be made available notwithstanding any other provision of law.

(b) Funds appropriated by this Act to carry out the provisions of sections 103 through 106 of the Foreign Assistance Act of 1981 may be used, notwithstanding any other provision of law, for the purpose of supporting tropical forestry and energy programs aimed at reducing emissions of greenhouse gases, and for the purpose of supporting biodiversity conservation activities. Provided, That such assistance shall be subject to sections 116, 502B, and 620A of the Foreign Assistance Act of 1981.

(c) The Agency for International Development may employ personal services contractors, notwithstanding any other provision of law, for the purpose of administering programs for the West Bank and Gaza.

(d)(1) WAIVER.—The President may waive the provisions of section 1003 of Public Law 100-204 if the President determines

*Last year's language
that was struck*

Mr. KNOLLENBERG. I have read the various "Dear Colleague" letters that have been distributed on the committee bill and listened carefully to the floor debate on this issue. Is it the committee's intention to limit EPA programs such as a climate challenge, the program for a new generation of vehicles, green lights, energy start and other programs that Congress has funded in the past?

I raise this issue because these programs have increased energy efficiency over the range of U.S. energy in industrial sectors of our economy. It would not seem that it was the intent of the legislation to report language or limit these activities.

Mr. KNOLLENBERG. Mr. Chairman, will the gentleman yield?

Mr. BARTON of Texas. I yield to the gentleman from Michigan.

Mr. KNOLLENBERG. Mr. Chairman, I appreciate the opportunity to respond to the gentleman's inquiry about this legislation because there has been a great deal of misunderstanding and mischaracterizations regarding the real-world results it might have on EPA.

We need this provision in order to assure that EPA does not undertake back-door implementation of the Kyoto Protocol. This is a strong setup of the House based on the debate that we have had. We have seen a trend where EPA is beginning to interpret existing statutes overly broadly and to even create new interpretations of current law. These examples have come out in oversight hearings in both the House and the Senate.

The main purpose of the legislative and report language is to ensure that existing regulatory authority is not misused to implement or to serve as a future basis for the implementation of the Kyoto Protocol in advance of its consideration and approval by the Senate of the United States. We are not trying to cripple or to cancel existing energy conservation programs or to curtail research development and demonstration programs for new, more efficient technologies or to undermine existing environmental law. We are only trying to keep EPA honest.

That is our job in Congress, to conduct oversight hearings and to make sure that the Federal agencies live by the letter of the law and the Constitution and to ensure taxpayer money is spent wisely.

Mr. BARTON of Texas. Mr. Chairman, I would ask the gentleman from Michigan if the Senate has taken a similar position in their VA appropriation bill.

Mr. KNOLLENBERG. I would be pleased to respond to that.

The Senate does indeed have a similar position dealing with this issue. In fact, Senator CHAFFET, the chairman of the Senate Environment Committee, stated in a colloquy with Senator BOND, that was during the debate on the VA-HUD appropriations, that he agreed. And let me stress this point: He

agreed that the EPA should not use appropriated funds for the purpose of issuing regulations to implement the Kyoto Protocol unless and until such treaty is ratified by the U.S. Senate.

Both the House and the Senate strongly concur in that position, so it is a bit of a red herring for people to say that this legislation will hamstring EPA or hinder energy conservation and greenhouse gas reduction programs that are ongoing.

Mr. BARTON of Texas. I understand that there is more concern about the report language in this bill than the legislative language. There seems to be various interpretations of the report language.

Mr. KNOLLENBERG. The report language simply tries to clarify that EPA has been pushing the envelope with various activities that have been portrayed as being educational in nature but have, in fact, become Kyoto Protocol advocacy activities. We wanted to make it clear that EPA should not be engaged in advocating for implementation of the Kyoto Protocol, or through its so-called outreach activities that would actually implement the protocol. It was not our intention to stifle discussion about potential climate change, scientific give and take, research or general educational efforts regarding global climate. This report language was never intended to muzzle EPA. It was, however, needed because we wanted to clear the EPA and the CEQ, but there is a fine line between education and advocacy, and that the EPA should not cross that line.

The gentleman from Wisconsin (Mr. OBEY) made this quite clear during the debate on this amendment.

Mr. BARTON of Texas. Mr. Chairman, to summarize, I appreciate the gentleman's clarification. I agree that EPA should not be stopped from fostering legitimate scientific research and balanced public debate on this issue because there is still much to be learned in this area. During our numerous congressional hearings on this issue, the administration has not been willing to engage in this debate.

For example, we have yet to receive an authoritative analysis of the economic impact of the Kyoto Protocol reflecting all of the constraints on possible emissions trading. As chairman of the Subcommittee on Oversight and Investigations of the Committee on Commerce, I look forward to working to assure that the administration, EPA and CEQ understands this guidance, and I thank the patience of the gentleman from California (Mr. LEWIS).

Mr. LEWIS of California. Mr. Chairman, will the gentleman yield?

Mr. BARTON of Texas. I yield to the gentleman from California.

Mr. LEWIS of California. Mr. Chairman, will the gentleman yield to the gentleman from New York (Mr. NADLER) by chance?

Mr. BARTON of Texas. Mr. Chairman, I yield to my good friend, the gentleman from New York.

Mr. NADLER. Mr. Chairman, I am informed that the chairman of the subcommittee would probably oppose the Hilleary amendment, in fact, I think he said that on the floor but I was not listening carefully enough, if we withdraw this amendment to the amendment.

So, Mr. Chairman, I ask unanimous consent to withdraw the secondary amendment on the understanding that we will have support in opposing the Hilleary amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The CHAIRMAN. The amendment offered by the gentleman from New York (Mr. NADLER) to the amendment offered by the gentleman from Tennessee (Mr. HILLEARY) is withdrawn.

Mr. STOKES. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Tennessee (Mr. HILLEARY). I cannot support reducing the amount provided for housing opportunities for people with AIDS, as the Hilleary amendment proposes to do.

□ 1700

Last year's appropriations bill provided a 70 percent increase for this program. This year, we simply held the program constant at the higher amount. It is also true that the committee did recommend an increase for the Housing Opportunities for People With AIDS Program.

This year's recommended increase is about 15 percent, and it follows smaller increases or freezes in the preceding years. Why did the Committee on Appropriations consider it so important to provide a modest increase for HOPWA? Quite simply because the need for this program is great and continues to grow each year.

The number of Americans living with AIDS continues to grow. One reason for this is that the number of new cases remains substantial. More than 60,000 last year. Another important reason is that advances in medicine are making it possible for people with HIV infections to live longer. That is wonderful news, but it does mean that, every year, there are more people living with AIDS who may be in need of our help.

One measure of the need for this program is the number of State and local governments that qualify for HOPWA grants. Almost all funding under the HOPWA program is distributed through a formula based on the number of AIDS cases.

When the number of cases in a State or metro area crosses a specified threshold, that State or locality becomes eligible for HOPWA grants. The number of jurisdictions qualifying has risen from 80 last year to 88 this year and is expected to rise to 96 next year. In this context, the funding increase provided in the bill seems quite modest. Between 1977 and 1999, the number

1 notification procedures of the Committees on Appropria-
2 tions.

3 (b) The President shall provide a detailed account of
4 all Federal agency obligations and expenditures for cli-
5 mate change programs and activities, domestic and inter-
6 national, for fiscal year 1998, planned obligations for such
7 activities in fiscal year 1999, and any plan for programs
8 thereafter related to the implementation or the further-
9 ance of protocols pursuant to, or related to negotiations
10 to amend the Framework Convention on Climate Change
11 (FCCC) in conjunction with the President's submission of
12 the Budget of the United States Government for Fiscal
13 Year 2000: *Provided*, That such report shall include an
14 accounting of expenditures by agency with each agency
15 identifying climate change activities and associated costs
16 by line item as presented in the President's Budget Ap-
17 pendix.

18 WITHHOLDING ASSISTANCE TO COUNTRIES VIOLATING

19 UNITED NATIONS SANCTIONS AGAINST LIBYA

20 SEC. 573. (a) WITHHOLDING OF ASSISTANCE.—Ex-
21 cept as provided in subsection (b), whenever the President
22 determines and certifies to Congress that the government
23 of any country is violating any sanction against Libya im-
24 posed pursuant to United Nations Security Council Reso-
25 lution 731, 748, or 883, then not less than 5 percent of
26 the funds allocated for the country under section 653(a)



United States Department of State

Bureau of Oceans and International
Environmental and Scientific Affairs

Washington, D.C. 20520

URGENT

7/22

TELEFAX TRANSMISSION

TO:

NAME: Todd Stem TEL: _____
FAX: 456-2215

NUMBER OF PAGES, INCLUDING THIS PAGE: 2

FROM:

NAME: Dan Reitsnyder TEL: (202) 647-4069
OFFICE OF GLOBAL CHANGE FAX: (202) 647-0191

OES/EGC - RM. 4330

MESSAGE:

Per our conversation,
here are the points on Sc-572(a)

CONCERN WITH SEC. 572(A)
VIS-A-VIS THE FRAMEWORK CONVENTION ON CLIMATE CHANGE

- The purpose of Sec. 572(a) is unclear, and the language is extremely broad – “Funds made available in the Act to support programs or activities promoting country participation in the Framework Convention on Climate Change...shall only be made available subject to the regular notification procedures of the Committees on Appropriations.”
- On its face, this provision would simply delay the annual U.S. contribution to the Framework Convention on Climate Change, pending the required notifications -- in practice it would give Congress veto power over the expenditure of duly appropriated funds.
- This is because it would be anomalous, difficult and contrary to current practice for the Executive Branch to disburse these funds in the face of a Congressional objection.
- Delaying the U.S. contribution – or failing to make it altogether – would adversely affect ongoing activities under the Convention as well as U.S. diplomatic efforts.
- This adverse affect would not be minimal -- the United States provides a significant portion of the Convention's annual budget, as well as additional voluntary contributions to two supplementary trust funds.
- The United States was the fourth nation (and first industrialized nation) to ratify the Framework Convention on Climate Change in October 1992, and has contributed annually since 1991 to support the negotiating process and later the Convention after its entry into force in March 1994.
- It is unclear why such a requirement is being considered at this time.

AID

C

To Todd Stern
From David Hales
Re: Congressional Notification

Statutory Basis.

Section 634A of the Foreign Assistance Act of 1961 and section 515 of the annual foreign operations appropriations act require notification to the appropriate committees of Congress at least 15 days in advance of a proposed obligation of funds for any new project or activity. There is no reference to committee or congressional approval of those notifications.

USAID's Appropriation Process.

Assistance under the foreign operations appropriations act is appropriated in broad categories within which USAID obligates for numerous projects and activities. The fy98 appropriations act appropriated funds to two development assistance accounts. USAID's portfolio of 2000 or so projects was funded from those two accounts. From the perspective of Congress, notification is justified because the Executive, within these broad categories, has been given considerable latitude on the use of funds, and advance notification is a proper exercise of their oversight responsibilities.

In practice, there is a three-part system for justifying economic assistance programs.

1. Congressional Presentation: an overall description of our request not including project-specific funding levels. This document alone does not satisfy sections 634A and 515.
2. Statistical Annex. Once an appropriations bill has been enacted, USAID sends a "Statistical Annex" which contains all projects with obligation amounts. After 15 days, barring objections, all projects contained in the document are considered justified. For new projects, projects for which the Hill has never received any justification, we send up separate notifications.
3. Separate Notifications. For new projects and projects which significantly exceed the amount justified in the Annex, USAID sends up separate justification materials which must sit for 15 days before an obligation occurs.

Over the years a practice has developed of congressional "holds" being placed on CNs. There is no legal basis for this and no legal reason why an obligation cannot occur for a project whose CN has been placed on hold. Nonetheless, over the past 20 years or so, no Administration has done so.

In practice, this results in a "hold" which is resolved based on political agreement. The "hold" is "voluntary" on the part of the Administration because of our desire to avoid the political consequences of moving ahead without approval.

If the normal process we engage each year is applied to climate-related actions, there would be little or no additional workload. NOTE, HOWEVER that the language referring to the "regular notification procedures" is legislative term of art meaning that all climate related action would have to be RESUBMITTED to the notification process, and this would be a substantial additional workload affecting perhaps one-third of the Agency's budget. We are currently working with Robin Cleveland to find language that limits the consultation to "new" projects. In the meantime, we have submitted the following language to OMB for the SAP.

572a SAP language:

The Administration has no objection to notifying Congress on new actions related to these listed areas. However, to initiate additional consultations on actions on which Congress has already been consulted, and which may be subject to legally binding contracts and agreements creates an unproductive and redundant workload and could lead to legal challenge and diplomatic controversy.

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EMBARGOED UNTIL 10:06 AM, SATURDAY, JANUARY 31, 1998

PRESIDENT CLINTON'S \$6 BILLION CLIMATE CHANGE INITIATIVE
January 31, 1998

"Our overriding environmental challenge tonight is the worldwide problem of climate change, global warming, the gathering crisis that requires worldwide action...We have it in our power to act right here, right now. I propose \$6 billion in tax cuts and research and development to encourage innovation, renewable energy, fuel-efficient cars, energy-efficient homes." President Bill Clinton, State of the Union address, January 27, 1998

A \$6 billion initiative over 5 years to cut greenhouse gas emissions. Following the historic Kyoto agreement reached in December 1997, the Administration is proposing a dramatic new program of tax cuts and R&D aimed at cutting greenhouse gas emissions. The initiative amounts to \$6.3 billion over 5 years -- \$1.3 billion more than the \$5 billion package the President promised in his October 22 speech on this issue.

\$3.6 billion in tax credits. The proposed package contains \$3.6 billion over the next 5 years in tax cuts for energy efficient purchases and renewable energy.

- **Tax credits for fuel efficient cars.** The tax package includes tax credits of \$3,000 to \$4,000 for consumers who purchase advanced technology, highly fuel efficient vehicles -- expected to total \$660 million over the next five years.
- **Tax credits for rooftop solar systems.** Another tax provision provides a 15 percent credit (up to \$2,000) for purchases of rooftop solar electricity and hot water systems -- to provide incentives for meeting the Million Solar Roofs goal.
- **Other tax credits for energy efficiency.** The tax cuts also include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a \$2,000 credit for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

\$2.7 billion in new R&D spending. The package also contains \$2.7 billion over the next 5 years in additional research and development spending -- covering the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity), plus carbon removal and sequestration, Federal facilities, and crossing cutting analyses and research. Selected examples of the R&D effort include:

- **Partnership for a New Generation of Vehicles (PNGV).** PNGV is a government-industry effort to develop attractive, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars. In FY99, the combined proposal for PNGV is \$277 million, up from \$227 million appropriated in FY98. Similar government-industry efforts are proposed to develop cleaner, more efficient diesel engines for both light trucks and heavy trucks.
- **Renewable energy.** The package includes expanded research partnerships for key renewable technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The FY99 budget proposes a \$100 million increase in DOE for solar and renewable energy R&D -- a 37 percent increase over FY98.

Climate Change Technology Initiative: \$3.6 Billion in Tax Incentives

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, \$5 billion package of tax incentives and research and development spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December 1997 to reduce greenhouse gas emissions, the President is now proposing a \$6.3 billion initiative over 5 years -- including \$3.6 billion of tax incentives that will encourage energy efficiency and help develop low-carbon energy sources (see Table 1). The initiative covers the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity).

TABLE 1

Tax Incentives	Revenue effect (dollars in billions)
	Total FY1999-2003
Buildings	
Provide tax credit for energy-efficient building equipment	-1.4
Provide tax credit for new energy-efficient homes	-0.2
Provide tax credit for rooftop solar systems	-0.1
Transportation	
Provide tax credits for highly fuel efficient vehicles	-0.7
Equalize tax treatment of parking and transit and vanpool benefits	-0.1
Industry	
Provide tax credit for combined heat and power systems	-0.9
Provide tax credit for certain circuit breaker equipment	*
Provide tax credit for PFC/HFC recycling equipment	*
Electricity	
Extend tax credit for electricity produced from wind and biomass	-0.2
Climate Change Tax Initiative Total	-3.6

* Less than -\$50 million.

BUILDINGS

- ***Tax credit for energy-efficient building equipment.*** Improvements in the energy efficiency of both residential and commercial buildings can be obtained through tax credits that encourage the purchase of highly efficient equipment: fuel cells, electric heat pump water heaters, natural gas water heaters, electric heat pumps, natural gas heat pumps, and advanced central air conditioners. The credit would be 20 percent of the cost of the investment, subject to a cap. The credit would generally be available for equipment purchased between January 1, 1999 and December 31, 2003.

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- ***Tax credit for new energy-efficient homes.*** The energy efficiency of new homes could be improved through the use of energy efficient building practices and efficient heating and cooling equipment. To encourage the purchase of new highly energy-efficient homes, a tax credit would be provided equal to one percent of the purchase price (up to a maximum credit of \$2,000) of new homes that greatly exceed building standards. The full credit would be available for homes purchased between January 1, 1999 and December 31, 2003. A credit of up to \$1,000 would be available for homes purchased between January 1, 2004 and December 31, 2005.
- ***Tax credit for rooftop solar systems.*** Solar energy systems have the potential to reduce greenhouse gas emissions and energy costs for businesses and individuals. A tax credit equal to 15 percent of the cost of rooftop photovoltaic (PV) systems and solar water heating systems would make these systems more affordable and encourage their purchase. The maximum credit would be \$2,000 for PV systems and \$1,000 for solar water heating systems. The credit would apply to equipment placed in service between January 1, 1999 and December 31, 2003 for solar water heating systems, and December 31, 2005 for rooftop PV systems.

INDUSTRY

- ***Tax credit for combined heat and power (CHP) systems.*** CHP systems use thermal energy that is otherwise wasted in producing electricity by more conventional methods. To encourage and accelerate investment in CHP equipment, a 10 percent tax credit would be provided for investments in CHP systems that meet certain energy efficiency requirements. The credit would apply to property placed in service between January 1, 1999 and December 31, 2003.
- ***Tax credit for replacement of certain circuit breaker equipment.*** Sulfur hexafluoride (SF₆), an extremely harmful greenhouse gas, is used in some large power circuit breakers used in the transmission and distribution of electric power. A 10 percent tax credit would be provided for the purchase of new circuit breakers that replace certain circuit breakers that are prone to leak SF₆. The credit would apply to new equipment placed in service between January 1, 1999 and December 31, 2003.
- ***Tax credit for perfluorocarbon (PFC) and hydrofluorocarbon (HFC) recycling equipment.*** PFCs and HFCs are extremely potent greenhouse gases and are used extensively in the semiconductor manufacturing industry. A 10 percent tax credit would be provided for the purchase of PFC/HFC recycling equipment to recover gases used in the production of semiconductors. The credit would apply to equipment placed in service between January 1, 1999 and December 31, 2003.

TRANSPORTATION

- ***Tax credit for highly fuel efficient vehicles.*** Cars and light trucks (including minivans, sport utilities, and pickups) currently account for 20 percent of greenhouse gas emissions. Tax credits for highly fuel efficient vehicles will help to move vehicles that are ultra efficient from the laboratory to the highway. Tripling a car's fuel economy reduces its emissions of carbon dioxide by 67 percent; doubling a car's fuel economy reduces its emissions of carbon dioxide by 50 percent.
 - ***Credit for vehicles with triple the base fuel economy.*** This credit would be \$4,000 for each vehicle that gets three times the base fuel economy for its class. The \$4,000 credit would be available for purchases of qualifying vehicles beginning January 1, 2003. The credit amount would phase down to \$3,000 in 2007, \$2,000 in 2008, and \$1,000 in 2009, and would phase out in 2010.
 - ***Credit for vehicles with twice the base fuel economy.*** This credit would be \$3,000 for each vehicle that gets twice the base fuel economy for its class. The \$3,000 credit would be available for purchases of qualifying vehicles beginning January 1, 2000. The credit amount would phase down to \$2,000 in 2004, \$1,000 in 2005, and would phase out in 2006.
 - These credits would be available for all qualifying vehicles, including cars, minivans, sport utility vehicles, pickup trucks, and electric vehicles.
 - The Administration looks forward to working with the auto manufacturers and other interested parties on the details of the tax incentives.
- ***Equalize the tax treatment of parking and transit benefits.*** This initiative would equalize the tax treatment of parking benefits and transit and vanpool benefits. To encourage public transportation and vanpools, employers would be allowed to provide tax free transit and vanpool benefits in lieu of compensation, up to the same amount that they can provide for parking beginning January 1, 1999.

ELECTRICITY

- ***Extension of tax credit for electricity produced from wind and biomass.*** To encourage the production of electricity from wind and certain biomass, a 5-year extension is proposed for the present 1.5 cent per kilowatt hour tax credit (adjusted for inflation after 1992). The present credit, which applies to facilities placed in service before July 1, 1999, would be extended for five years.

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Climate Change Technology Initiative: \$2.7 Billion in Research and Development

January 31, 1998

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, \$5 billion package of tax incentives and research and development spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December 1997 to reduce greenhouse gas emissions, the President is now proposing a \$6.3 billion initiative over 5 years -- including \$2.7 billion in increased R&D spending (see Table 1). For FY 1999, the budget shows \$473 million in increased spending on climate-change related technologies (\$1.292 billion vs. \$819 million in FY 1998) and \$421 million in tax incentives, for a total first-year initiative of \$894 million.

TABLE 1

Direct Programs	Dollars in Millions				
	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Total Increase 1999-2003
BY AGENCY					
Energy	657	729	1060	+331	+1,899
Environmental Protection Agency	86	90	205	+115	+677
Housing and Urban Development	--	--	10	+10	+10
Commerce	--	--	7	+7	+38
Agriculture	--	--	10	+10	+86
R&D Program Total	743	819	1,292	+473	+2,710
Climate Change Technology Total	743	819	1,713	+894	+6,345

TABLE 2

Direct Programs	Dollars in Millions		
	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999
BY AREA OF EFFORT			
Buildings	146	264	+118
Industry	156	216	+60
Transportation	246	356	+110
Electricity	220	332	+112
Carbon Sequestration and Cross-Cutting Research	0	42	+42
Policy Analysis, Market Incentives	6	26	+20
Program Direction	45	57	+12
Climate Change Technology			
Direct R&D Total	819	1,292	+473

Columns may not add due to rounding.

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The principal focus of the initiative is an R&D portfolio that covers the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity), plus carbon removal and sequestration, Federal facilities, and crossing cutting analyses and research. (In Table 2, Federal facilities are included under Buildings.)

BUILDINGS

- ***Partnership for Advanced Technologies in Housing (PATH).*** HUD will lead a team that includes DOE and EPA to work with the building industry to develop, demonstrate, and deploy housing technologies and practices that are inexpensive, highly efficient, and attractive to consumers. This effort will also focus on streamlining Federal, state, and local codes and regulations, education outreach, and creating local markets for PATH housing using pilot sites and demonstrations.
- ***Million Solar Roofs.*** In June of 1997, the President announced an initiative to encourage the installation of one million solar hot water and solar photovoltaic (PV) installations on buildings over the next 10 years. DOE will fund cost-reduction R&D for solar thermal and rooftop PV systems, and will establish partnerships with communities, builders, and other Federal agencies to promote the use of building-mounted solar systems.
- ***Increased R&D.*** In addition to encouraging the deployment of the best available technologies, DOE is also increasing its research on building systems modeling, to help architectural engineers, and on major components such as next-generation heat-pumps, cooling systems, furnaces, and lighting.

INDUSTRY

- ***Partnerships with industry.*** DOE works closely with industry on technology roadmaps and plans to reduce energy consumption and secure early reductions in greenhouse gas emissions. Industries already engaged in this effort include aluminum, steel, glass, paper and forest products, metal casting, and chemicals. These technology roadmaps form the basis for cost-shared R&D with industry teams and consortia.
 - This work will be enhanced within DOE, and complementary efforts will be undertaken by EPA, USDA, and DOC (NIST), which will lead to voluntary greenhouse gas reduction programs within industry.
- ***Advanced power generation.*** R&D will be accelerated on advanced turbines, fuel cells, and other technologies, and new approaches to capturing useful work or heat through several temperature stages (e.g. electric generation, industrial process steam, steam building heat) in factories or commercial buildings will be demonstrated. When commercially accepted, these systems will allow us to capture the waste heat the Nation now throws away.

TRANSPORTATION

- ***Partnership for a New Generation of Vehicles (PNGV).*** A government-industry effort to develop attractive, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars, or roughly 80 miles per gallon. Five agencies participate in PNGV -- DOE is the largest player, followed by EPA, DOC, NSF, and DOT.
 - The program will lead to "concept cars" in the year 2000 and production prototypes in 2004.
 - This winter, industry and the government have announced the designs that they will pursue -- hybrid vehicles that combine a power source (a piston engine or fuel cell) with battery storage and electric motors.
 - In FY99, the combined request for PNGV-related work in those agencies is \$277 million, up from \$227 million appropriated in FY98.
- ***Partnerships for Light and Heavy Trucks.*** Similar government-industry efforts are proposed to develop cleaner, more efficient diesel engines for both light trucks and heavy trucks.
 - DOE has been engaged in R&D on cleaner, more efficient large truck engines for several years, and that effort will be stepped up in FY99, in coordination with increased work on large diesel engines at EPA and DOD.
 - A government-industry partnership is currently being formed for R&D on smaller diesel engines suitable for light trucks and sport-utility vehicles (SUVs), which are the fastest-growing class of passenger vehicles. A clean, efficient diesel engine could improve the fuel-economy of light trucks and SUVs by 35 percent.
- ***Sustainable Transportation.*** This initiative would promote alternatives to single-occupancy vehicle travel using pilot projects in selected communities modeled after the highly successful approach adopted by the Portland, Oregon metropolitan region.
 - The sustainable transportation programs in EPA and DOE will be coordinated with existing and planned DOT programs. (DOT is not funded within the Climate Change Technology Initiative, however.)

ELECTRICITY

- **Renewable energy.** Expand research partnerships for key renewable technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The same programs will also be supporting increased R&D in hydrogen production and storage and in superconductivity.
 - The FY99 budget proposes a \$100 million increase in DOE for solar and renewable energy R&D -- a 37 percent increase over FY98.
- **Nuclear power-plant life extension.** DOE will initiate an R&D effort addressing the critical technology needs to allow currently-operating nuclear power plants to safely extend their operating lifetimes by 10 to 20 years. Under current NRC licences, approximately 60 gigawatts of electric generating capacity would have to be retired between now and 2015. Providing the technologies necessary to safely operate these plants for another 10 to 20 years will make the transition to other low-carbon energy sources, such as solar and renewable energy, much easier.
- **Innovative coal combustion technologies.** In FY99, DOE will initiate a research program on innovative new approaches to coal combustion that offer the possibility of much lower carbon emissions than existing technologies.

CARBON REMOVAL AND SEQUESTRATION.

- **Sequestration R&D.** Research initiatives are being funded in both basic and applied research to find ways to remove carbon dioxide (CO₂) from combustion gases and sequester (store) the carbon so that it does not enter the atmosphere.
 - DOE's basic science office will engage in biochemical and microbial research.
 - DOE's fossil energy office will conduct an applied sequestration R&D program, jointly managed with the basic science office.
 - USDA will initiate research on enhancing the carbon-sequestering capabilities of agricultural species. NIST will support complementary biotechnology work on plant metabolism and carbon use.

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CROSSCUTTING ANALYSIS AND RESEARCH

- ***Emissions credits, incentives, and trading.*** EPA will lead an effort, assisted by DOE, to evaluate options for a domestic trading system and early reduction program in industry. The Federal government will work with stakeholders to understand their views and interests, and to build the institutional capacity needed to implement a carbon emissions credit and trading system.
- ***Program and science assessments.*** DOE will lead efforts to assess the implications of new research results produced by the Global Change Research Program, in order to determine what geographic and technological responses may be appropriate.

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Climate Change Technology Initiative: \$2.7 Billion in Research and Development

January 31, 1998

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Climate Change Technology Initiative: \$3.6 Billion in Tax Incentives

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	Total FY1999-2003
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Electricity	
Extend tax credit for electricity produced from wind and biomass	-0.2
Climate Change Tax Initiative	
Total	-3.6

* Less than -\$50 million.

BUILDINGS

- **Tax credit for energy-efficient building equipment.** Improvements in the energy efficiency of both residential and commercial buildings can be obtained through tax credits that encourage the purchase of highly efficient equipment: fuel cells, electric heat pump water heaters, natural gas water heaters, electric heat pumps, natural gas heat pumps, and advanced central air conditioners. The credit would be 20 percent of the cost of the investment, subject to a cap. The credit would generally be available for equipment purchased between January 1, 1999 and December 31, 2003.

Telling Bink

Message to Clinton

EMBARGOED UNTIL 10:06 AM, SATURDAY, JANUARY 31, 1998

PRESIDENT CLINTON'S \$6 BILLION CLIMATE CHANGE INITIATIVE
January 31, 1998

"Our overriding environmental challenge tonight is the worldwide problem of climate change, global warming, the gathering crisis that requires worldwide action... We have it in our power to act right here, right now. I propose \$6 billion in tax cuts and research and development to encourage innovation, renewable energy, fuel-efficient cars, energy-efficient homes." President Bill Clinton, State of the Union address, January 27, 1998

→ **A \$6 billion initiative over 5 years to cut greenhouse gas emissions.** ~~Following the historic Kyoto agreement reached in December 1997, the Administration is proposing a dramatic new program of tax cuts and R&D aimed at cutting greenhouse gas emissions. The initiative amounts to \$6.3 billion over 5 years -- \$1.3 billion more than the \$5 billion package the President promised in his October 22 speech on this issue.~~

\$3.6 billion in tax credits. The proposed package contains \$3.6 billion over the next 5 years in tax cuts for energy efficient purchases and renewable energy.

- **Tax credits for fuel efficient cars.** The tax package includes tax credits of \$3,000 to \$4,000 for consumers who purchase advanced technology, highly fuel efficient vehicles -- expected to total \$660 million over the next five years.
- **Tax credits for rooftop solar systems.** Another tax provision provides a 15 percent credit (up to \$2,000) for purchases of rooftop solar electricity and hot water systems -- to provide incentives for meeting the Million Solar Roofs goal.
- **Other tax credits for energy efficiency.** The tax cuts also include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a \$2,000 credit for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

\$2.7 billion in new R&D spending. The package also contains \$2.7 billion over the next 5 years in additional research and development spending -- covering the four major carbon-emitting sectors of the economy (buildings, industry, transportation, and electricity), plus carbon removal and sequestration, Federal facilities, and crossing cutting analyses and research. Selected examples of the R&D effort include:

- **Partnership for a New Generation of Vehicles (PNGV).** PNGV is a government-industry effort to develop attractive, affordable cars that meet all applicable safety and environmental standards and get up to three times the fuel efficiency of today's cars. In FY99, the combined proposal for PNGV is \$277 million, up from \$227 million appropriated in FY98. Similar government-industry efforts are proposed to develop cleaner, more efficient diesel engines for both light trucks and heavy trucks.
- **Renewable energy.** The package includes expanded research partnerships for key renewable technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The FY99 budget proposes a \$100 million increase in DOE for solar and renewable energy R&D -- a 37 percent increase over FY98.

CLIMATE CHANGE TECHNOLOGY INITIATIVE FY99 BUDGET HIGHLIGHTS

The Fiscal Year 1999 budget provides for over \$1 billion -- a 25% increase -- for research investments that will reduce greenhouse gas pollution, create jobs, and save consumers money through energy efficiency and renewable energy technologies. Funding for the Climate Change Technology Initiative is contained in three appropriations bills:

1. Energy and Water - \$350M

\$336 for DOE's Solar and Renewable Energy Portfolio. Programs under this account include:

- **Photovoltaics R&D**, including the President's goal of installing **One Million Solar Roofs** on American homes and offices by 2010.
- **Biopower and Wind power R&D** to improve and accelerate rural biopower as well as the next generation of wind turbines.
- **Hydropower** design work on a new generation turbine that will be both more energy efficient and avoid killing fish.
- The **Climate Challenge** program. A successful voluntary DOE/electric utilities partnership with over 640 participants, that will result in reductions of 47 million metric tons of carbon emissions in 2000.

\$14M for Energy Research

- Basic research, including research on carbon sequestration, to support the applied R&D climate change programs.

2. Interior - \$552M

\$526M for DOE's Energy Efficiency Portfolio. Programs under this account include:

- The **Industries for the Future** program which establishes research partnerships between DOE and energy-intensive industries to develop ways to increase energy and resource efficiency and are projected to save participating industries over \$10 billion in energy costs by 2010.

- **The Partnership for a New Generation of Vehicles** - additional funding will help achieve the President's goal of an affordable, triple efficiency family sedan by 2004. Development of this vehicle would reduce carbon emissions by 1.4 million metric tons annually and reduce energy costs by \$1.2 billion annually by 2010.

- **Building Technologies.** DOE will implement technology roadmaps for commercial buildings and lighting and develop new energy efficiency standards for large appliances.

\$24M for Fossil Energy R&D

- Applied research and development for, among other things, sequestration and highly efficient combustion techniques.

\$3M for Energy Information Administration

- Funding to track voluntary greenhouse gas emissions reductions in the U.S. as well as international emissions reduction activities.

3. VA-HUD-Independent Agencies - \$119M

\$109M to EPA for climate change programs which include:

- The **Green Lights and Energy Star Buildings** program. With increased funding for Green Lights and Energy Star Buildings, EPA will be able to enter into partnerships with many new small businesses and schools by the year 2000. A typical school can cut its energy bills by \$27,000 per year through this program -- enough money to buy 900 new text books.

\$10M to HUD for PATH

- The **Partnership for Advancing Technology in Housing (PATH)** is an important new public-private partnership with the homebuilding sector. Launched by the President in May, PATH will dramatically improve the energy efficiency of homes, cutting consumers' energy bills by 30%-50%, saving consumers \$11 billion a year in energy costs by 2010 and reducing annual carbon emissions by nearly 24 million tons by 2010.

Much Work Still Left to Do:

In the waning days of the session, the President and Congressional Democrats prevailed in making critical investments to advance the President's comprehensive education agenda. Much work remains for the future because Republicans in Congress killed, at least for now, critical priorities, including:

- X **School Modernization.** Beginning with his State of the Union address, the President fought all year to modernize our schools. His fully paid for tax credits would have leverage nearly \$22 billion in bonds to build and renovate schools. In the final days of the budget negotiations, Republicans in Congress refused to even meet on the critical issue of school construction.
- X **Patients Bill of Rights.** President Clinton repeatedly urged the Congress to pass a strong, enforceable patients' bill of rights that would assure Americans the quality health care they need. Congressional Republicans killed this year's effort to pass a Patients Bill of Rights.
- X **Comprehensive Tobacco Legislation.** This year, President Clinton made passage of legislation to reduce youth smoking a top priority, in order to stop kids from smoking before they start through a significant price increase, measures to prevent tobacco companies from marketing to children, and critical public health prevention and education programs. Congressional Republicans opted to act as politicians instead of parents, and killed this year's effort to pass bipartisan comprehensive tobacco legislation to reduce youth smoking.
- X **Campaign Finance Reform.** At the beginning of the year, the President made passage of bipartisan, comprehensive campaign finance reform a priority for his Administration. After months of delay, the House of Representatives overcame defenders of the status quo and passed the Shay-Meehan bill. However, the Senate Republicans killed this historic legislation.
- X **Child Care Initiative.** In his State of the Union, the President proposed an historic child care initiative to make child care better, safer and more affordable for America's working families. The President's proposal included \$7.5 billion over 5 years for child care subsidies for low-income working families and tax credits to help 3 million working families pay for child care. The Republicans refused to support these critical investments.
- X **Work Incentives Bill for People with Disabilities.** At the commemoration of the Americans with Disabilities Act last July, the President endorsed the bipartisan Jeffords-Kennedy bill that enables people with disabilities to go back to work by providing an option to buy into Medicaid and Medicare, as well as other pro-work initiatives. This bill was on the list of top Administration priorities in the final budget negotiations, but rejected by Republicans. The President will continue to fight to give people with disabilities the opportunity to work --including the critical health insurance that makes work possible.
- X **Speeding Toxic Cleanups.** President Clinton called for an additional \$650 million -- a 40 percent increase -- to accelerate Superfund cleanups with a goal of completing a total of 900 cleanups by 2001. The Republican majority refused these funds, threatening to delay cleanup at up to 171 sites across the country.

	98	ask	got
Interior (efficiency)	451	GS 1	560
ETW (renewables)	272		332
(VA-HW) ERA	89		99
Foreign ops (GEF)	(phys arrears) 800		112.5

Climate Change Technology Initiative

1999 Budget Briefing Materials

February 2, 1998

... So while we recognize that the challenge we take on today is larger than any environmental mission we have accepted in the past, climate change can bring us together around what America does best -- we innovate, we compete, we find solutions to problems, and we do it in a way that promotes entrepreneurship and strengthens the American economy.

If we do it right, protecting the climate will yield not costs, but profits; not burdens, but benefits; not sacrifice, but a higher standard of living.

President Clinton, October 22, 1997

Climate Change Technology Initiative

Introduction

Last October the President outlined the three-stage approach the US will take in addressing climate change. The first stage consists of immediate actions to stimulate development and use of technologies that can minimize the cost of meeting US goals in reducing greenhouse gas emissions. Stage two will review options created through ongoing technology development and lead to detailed plans for a market-based permit trading system for carbon emissions. Stage three will begin to implement a market-based emissions-trading system.

The President's 1999 budget includes \$2.7 billion over five years for increased R&D and deployment of energy efficiency, renewable energy, and carbon-reduction technologies, and an additional \$3.6 billion over five years in tax incentives. These provide a total initiative of \$6.3 billion in new funding and tax expenditures over five years to stimulate adoption of more efficient technologies in buildings, industrial processes, vehicles, and power generation.

During the coming year, federal agencies will supplement these activities with three other actions outlined in the President's plan:

- Active support for industry-by-industry consultations with all major business sectors.
- Changes in federal procurement policy to ensure that Federal agencies make all cost-effective energy investments and take advantage of energy savings performance contracts and other services available from private investors.
- Introduction of utility restructuring proposals that will reduce carbon emissions while saving customers billions of dollars in electric bills.

Section 1 below shows several summary tables that provide a variety of views or perspectives on the Climate Change Technology Initiative (CCTI) – by agency, by type of activity, direct spending, and tax incentives. Following that, in Section 2, are programmatic details organized by the sector or technical topic on which they are focused.

Section 1

Summary Tables

Table 1. Climate Change Technology Initiative (Agencies)
(Direct programs and tax incentives, millions of dollars)

Selected Agencies	1997 Actual	1998 Estimate	1999 Proposed	Increase: 1998 to 1999	Increase: 5-Year Total
Energy	657	729	1,060	331	1,899
Environmental Protection Agency	86	90	205	115	677
Housing and Urban Development	--	--	10	10	10
Commerce	--	--	7	7	38
Agriculture	--	--	10	10	86
Appropriations Sub-Total	743	819	1,292	473	2,710
Tax Incentives	--	--	421	421	3,635
Total Initiative	743	819	1,713	894	6,345

Table 2. Two Views of the Climate Change Technology Initiative

Principal Technical Areas	Major Types of Federal Activity
• Efficient buildings, heating and cooling, and appliances • Efficient transportation (automobiles, trucks, and transportation planning) • Efficient industrial processes and technologies • Low-carbon generation of electricity using renewable energy, and • Techniques for permanently capturing and sequestering greenhouse gases.	• Cost-shared R&D partnerships with industry. • Supporting research in materials, combustion, and biotechnology. • Limited-duration tax incentives to promote adoption of major technical innovations. • Labeling and information programs to stimulate markets for highly efficient products. • Policy studies and market incentives.

The Climate Change Technology Initiative encompasses programs in five agencies, and most of the participating agencies are expected to make contributions in several sectors, so coordination is important. Table 3 shows the total multi-agency funding applied to climate change issues in the key end-use sectors and technical topics that form the basis for interagency coordination in the CCTI.

Table 3. Climate Change Technology Initiative (Sectors)
(Direct programs and tax incentives, millions of dollars)

(Direct programs and tax incentives, millions of dollars)

Key Sectors and Topics	1998 Estimate	1999 Proposed		Total Increase 1998 – 1999	Total Tax Incentives 1999-2003	
		Approp- riations	Tax Incen- tives			Total
Buildings	146	264	136	400	254	1,696
Industry	156	216	276	492	336	1,004
Transportation	246	356	4	360	114	744
Electricity	220	332	5	317	97	191
Carbon Sequestration and Cross-Cutting Research	0	42	-	42	42	-
Policy Analysis, Market Incentives	6	26	-	26	20	-
Program Direction	45	57	-	57	12	-
Total	819	1,292	421	1,713	894	3,635

The budget provides tax incentives to accelerate the adoption of new technologies, which complements the direct Federal R&D and deployment spending. Incentives are provided in each of the major sectors that the CCTI addresses, as shown in Table 4.

Table 4. Climate Change Technology Initiative Tax Incentives
(Tax Expenditures, millions of dollars)

	1999	Total 1999-2003
Buildings		
Provide tax credit for energy-efficient building equipment	123	1,379
Provide tax credit for new energy-efficient homes	7	197
Provide tax credit for rooftop solar systems	6	120
Transportation		
Provide tax credits for highly fuel efficient vehicles (begins in year 2000)	—	660
Equalize tax treatment of parking, transit, and vanpool benefits	4	84
Industry		
Provide tax credit for combined heat and power systems	270	942
Provide tax credit for certain circuit breaker equipment	3	36
Provide tax credit for PFC/HFC recycling equipment	3	26
Electricity		
Extend production tax credit for electricity produced from wind and biomass	5	191
Total	421	3,635

Section 2

Programmatic Details

BUILDINGS

Buildings produce 35% of US greenhouse gas emissions. Much of this is the indirect result of producing electricity since more than two thirds of electricity produced is consumed in buildings. The energy used in the typical home causes significantly more greenhouse gas emissions than does a typical car.

Building shells last a long time and the bulk of greenhouse gas emissions in 2010 will come from buildings standing today. Appliances and building equipment, such as heating, ventilation, and air conditioning (HVAC) equipment, are replaced much more frequently. The budget includes several programs designed to develop highly efficient new appliances and HVAC systems and to create incentives for their use. Over the long-term, it is essential that new buildings be designed and built with the same kinds of technology that have permitted most successful U.S. businesses to improve quality – including lowering energy demand and emissions – while reducing costs. Overall, Federal appropriations for buildings technology are proposed to increase \$118 million (81 percent) in 1999 to a total of \$264 million.

1. Efficient Building Equipment and Appliances

- DOE proposes to expand research partnerships for building equipment and appliances by \$19.7 million to increase the efficiency of lighting, refrigerators, air-conditioning systems and other building equipment. By 2000, for example, the program hopes to help industry develop a prototype refrigerator using half the electricity of today's equipment and to complete field tests of advanced absorption chillers and natural-gas heat-pumps.
- EPA and DOE will expand their partnerships that are helping consumers and businesses reduce their energy bills and their greenhouse gas pollution by up to 1/3 or more. The EPA and DOE Energy Star appliance labeling program is helping consumers save significantly on their energy bills. EPA and DOE will work with manufacturers to expand the Energy Star label to new product lines, building on recent partnerships with consumer electronics manufacturers.
- Markets for a new generation of building equipment will be encouraged through \$1.4 billion in tax credits over five years. The credits would equal 20 percent of qualified investments in fuel cells, electric heat pump water heaters, natural gas heat pumps, residential size advanced electric heat pumps, natural gas water heaters and advanced central air conditioners.

2. Efficient Building Design and Construction

Over the long-term, it is possible to achieve 30-50 percent or greater reductions in building energy use by using modern engineering methods to improve product quality and lower production costs. A partnership with builders, suppliers, insurance companies and state and local governments will undertake a program to accelerate development and demonstration of inexpensive, highly efficient, attractive housing, and to streamline federal, state, and local building and utility regulations in ways that encourage innovation in construction. These energy efficiency innovations will be combined with design improvements that increase resistance to

wind and seismic damage (thereby reducing insurance costs), reduce construction injuries, and reduce maintenance. The program includes:

- \$13.4 million increase in DOE's program to improve whole building designs, which expands the highly successful Build America partnerships. By the end of 1998, the program will complete 300 attractive homes that cost less to build than conventional units and simultaneously reduce energy use by 30 percent or more.
- \$200 million in tax credits over five years for a new program designed to encourage builders to develop and introduce innovative housing designs and production methods that result in high-quality, affordable, highly efficient new homes. The credit would equal one percent of the purchase price of the home, up to a maximum of \$2,000.
- Expansion of EPA's Energy Star Buildings and Energy Star Homes programs to provide reliable information and technical assistance to help businesses and homeowners reduce their energy use while saving money.
- \$10 million for HUD to manage the new Partnership for Advanced Technology in Housing (PATH) program in conjunction with DOE and EPA. PATH will link the efforts of builders, suppliers, insurance firms, financial institutions, as well as the numerous Federal, state, and local agencies with programs affecting the housing industry. This partnership will identify and seek to remove barriers that have reduced incentives for innovation in housing design and construction.

3. Million Solar Roofs

Since the President challenged the Nation to have a million rooftop solar units installed and operating in a decade last fall, utilities, States, and Federal agencies have already set goals to place about 500,000 solar energy systems on U.S. roofs. A new DOE program will continue this momentum through R&D and deployment partnerships with state and local governments, energy service providers, the solar industry, developers, and builders. Funds will also be used to train builders and inspectors. The budget request for this program in 1999 totals \$12 million, with \$10.5 million for photovoltaic units and \$1.5 million for solar water and space heating equipment.

The budget also proposes a new tax credit available for purchasers of rooftop photovoltaic systems and solar water heating systems located on or adjacent to buildings for purposes other than heating swimming pools. The credit would be 15 percent of qualified investments up to a maximum of \$1,000 for solar hot water heaters and \$2,000 for photovoltaic systems. The credits are estimated to provide \$120 million over five years.

TRANSPORTATION

Cars, trucks, aircraft, and other parts of the Nation's transportation system are responsible for about a third of US greenhouse gas emissions. Emissions in transportation are growing rapidly, both because Americans are driving more and because of the growing popularity of sport-utility and other larger vehicles. A range of new technologies make it possible for

Americans to continue to enjoy the best personal transportation in the world while emissions of greenhouse gases are reduced by factors of two or three. The budget also provides increased support for truck technologies, since the amount of fuel used in trucks (including trucks used largely for personal transportation) now exceeds fuel use in cars. The budget calls for a \$110 million (45 percent) increase in appropriations for transportation RD&D over 1998, providing a total of \$356 million in 1999. This would be supplemented by tax credits to stimulate key early markets.

1. New Generation Automobiles

The Partnership for a New Generation of Vehicles (PNGV) is on schedule for meeting its ambitious goal of building a production prototype of an attractive, affordable automobile which can achieve up to three times the fuel efficiency (and one third the greenhouse gas emissions) of comparable vehicles sold today. All three US automakers demonstrated concept cars capable of approaching the PNGV fuel efficiency goal in this year's Detroit Auto Show. An enormous amount of work remains to be done, however, to convert these concept vehicles into practical production vehicles. The bulk of the vehicle development investment will be made by the industry, but federal cost-sharing is essential to address key research needs.

Federal research funding for advanced automobiles will be increased and a new tax credit will be provided to encourage a shift to advanced technology vehicles. Following a program plan developed in close partnership with industry, the program will focus on propulsion technology and lightweight materials, with significant increases planned in the following areas:

- ***A \$50 million (22 percent) increase in funding for all agencies for PNGV-related work*** (a total of \$277 million) which includes:
 - ***A \$21 million increase to develop fuel cells*** that can be practical substitutes for today's internal combustion engine.
 - ***A \$10.4 million increase in funding for advanced direct injection diesel cycle engines*** that can provide attractive power systems for hybrid vehicles if emission problems can be overcome. Federal funding will focus on particulate and NOx emissions, and will include analysis of alternative fuels for direct-injection diesels.
 - ***An accelerated EPA program to develop a low-NOx methanol-fueled diesel engine*** that can simultaneously achieve high efficiency and low carbon, particulate, and nitrogen oxide levels.
- ***Tax credits to stimulate early introduction of new generation automobiles and light trucks.*** In the year 2000, a credit of up to \$3,000 would be provided for vehicles achieving two times the efficiency of today's comparable vehicles (2X), and in 2003 a credit of up to \$4,000 would be provided for cars that achieve three times today's efficiency (3X). The 2X credit would be phased out by 2003 and the 3X credit by 2010. These credits would total \$660 million for the five years between 1999 and 2003, but would continue after that date. The credits are designed to encourage early introduction of major innovations in vehicle technology, not to encourage consumers to shift to smaller vehicles or vehicles offering reduced amenities.

2. Trucks

In 1996 the energy used in trucks (including light trucks used principally for personal transportation) exceeded the energy used by automobiles. Two new programs will be launched to develop technologies that will both improve truck efficiency and reduce emissions:

- **Heavy Truck partnerships.** A new partnership linking the Department of Energy, the EPA, the Department of Defense, and manufacturers will be supported to increase the fuel efficiency of today's heavy, diesel-powered trucks. Heavy vehicle systems R&D will increase by \$20 million. The research should make it possible to increase the fuel efficiency of heavy diesel engines from their current levels of 44 percent to 55 percent, and to increase fuel efficiency of heavy trucks (class 7-8) from 7 mpg to 10 mpg. The research focuses on direct-injection diesel engines, and is aimed at improvements in both fuel economy and meeting future particulate and NO_x (nitrogen oxides) emissions standards.
- **Light Truck Partnerships.** A second new partnership, led by the Department of Energy, will focus on developing improved diesel engines for use on light trucks and sport-utility vehicles. These are the fastest-growing segment of the passenger vehicle market, but they are also the least fuel-efficient. Fuel efficiency in these vehicles could be increased by as much as 35 percent if they used diesel engines instead of normal gasoline engines. However, if diesel engines are to be substituted for gasoline engines on a large scale, they must be *clean* diesels, with particulate and NO_x emissions comparable to gasoline engines. Making diesel engines that clean poses a major technical challenge, which is shared by the PNGV program in their diesel-hybrid designs. The 1999 budget includes a new initiative to develop medium-sized diesel engines for light trucks, with a focus on the necessary environmental technology, and coordinated with similar efforts being made within PNGV.

3. Encouraging sustainable communities and use of mass transit

Many communities are developing innovative ways to reduce congestion and transportation energy needs by improving highway designs and urban planning and by encouraging mass transit.

- **Tax credits to encourage use of mass transit.** Present tax laws exclude parking benefits from income taxes even if employers offer these benefits in lieu of other compensation. The proposed new credit would apply the same rule to employees whose employers offer transit and vanpool benefits in lieu of compensation. The new proposal would also correct a defect in current law, which allows employees to exclude up to \$155 (in 1993 dollars) in parking benefits from income, but only \$60 (in 1993 dollars) for employer-provided transit and vanpool benefits. The change would increase the exclusion for transit and vanpool benefits to \$155, the same as for parking benefits.
- **Expanded EPA and DOE partnerships with state and local decision-makers to develop and implement "sustainable transportation" plans.** These will promote alternatives to single-occupancy vehicle travel, modeled after the approach adopted

by Portland, Oregon. They will also promote compact, walkable, and mixed-use development – while reducing the growth in vehicle travel, emissions, and congestion. Programs in EPA and DOE will be coordinated with existing and planned DOT programs.

INDUSTRY

The initiative expands federal research efforts to develop innovative technologies and production methods which can help businesses achieve productivity gains and prosper in a competitive marketplace while leading to major reductions in emissions of greenhouse gases. Manufacturing, materials, and process industries produce over 80 percent of hazardous wastes and 95 percent of toxic wastes. Most of these greenhouse-gas emissions technologies will also lead to a sharp reduction in the production of toxic wastes.

The expanded program builds on visionary research plans jointly developed by DOE and EPA with a number of major industries over the past three years. The total appropriated funding for industrial research is proposed to increase by \$60 million (38 percent), to \$216 million in 1999. This will be supplemented by tax credits worth over \$1 billion over a five year period.

1. Expanding the DOE Industries of the Future and Other Industrial Programs

Funding will increase \$29 million (22 percent) to \$166 million in this DOE program to support research priorities identified by industry teams over the past few years. Partnerships currently exist with the aluminum, steel, glass, paper and forest products, metal casting, and chemicals industries, which have all completed or will soon complete industry vision statements and technology roadmaps. For example, the 1999 budget proposes to:

- ***Start a new \$19 million competitive grant program, open to any industrial production technology that can lead to major cost-effective reductions in greenhouse gas emissions.*** The program is expected to support about 40 new technologies.
- ***Provide an increase of \$2.8 million dollars for developing advanced technologies in bulk chemical production,*** which can allow these industries to substitute clean, efficient production bio-chemical processes that imitate the efficient processes of living cells.
- ***Increase funding for the Motor Challenge program by \$4.8 million*** to support high-technology controls and other systems that can cut electric use by as much as 50 percent in systems running pumps, fans, chillers, and other mechanical equipment in industry.

2. Expanding EPA's Industrial Partnership Programs

EPA will expand its partnership programs with key industries by \$29.2 million, complementing DOE's Industries of the Future program. EPA will also lead a multi-agency effort (including DOE) to develop voluntary but aggressive agreements for cost-effective reductions of greenhouse gas emissions and credit early action. These agreements will be

designed to catalyze the ingenuity of American business and double the rate of energy efficiency improvements in key industries over the next decade, while enhancing the productivity of American industry. These agreements will build upon EPA's success at forming partnerships with industries such as aluminum and metal finishing. EPA will further consult with industry to identify cross-cutting national goals for efficient, low-pollution technologies and processes, such as the use of combined heat and power systems that reduce energy waste from power generation.

3. Tax Credits

Tax credits proposed in the budget will stimulate rapid introduction of a set of technologies which can lead to major reductions in industrial greenhouse gas emissions during the next few years. A tax credit for combined heat and power (CHP) systems is particularly important in order to encourage investments in systems that produce both electricity and process heat and/or mechanical power from the same primary energy source. Two-thirds of the energy used to generate electricity in conventional systems is exhausted as "waste heat".

- *A 10 percent investment tax credit for highly-efficient CHP systems* that have depreciation recovery periods of 15 years or more. The proposed credits would total \$942 million over five years.
- *A 10 percent tax credit for replacement of circuitbreaker equipment* which uses sulfur hexafluoride, an extremely powerful greenhouse gas would encourage utilities and other owners of these devices to replace them with modern equipment. This credit would total \$36 million over five years.
- *A 10 percent tax credit for the installation of qualified recycling equipment to recover certain perfluorocompound and hydrofluorocompound gases* used in the production of semiconductors. This credit would total \$26 million over five years.

ELECTRICITY

Generation of electricity in the US is responsible for more than a third of US greenhouse gas emissions; 77% of these emissions come from coal burning plants. The budget emphasizes research on renewable energy technologies, which produce virtually no net greenhouse gases. (Hydroelectric and other renewable energy sources produce about 9% of US electricity today.) Increases are also provided for R&D to extend the life of nuclear plants, which produce nearly 22% of U.S. electricity, and to improve the efficiency of coal combustion, which could reduce carbon emissions from coal-fired generating units.

DOE and EPA will work with States and utilities on the restructuring of the electricity sector, to ensure that the restructuring does not create barriers to the adoption of renewable and low-carbon generating technologies.

1. Renewable energy.

The FY 99 budget proposes funding for research partnerships in wind, photovoltaics, biomass, solar thermal, geothermal, and other renewable energy resources that can lead to competitively priced sources of electricity, heat, and chemicals with little or no greenhouse gas

production. The total DOE budget for renewable energy, hydrogen, and energy storage research is proposed to increase \$117 million (43 percent), to \$389 million. Funding for renewable energy crop research in USDA is proposed to increase by \$10 million. The program increases include:

- ***An increase of \$13.3 million (to \$78.8 million) for photovoltaics.*** A major goal is increasing the efficiency of commercial units, such as improving solar shingles, which can be used to support the million solar roof initiative, from 7% efficiency in converting solar energy to electricity to 10%.
- ***Renewable Energy Production Tax Credit.*** A 5-year extension is proposed for the tax credit for electricity produced from wind and biomass.
- ***An increase of \$10.5 million (to \$43.5 million) for wind energy systems.*** In regions with good wind resources (average wind speed = 15 mph), new wind machines can produce electricity at 4¢ per kWh. With the planned research, costs can be reduced to 2.5¢ per kWh by 2002 in areas with good wind resources.
- ***An increase of \$39.1 million in research on conversion of wood and crop wastes and energy crops to fuels and electricity.*** This includes a \$29.1 million increase in DOE and \$10 million in USDA. These two agencies will work closely to support efforts that can lead to new sources of income for farm communities, produce rural jobs in value-added processing, and produce fuels and electricity at competitive prices.

2. Nuclear power-plant life extension.

DOE will initiate an R&D effort addressing the critical technology needs to allow currently-operating nuclear power plants to safely extend their operating lifetimes by 10 to 20 years. Under current NRC licenses, approximately 60 gigawatts of electric generating capacity would have to be retired between now and 2015. (Most of that comes between 2005 and 2015.) NRC has indicated that they would probably not grant any plant more than one life extension. This initiative would:

- ***Support development of technologies necessary to safely operate these plants for another 10 to 20 years*** will make the transition to other low-carbon energy sources, such as solar and renewable energy, much easier.

3. Innovative coal combustion technologies.

In FY99, DOE will initiate a research program on innovative new approaches to coal combustion that offer the possibility of much lower carbon emissions than existing technologies.

CARBON REMOVAL AND SEQUESTRATION

- ***Sequestration R&D.*** \$42 million in new research is proposed in the budget to find ways to remove carbon dioxide (CO₂) from combustion gases and sequester (store) the carbon so that it does not enter the atmosphere.

- DOE's basic science office will engage in biochemical and microbial research.
- DOE's fossil energy office will conduct an applied sequestration R&D program, jointly managed with the basic science office.
- USDA will initiate research on enhancing the carbon-sequestering capabilities of agricultural species. NIST will support complementary biotechnology work on plant metabolism and carbon use.
- EPA is requesting an increase of \$3.4 million for work with forest products industries to achieve greater reliance on biomass fuels as an energy source and to sequester carbon in forests.

CROSSCUTTING ANALYSIS AND RESEARCH

- ***Emissions credits, incentives, and trading.*** EPA will lead an effort, assisted by DOE, to evaluate options for a domestic trading system and early reduction program in industry. The Federal government will work with stakeholders to understand their views and interests, and to build the institutional capacity needed to implement a carbon emissions credit and trading system.
- ***Program and science assessments.*** DOE will lead efforts to assess the implications of new research results produced by the Global Change Research Program, in order to determine what geographic and technological responses may be appropriate.

Todd Stern 10/06/98 02:10:12 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP, Julie M. Anderson/WHCCTF/EOP

cc:

Subject: Climate Change Technology Initiative Funding

fyi

----- Forwarded by Todd Stern/WHO/EOP on 10/06/98 02:10 PM -----



T J. Glauthier
10/06/98 01:56:00 PM

Record Type: Record

To: Jacob J. Lew/OMB/EOP, Sylvia M. Mathews/OMB/EOP, Richard P. Emery Jr./OMB/EOP, Charles E. Kieffer/OMB/EOP

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

Subject: Climate Change Technology Initiative Funding

Here's what I recommend for our bottom line funding targets for the CCTI, after reviewing this with our staff and with Todd:

- Interior Bill -- we should try to get another \$50 m for energy efficiency and conservation at DOE. That would put total funding at about \$550 m, about half way between last year's level of \$457m and the request of \$651 m.
- VA/HUD Bill -- while we open this bill up for items such as Boston Harbor, we should try to get another \$25 m for EPA's portion of the CCTI. EPA has some very good programs like "green lights" and has so far gotten only one tenth of the increase that we asked for.....they're at \$99 m now, up from \$90 m in FY98, but way below our request of \$205 m.

We will review the materials we already have and work with the agencies to be sure we've got a good explanation of exactly what the extra funding will allow us to do.

We had requests in for funding in USDA and Commerce, but both were small (10 and 7) and not funded in either House or Senate, so they'll just have to wait til next year.

In the Energy & Water bill, we had requested increases totalling \$127 m over prior years for solar & renewables and science. While we've only gotten \$17 m of that, the bill is finished and going to be signed this week. Unless we are reopening it for any other reason, I would not try to add funding to this via the Omnibus. In addition to the general opposition on the Hill to reopening bills that have been signed, I know that Senator Domenici, the chair, is pretty strongly against increasing this amount at this time.

Message Copied To: _____

Record Type: Record

To: Martha Foley/WHO/EOP

cc:

Subject: Re: approps. 

I'm getting very different takes on what we should be doing from T.J., Telsen and Wes. We need to coordinate.

Telson thought we should try in the omnibus negotiations to go back at E&W and get the number as close to Senate mark as possible. The Senate mark, after deductions for use of prior year balances was 319M, House was 277M, and the Conference ended up at 275M. Mike's view was that we could argue either (1) that we should get the Conference number without the deduction for prior year balances, which would be 318M, or (2) for the Senate number with the deduction (367M minus 48M = 319M), or at least for a split between House and Senate, which would get us to around 298M, or 23M above the Conference.

Mike thought our play on Interior should be to try to make some play on Podra (sp?) money to get around 30M more than is in the Conference report -- i.e., to around 510M from 478M.

TJ argues we should go for 50M more for Interior, 25M more for EPA in the VA-HUD bill, and forget about E & W since it'll be signed already.

Wes argues as follows:

"our #1 priority ought to be energy efficiency because there is a good payback on this program. we should push for a \$100 m addback in order to show a clear victory to the groups that follow this issues.

increasing epa's money and getting an addback of \$50 m to energy and water should be our #2 priority. this would put it at almost the same level that the senate passed, but failed to get out of conference because of lack of offsets. energy and water is a bill that we should try to open for other reasons anyway. we are \$15 m short for the kissimmee project in the everglades. (which would require a possible painful reprogramming to fix otherwise). we are \$35 m short on salmon recovery which could create litigation problems under esa, in addition to the renewables funding.

we still have a long way to go for support from the hill on climate change, but we've come a long way too. there is a receptivity to funding for energy efficiency and renewables (for reasons other than climate) so we should try to push this to the limit. defeating riders is not enough, we can only make progress if we get significantly more money."

I obviously want as much as we can get and agree with Wes's basic view that this is a major POTUS priority and we need to fight for it as hard as we can. What concerns me is that people are on different pages of the book. That's why we need to meet/talk today. tds

Office of Budget, Planning and Customer Service

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From: Eric Petersen, Acting Director
(202) 586-9104
(202) 586-2056 fax
eric.petersen@hq.doe.gov

Date: October 7, 1998
Pages: 3 (including cover)

Summary:

Dan Reicher asked me to send you our priorities for additional funding for both the Energy and Water and the Interior and Related Agencies FY 1999 appropriations bills. The Energy and Water additional funding is given at three levels - +\$20, +\$30 and +\$40 million above the bill. The Interior additional funding is given at two levels above the Senate bill marks - +\$72 million and +\$50 million.

Dan is out of town today, but if you have any questions or need additional information, I can be reached during the day at 586-9104 or 586-9220 and tonight at (703) 644-5613.

Priority Renewable Energy Funding Needs Above the FY1999 EWD Bill

Priority	Additional \$20 m	Additional \$30 m	Additional \$40 m
Biopower R&D	5.0	7.0	8.0
Solar International	2.0	2.0	3.0
Hydropower R&D	2.0	2.0	2.0
Restructuring Analysis	2.5	2.5	2.5
Photovoltaics	2.5	6.0	8.5
Climate Challenge	0.5	0.5	0.5
Transmission Reliability	2.0	2.5	2.5
Wind Power R&D	1.5	4.5	7.0
NREL	2.0	3.0	3.0
Solar Buildings	0.0	0.0	1.0
Geothermal R&D	0.0	0.0	1.0
Program Direction	0.0	0.0	1.0
	20.0	30.0	40.0

Additional funding for renewable energy RD&D beyond the levels in the FY 1999 Energy and Water Appropriations bill is needed to make significant progress on the President's Climate Change Technology Initiative. Additional funding at three different levels would be targeted as follows.

The \$20 million level includes funding for the Minnesota biopower project and R&D on small modular biopower systems; international activities to encourage developing nations to reduce greenhouse gas emissions; development of the "fish-friendly" hyroelectric turbine; funding for restructuring analysis and outreach; additional funding for the Million Solar Roofs initiative; funding for the Climate Challenge partnership; additional funding for analysis of and improvements to the electricity transmission and distribution system reliability under restructured electricity markets; accelerated development and deployment of wind power; and funding to upgrade facilities at the National Renewable Energy Laboratory (NREL).

The \$30 million level includes, in addition to the activities at the \$20 million level, funding for demonstrations of coal and biomass cofiring; additional funding for solar photovoltaics development; additional funding for transmission reliability work; additional RD&D on wind power; and additional funding to upgrade physical facilities at NREL.

The \$40 million level includes, in addition to the activities at the \$30 million level, more funding for demonstrations of coal and biomass cofiring; additional funding for international activities; additional funding for photovoltaics and wind power R&D; increased funding for solar buildings in support of the Million Solar Roofs initiative; increased funding for geothermal technologies; and additional funding of program direction in support of all renewable energy programs.

Critical Energy Efficiency Priorities for Interior Appropriations Bill

Program	FY 1999 Request	House Mark	Senate Mark	Increment needed over Senat	\$50m minimum increment
<u>PNGV</u>					
Advanced Diesel Engine R&D	22.2	16.2	19.8	6.0	5.0
Combustion R&D	18.0	12.0	13.0	6.0	4.0
Vehicle Systems Heat Engine R&D	13.0	7.0	7.0	6.0	4.0
Fuel Cells R&D	44.6	29.6	35.0	5.4	5.4
Clean Cities	6.0	2.8	4.0	1.2	1.2
Cooperative Automotive Research	6.0	0.0	3.0	3.0	2.0
Advanced Transportation Tech. Consortium	<u>10.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.0</u>	<u>0.0</u>
	119.8	67.6	81.8	30.6	21.6
<u>Industries of the Future</u>					
Agriculture/Bio-based Feedstocks Vision	2.0	0.0	1.0	2.0	2.0
Mining Industry Vision	1.0	0.0	2.0	1.0	1.0
Forest Products Industry Vision	12.1	12.0	12.0	2.0	1.0
Aluminum Industry Vision	<u>8.2</u>	<u>7.3</u>	<u>7.5</u>	<u>0.9</u>	<u>0.0</u>
	23.3	19.3	22.5	5.9	4.0
<u>Industrial Technology Deployment</u>					
Combined Heat and Power Challenge	2.0	1.0	2.0	1.0	1.0
Motor Challenge	<u>11.0</u>	<u>7.0</u>	<u>9.2</u>	<u>4.0</u>	<u>3.0</u>
	13.0	8.0	11.2	5.0	4.0
<u>Building Technologies R&D</u>					
Building America	8.8	4.6	5.8	4.2	3.0
Technology Roadmaps Implementation	8.0	4.0	4.5	4.0	3.0
Commercial Buildings R&D	9.0	5.2	6.0	2.8	1.4
Lighting and Appliance R&D	<u>4.1</u>	<u>3.1</u>	<u>3.6</u>	<u>1.0</u>	<u>1.0</u>
	29.9	16.9	19.9	12.0	8.4
<u>Accelerated Building Technologies Deployment</u>					
Energy Star	7.0	3.0	4.0	2.0	1.0
Rebuild America	10.8	7.0	8.6	3.0	1.0
State Energy Program	37.0	30.0	31.2	3.5	2.0
Competitive Energy Partnerships	<u>5.0</u>	<u>0.0</u>	<u>2.0</u>	<u>3.0</u>	<u>1.0</u>
	59.6	40.0	45.8	11.5	5.0
<u>Federal Energy Management</u>	33.9	23.2	24.8	5.0	5.0
<u>Policy and Management</u>					
Headquarters Contractual Services	11.3	10.3	10.8	1.0	1.0
Regional Support Offices	<u>18.5</u>	<u>17.5</u>	<u>16.6</u>	<u>1.0</u>	<u>1.0</u>
	29.8	27.8	27.4	2.0	2.0
Total	309.3	202.8	233.4	72.0	50.0

The increment needed over the Senate specifies the DOE needs for making substantial progress on the President's Climate Change Technology Initiative. The \$50 million minimum increment represents at more modest increment.

The additional \$50 million in funding over the Senate Interior appropriations level would:

substantially improve the chance of successfully developing a low-emissions diesel engine that would greatly improve the efficiency of sport utility vehicles and light trucks - the fastest growing segment of the U.S. vehicle market; add \$15.4 million to the Partnership for a New Generation of Vehicle - increasing the probability of reaching the goal of a triple efficiency prototype family sedan in 2004; provide additional support to nearly 70 Clean Cities to increase the use of alternative fuel vehicles across the U.S; reduce energy consumption, greenhouse gas emissions and industrial waste in two new Industries of the Future - min and agriculture; accelerate greenhouse gas reductions in industry through increased use of efficient cogeneration systems and highly efficient motor, steam and compressed air systems across a broad range of manufacturers; increase support to the President's Partnership for Advanced Technologies in Housing (PATH) through DOE's Building America program; reduce energy consumption and greenhouse gas emissions in buildings through accelerated development of a broad range of technologies from advanced heat pumps to windows to lighting to integrated "smart buildings"; accelerate the deployment of efficient building technologies through increased support for Energy Star products, Rebuild America partnerships, the State Energy Program and DOE's new Competitive Energy Partnerships to showcase integrated use of efficient building, industrial, transportation and renewable energy technologies; and increase support to FEMP for the Federal government's drive to become 30% more energy efficient by 2005.

CRITICAL INVESTMENTS IN ENERGY EFFICIENCY AND RENEWABLE ENERGY TECHNOLOGIES

Congress is on the verge of severely short-changing critical investments in energy efficient and renewable technologies that if funded would decrease energy costs for American families and businesses, increase our economic competitiveness, lower our dependence on foreign oil, and protect our environment.

By short-changing these programs, Congress will:

- Prevent the signature research partnership between the government and the three major U.S. automakers - **the Partnership for a New Generation of Vehicles** - from achieving the President's goal of an affordable, triple efficiency family sedan by 2004. Development of this vehicle would reduce carbon emissions by 1.4 million metric tons annually and reduce energy costs by \$1.2 billion annually by 2010.

- Stop expansion of the **Industries for the Future** program to two new industry sectors -- mining and agriculture. These popular research partnerships between DOE and energy-intensive industries develop ways to increase energy and resource efficiency and are projected to save participating industries over \$10 billion in energy costs by 2010.

- Undermine the President's **Partnership for Advancing Technology in Housing (PATH)**, an important new public-private partnership with the homebuilding sector. Launched by the President in May, PATH will dramatically improve the energy efficiency of homes, cutting consumers' energy bills by 30%-50%, saving consumers \$11 billion a year in energy costs by 2010 and reducing annual carbon emissions by nearly 24 million tons by 2010.

- Prevent expansion of the successful, voluntary **Green Lights and Energy Star Buildings** program. With increased funding for Green Lights and Energy Star Buildings, EPA will be able to enter into partnerships with 3,000 new small businesses and schools by the year 2000. A typical school can cut its energy bills by \$27,000 per year through this program -- enough money to buy 900 new text books.

- Derail key **biomass R&D** projects - such as a popular biofuels

project in Minnesota that will produce 50-100 megawatts of power - that provide farmers with alternative markets for crops, while producing electricity with lower greenhouse gas emissions.

- Thwart DOE's ability to attain the President's goal of installing **One Million Solar Roofs** on American homes and offices by 2010. This program is projected to create 70,000 high-tech jobs and to reduce annual carbon emissions equivalent to those emitted from 850,000 cars by 2010.

- Kill the **Climate Challenge** program, a successful voluntary DOE/electric utilities partnership with over 640 participants, that will result in reductions of 47 million metric tons of carbon emissions in 2000.

- Halt USDA from accelerating important **biomass research** to improve and expand feedstocks - such as alfalfa and switchgrass - used to produce electricity or convert to ethanol. Developing biomass feedstocks from dedicated crops will give farmers more diversity in crop selection, crop rotations and use of land, while offering new sources of income to farm communities.

- Undermine the **Global Environment Facility**, a multilateral development bank that invests in environmental projects including protecting forests, cleaning up polluted waterways, preserving biodiversity and reducing greenhouse gas emissions. U.S. manufacturers have won a third of all GEF equipment contracts for projects that help bring developing countries more deeply into efforts to address climate change. This funding will address the U.S. arrearages - \$192.5 million - money that does not count against 302(b) caps.

THE WHITE HOUSE

WASHINGTON

September 25, 1998

MEMORANDUM FOR APPROPRIATIONS TEAM

FROM: TODD STERN 

SUBJECT: Climate Change Budget Priorities

The Administration's Climate Change Technology Initiative (CCTI) calls for \$2.7 billion in spending over the next five years to increase energy efficiency, develop cleaner energy technologies and spur the use of renewable energy sources. The FY 99 request for the CCTI totals **\$1.292 million -- \$473 million** above FY 98 levels -- for initiatives that have generally enjoyed bipartisan support. In addition, the Administration has requested \$300 million for the Global Environmental Facility (GEF), two-thirds of which is to clear arrears and would consequently not count against budget caps.

Summary

The majority of CCTI funding is found in three bills: Energy & Water (DOE's renewable energy portfolio); VA-HUD (EPA and HUD programs); and Interior (DOE's energy efficiency portfolio), and there is a small amount in the Ag. bill. GEF funding is in Foreign Ops.

The current state of play is:

Bill	FY 98	FY 99 req.	House	Senate	Conference
En.&Water	272M	409M	286M	377M	approx. 280-290M, after adjustments
VA-HUD	89M	205M	99M	114M	
Interior	457M	651M	488M	509M(Com)	
Ag.	0	7M	0	0	
For.Ops.	47.5M	300M (192.5 arrears)	42.5M (arrears)	47.5M (arrears)	

Put another way, in **Energy and Water** we requested an increase of \$137M and got what is likely to be an increase in the \$8-18M range from the conference, in **VA-HUD** we requested an increase of \$116M and got \$20M from the House, \$25M from the Senate; in **Interior** we requested an increase of \$194M and got \$31M from the House, \$52M from the Senate; in **Ag.** we asked for \$7M and got nothing. **Overall for CCTI**, on the assumption of \$18M from Energy and Water, we requested an increase of \$473M and got \$59M from the House (12%), \$95M from the Senate (20%). In **Foreign Ops.** (non-CCTI), we requested an increase of \$252.5M and got a decrease of \$5M from the House, \$0 from the Senate.

Given the importance of climate change as a Presidential and Vice Presidential priority, funding around the House or Senate levels would be seen both domestically and internationally as a significant defeat and a sign that the President's and Vice President's consistently strong words had not been backed up by tough enough action. As you probably know, the President is quite personally engaged on this issue, and has made it a part of his basic "stump" speech. Moreover, he tends to be in the technology optimist camp, believing that with an aggressive push on both research and diffusion, we can make significant progress on reducing greenhouse gas emissions. Thus, minimal funding on his CCTI would be particularly problematic.

I think that a minimally acceptable result would require overall funding that either (1) included about 50% of our requested increase, or (2) was, in any event, consistent with the levels that other Presidential priorities received. In addition, given that GEF arrears can be funded without disturbing budget caps, we ought to be able to insist on a sizable increase over the House and Senate marks.

Below is a discussion of the importance of higher funding in the individual bills.

Interior (DOE's energy efficiency portfolio)

FY 98: \$457M; FY 99 Request: \$651M; House: \$488M; Senate: \$509M

This bill contains the largest portion of the CCTI requested increase - \$194M. To advance these programs, DOE estimates that it needs about half of this increase. Such funding would be used for:

- **PNGV (Partnership for a New Generation of Vehicles)**: This is a signature research partnership between the Administration and the Big Three designed to produce affordable cars that achieve triple fuel efficiency by 2004. Both the House and Senate deny nearly the whole requested increase. Increased funding increases chance of meeting President's 2004 goal by boosting research dollars for key technologies like fuel cells and hybrid

engines. PNGV is the most important climate change initiative in the transportation sector, which accounts for a third of our national emissions.

FY 98: \$116.7M; FY 99 request: \$152.6M; House: \$116.2M; Senate: \$121.5M

- **Industrial Technologies:** DOE's Industries of the Future program established research partnerships with energy-intensive industries to focus on ways to improve overall competitiveness, including increased energy and resource efficiency. Participating industries stand to save over \$10 billion in energy costs by 2010. Increased funding here will allow DOE to expand this program to two new industry sectors -- mining and agriculture (bioproducts), as well as to fund additional work on aluminum and forest products technologies as was discussed with these industries during White House industry consultations. DOE also seeks to expand its successful Motor Challenge (large amounts of energy can be saved through better motor technology) and to establish a Combined Heat and Power Challenge to remove market barriers to CHP (a technology about which the President has expressed great interest).

FY 98: \$136.3M; FY 99 request: \$166.6M; House: \$130.3M; Senate: \$143.2M

- **Building Technologies:** This funding will support implementation of technology roadmaps for commercial building and lighting and expand support for the President's **PATH initiative** (Partnership for Advancing Technologies in Housing). A key to making the PATH initiative work is for DOE to fund demonstration projects around the country so that new housing developments can meet the PATH goal of a 50% savings in energy. The more funding we get here, the more DOE can push these demos. In addition, more funding is important for DOE's **standard setting** effort, allowing DOE to more rapidly develop new standards for large appliances. For example, under the new standards for refrigerators, going into effect in 2001, the least efficient new refrigerators will use one-fifth the energy of a 1970s model.

FY 98: \$233.9M; FY 99 request: \$317.5M; House \$222.9M; Senate \$258.9M

- **Federal Energy Efficiency:** In July 1998, the President directed all Cabinet agencies to expand the use of Energy Savings Performance Contracts (ESPCs). ESPCs enable federal facilities to make energy efficiency upgrades with no up-front cost -- private contractors receive a share of the savings their work produces. The funds requested will support expanded implementation of ESPCs, consistent with the President's directive. Every additional million dollars means that many more people to manage new ESPCs. These contracts can lead to large savings in money and emissions -- DOE projects \$1billion/year in savings within the next 3-5 years if the effort is adequately funded (\$5M over the Senate mark).

FY 98: \$19.8M; FY 99 request: \$33.9M; House: \$23.2M; Senate: \$24.8M

Energy and Water (DOE renewable energy portfolio)

FY 98: \$272M; FY 99 Request: \$409M; House: \$286M; Senate: \$377M

The Senate mark was quite good, thanks to the Jeffords amendment, but the conference has veered sharply toward the House numbers.

- **Biopower R&D:** This is for accelerated deployment of rural biopower. Completion of these key projects will provide farmers with alternative markets for crops and will provide the power industry with opportunities to produce electricity with no net greenhouse emissions. More money means greater ability to do demonstration projects. Loss of the additional \$4.7M provided in the Senate mark will derail a popular biofuels project in Minnesota that will produce 50-100 megawatts of power and necessitate cancellation of the power purchase agreement. DOE projects loss of the \$4.7M could result in lost savings of 3.3 million metric tons of carbon equivalent (MMTCE) annually by 2010.

FY 98: \$28.1; FY 99 req: \$42.9M; House: \$31.1M; Senate: \$35.8M; Conf: \$31M

- **International:** Funding for joint implementation, Country Studies, and renewable energy projects in developing countries. At the same time Congress is properly demanding developing country participation in the Kyoto Protocol, it makes no sense to strip away funding for programs that can help build the capacity for developing countries to do things like monitor and measure their greenhouse gas (GHG) emissions and develop mitigation options. These programs also help support purchase of U.S. technology, creating exports and jobs. By 2000, DOE projects that the Solar International initiative will stimulate \$10-20 in exports for every dollar spent.

FY 98: \$1.3M; FY 99 req: \$8.8M; House: \$0.5M; Senate: \$5.1M; Conf: \$3.75M (but \$1.2M of that is earmarked for unrelated project)

- **Hydropower:** Funding is for design work on new generation turbine that will both be more energy efficient and avoid killing fish. The conference funding level will slow down efforts considerably.

FY 98 \$0.7M; FY 99 req: \$4M; House: \$2M; Senate: \$4M; Conf: \$2M

- **Restructuring analysis:** Funds outreach efforts to States so they will understand how their own electricity restructuring efforts will affect renewables and energy efficiency, so as to avoid bad, unintended results. An increase of \$0.5M over the conference would help considerably.

FY 98 \$0; FY 99 req: \$4M; House: \$0; Senate: \$4M; Conf: \$1.5M

- **Photovoltaics R&D -- including President's Million Solar Roofs Initiative:** Funds R&D

for rooftop photovoltaic systems and establishes partnerships with communities and builders to promote their use. Currently, DOE has cost-shared demo projects covering 2500 photovoltaic installations with some 30 utilities. These efforts are designed to give the utilities a better understanding of this technology as well as to help bring down manufacturing cost and increase the efficiency of pvs in converting sunlight to energy. Lower funding limits DOE's ability to do these things and jeopardizes longer range goal of 1 million solar roofs by 2010. Note that reaching this goal is projected to create some 70,000 high-tech jobs and to reduce annual carbon emissions equivalent to those emitted from 850,000 cars. In FY 99, the Million Solar Roofs initiative seeks to provide technical assistance to partners to install 15,000 solar roofs.

FY 98: \$65.4M; FY 99 req: \$78.8M; House: \$66.8M; Senate: \$73M; Conf: \$66.8M

- Climate Challenge: Successful voluntary DOE/electric utilities partnership. This program with over 640 participants will result in reductions of 47 MMTCE in 2000. Without the modest amount of funding requested -- \$0.5M -- this cost-effective program will be discontinued.

FY 98: \$0M; FY 99 req: \$0.5M; House: \$0; Senate: \$0.5M; Conf: \$0

- Wind Power R&D: This is for development of next generation wind turbines, which will make wind genuinely competitive with natural gas. Germans and Danish have the lead now, but U.S. success in this project (DOE is doing cost-shared R&D with two U.S. companies) could lead to substantial growth in U.S. market share for wind. DOE projects that loss of Senate funding level -- \$5.1M above House -- could result in lost savings of 760,000 MTCE by 2010.

FY 98: \$32.5M; FY 99 req: \$43.5M; House: \$33.2M; Senate: \$38.3M; Conf: \$33M

- NREL Facilities: The National Renewable Energy Laboratory is the premier renewable energy lab in the world. Needs the additional funding (over and above conference amount) to install modern communications network and improve lab testing capability. These upgrades support expanded RD&D effort in photovoltaics, wind, solar buildings and other technologies.

FY 98: \$3.2M; FY 99 req: \$5M; House \$2M; Senate: \$5M; Conf: \$2M

VA-HUD

FY 98: \$89M; FY 99 Request: \$205M; House: \$99M; Senate: \$114M

Most of the increases provided in the House and Senate bills are for PNGV (Partnership for a New Generation of Vehicles). EPA does not provide program-by-program line items, as DOE does, but requested funding for EPA would broadly help promote GHG reductions in the

buildings, industrial and transportation sectors, and fund technical assistance to state and local governments as well as to developing countries.

- Buildings sector: EPA would use increased funding for this sector to expand successful programs like **Green Lights, Energy Star Buildings and Energy Star Homes**. Energy Star Homes enables families to cut energy bills by \$400/year. With increased funding for Green Lights and Energy Star Buildings, EPA projects that it will be able to enter into partnerships with 3,000 new small businesses and schools by the year 2000. A typical school can cut its energy bills by \$27,000 per year through this successful, voluntary program -- enough money to buy 900 new text books.

FY 98: \$39M; FY 99 request: \$78M; House & Senate: essentially flat funding.

- President's Partnership for Advanced Technology in Housing: PATH, an important new public-private partnership with the homebuilding sector, was launched by the President in May to dramatically improve the energy efficiency of homes -- cutting consumers' energy bills by 30%-50%, while reducing greenhouse gas emissions. Without the \$10M requested for HUD, we will not be able to meet the PATH goals of saving consumers \$11 billion a year in energy costs by 2010 and reducing annual carbon emissions in 2010 by nearly 24 million tons.

FY 98: \$0; FY 99: \$10M; House: \$10M; Senate: \$0

- Industrial sector: EPA would use increased funding to expand existing partnerships such as ClimateWise, through which some 400 large and small businesses outline steps they are prepared to take to reduce GHG.

FY 98: \$21M; FY 99 request: \$51M; House & Senate: essentially flat funding

- Domestic and International Outreach: EPA would use funding to continue to work towards integration of energy efficiency, clean air and climate change into state and local government energy planning policies. EPA would also assist more developing countries in their efforts to reduce greenhouse gas emissions, including supporting analyses of the economic benefits and the ancillary environmental benefits they could realize by reducing GHG, and the development of national action plans under the U.S. Country Studies Program.

FY 98: \$8M; FY 99 request: \$13M; House & Senate: essentially flat funding

Agriculture Bill

FY98: \$0; FY99: \$7M; House: \$0; Senate: \$0

- Agricultural Research Service: Biomass resources are critical to addressing global climate

change issues. This funding would provide for important research to improve and expand feedstocks -such as alfalfa and switchgrass -used to produce electricity or for conversion to ethanol. Developing biomass feedstocks from dedicated crops will give farmers more diversity in crop selection, crop rotations and use of land. Accelerated research is needed to significantly lower costs and improve conversion efficiency.

Foreign Ops. (not part of CCTI)

FY 98: \$47.5M; FY 99 Request: \$300M (\$192.5M in arrears); House: \$42.5M (arrears); Senate: \$47.5M (arrears)

- Global Environment Facility: The GEF, created in 1992, is a multilateral development bank that invests in environmental projects. More than half the GEF's work focuses on issues other than climate change such as protecting forests, preventing species extinction, cleaning up polluted international waters and coastal areas, and preserving the ozone layer.
- Almost two-thirds of our request (\$192.5 million) is to clear arrears. This amount would not count against 302(b) caps.
- The GEF has a proven track record of protecting the environment and promoting U.S. exports around the globe. U.S. manufacturers have won a third of all GEF equipment contracts.
- The GEF's clean energy projects are an important resource in promoting a central goal of the Byrd-Hagel Resolution -- to bring developing countries more deeply into efforts to address climate change. Many of these projects also help address local air pollution problems of great concern to developing countries.
- Developing countries contribute to the GEF. Over a dozen developing countries are GEF donors. Recipient countries have contributed well over \$1 billion in co-financing for GEF projects through domestic resources or non-GEF loans.

THE WHITE HOUSE

WASHINGTON

October 7, 1998

MEMORANDUM FOR ERSKINE BOWLES

CC: LIST

FROM: TODD STERN ~~WJS~~

SUBJECT: Climate Change Appropriations

Current State of Affairs

To date, Congress has severely underfunded the President's climate change technology initiative (CCTI). Overall for the CCTI, we sought an increase of \$473 million above FY 98 levels, for a total FY 98 request of \$1.292 billion. In addition, we requested \$300 million for the Global Environmental Facility (GEF), two-thirds of which is to clear arrears and would consequently not count against budget caps. As things stand now, we are on a track to get in the \$40-60 million range, or around 8-13% of our requested increase for CCTI and nothing for the GEF. That is unacceptably low for an important Presidential priority.

Here's the breakdown according to the three principal bills that include CCTI money:

Energy and Water (DOE's solar and renewable energy portfolio): we asked for an additional \$100M above FY 98 and got about \$6M from the Conference. The FY 98 budget was \$272M.

Interior (DOE's energy efficiency portfolio): we asked for an additional \$194M above FY 98; the House mark would give us \$15M, the Senate Committee mark would give us around \$36M. The FY 98 budget was \$457M.

VA-HUD (EPA's climate change money): we asked for an additional \$116M above FY 98 and got \$10M from the Conference. The FY 98 budget was \$89M.

What We Need

We need significant addbacks to demonstrate -- to both a domestic and international audience -- that we mean it when we say that climate change is an important Presidential priority. Following our latest round of discussions with OMB, CEQ and NEC, I recommend the following course:

Energy and Water: We should try to get an addback to near the level of the Senate mark -- about \$315M counting deductions for the use of prior year balances. This would add about

\$40M above what the E&W bill gave us.

Interior: We should try to get up to \$550M, about \$60M more than the Senate Committee mark and about half of our original request.

VA-HUD: We should try to get up to \$125M, which would then give us a \$36M increase out of our requested \$116M.

Attached is a DOE breakdown of how they would hope to distribute additional funds for renewable energy (Energy and Water) and for energy efficiency (Interior), as well as a short synopsis of what additional funding in those bills and in VA-HUD would actually do. I am also attaching talking points on the GEF.

cc: John Podesta
Jack Lew
Ron Klain
Gene Sperling
Katie McGinty
T.J. Glauthier
Martha Foley
Larry Stern

Priority Renewable Energy Funding Needs Above the FY1999 EWD Bill

Priority	Additional \$20 m	Additional \$30 m	Additional \$40 m
Biopower R&D	5.0	7.0	8.0
Solar International	2.0	2.0	3.0
Hydropower R&D	2.0	2.0	2.0
Restructuring Analysis	2.5	2.5	2.5
Photovoltaics	2.5	6.0	8.5
Climate Challenge	0.5	0.5	0.5
Transmission Reliability	2.0	2.5	2.5
Wind Power R&D	1.5	4.5	7.0
NREL	2.0	3.0	3.0
Solar Buildings	0.0	0.0	1.0
Geothermal R&D	0.0	0.0	1.0
Program Direction	0.0	0.0	1.0
	20.0	30.0	40.0

Additional funding for renewable energy RD&D beyond the levels in the FY 1999 Energy and Water Appropriations bill is needed to make significant progress on the President's Climate Change Technology Initiative. Additional funding at three different levels would be targeted as follows.

The \$20 million level includes funding for the Minnesota biopower project and R&D on small modular biopower systems; international activities to encourage developing nations to reduce greenhouse gas emissions; development of the "fish-friendly" hyroelectric turbine; funding for restructuring analysis and outreach; additional funding for the Million Solar Roofs initiative; funding for the Climate Challenge partnership; additional funding for analysis of and improvements to the electricity transmission and distribution system reliability under restructured electricity markets; accelerated development and deployment of wind power; and funding to upgrade facilities at the National Renewable Energy Laboratory (NREL).

The \$30 million level includes, in addition to the activities at the \$20 million level, funding for demonstrations of coal and biomass cofiring; additional funding for solar photovoltaics development; additional funding for transmission reliability work; additional RD&D on wind power; and additional funding to upgrade physical facilities at NREL.

The \$40 million level includes, in addition to the activities at the \$30 million level, more funding for demonstrations of coal and biomass cofiring; additional funding for international activities; additional funding for photovoltaics and wind power R&D; increased funding for solar buildings in support of the Million Solar Roofs initiative; increased funding for geothermal technologies; and additional funding of program direction in support of all renewable energy programs.

Critical Energy Efficiency Priorities for Interior Appropriations Bill

Program	FY 1999 Request	House Mark	Senate Mark	Increment needed over Senat	\$50m minimum Increment
<u>PNGV</u>					
Advanced Diesel Engine R&D	22.2	16.2	19.8	6.0	5.0
Combustion R&D	18.0	12.0	13.0	6.0	4.0
Vehicle Systems Heat Engine R&D	13.0	7.0	7.0	6.0	4.0
Fuel Cells R&D	44.6	29.6	35.0	5.4	5.4
Clean Cities	6.0	2.8	4.0	1.2	1.2
Cooperative Automotive Research	6.0	0.0	3.0	3.0	2.0
Advanced Transportation Tech. Consortium	<u>10.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3.0</u>	<u>0.0</u>
	119.8	67.6	81.8	30.6	21.6
<u>Industries of the Future</u>					
Agriculture/Bio-based Feedstocks Vision	2.0	0.0	1.0	2.0	2.0
Mining Industry Vision	1.0	0.0	2.0	1.0	1.0
Forest Products Industry Vision	12.1	12.0	12.0	2.0	1.0
Aluminum Industry Vision	<u>8.2</u>	<u>7.3</u>	<u>7.5</u>	<u>0.9</u>	<u>0.0</u>
	23.3	19.3	22.5	5.9	4.0
<u>Industrial Technology Deployment</u>					
Combined Heat and Power Challenge	2.0	1.0	2.0	1.0	1.0
Motor Challenge	<u>11.0</u>	<u>7.0</u>	<u>9.2</u>	<u>4.0</u>	<u>3.0</u>
	13.0	8.0	11.2	5.0	4.0
<u>Building Technologies R&D</u>					
Building America	8.8	4.6	5.8	4.2	3.0
Technology Roadmaps Implementation	8.0	4.0	4.5	4.0	3.0
Commercial Buildings R&D	9.0	5.2	6.0	2.8	1.4
Lighting and Appliance R&D	<u>4.1</u>	<u>3.1</u>	<u>3.6</u>	<u>1.0</u>	<u>1.0</u>
	29.9	16.9	19.9	12.0	8.4
<u>Accelerated Building Technologies Deployment</u>					
Energy Star	7.0	3.0	4.0	2.0	1.0
Rebuild America	10.6	7.0	8.6	3.0	1.0
State Energy Program	37.0	30.0	31.2	3.5	2.0
Competitive Energy Partnerships	<u>5.0</u>	<u>0.0</u>	<u>2.0</u>	<u>3.0</u>	<u>1.0</u>
	59.6	40.0	45.8	11.5	5.0
<u>Federal Energy Management</u>					
	33.9	23.2	24.8	5.0	5.0
<u>Policy and Management</u>					
Headquarters Contractual Services	11.3	10.3	10.8	1.0	1.0
Regional Support Offices	<u>18.5</u>	<u>17.5</u>	<u>18.6</u>	<u>1.0</u>	<u>1.0</u>
	29.8	27.8	27.4	2.0	2.0
Total	309.3	202.8	233.4	72.0	50.0

The increment needed over the Senate specifies the DOE needs for making substantial progress on the President's Climate Change Technology Initiative. The \$50 million minimum increment represents at more modest increment.

The additional \$50 million in funding over the Senate Interior appropriations level would:

substantially improve the chance of successfully developing a low-emissions diesel engine that would greatly improve the efficiency of sport utility vehicles and light trucks - the fastest growing segment of the U.S. vehicle market; add \$15.4 million to the Partnership for a New Generation of Vehicle - increasing the probability of reaching the goal of a triple efficiency prototype family sedan in 2004; provide additional support to nearly 70 Clean Cities to increase the use of alternative fuel vehicles across the U.S; reduce energy consumption, greenhouse gas emissions and industrial waste in two new Industries of the Future - mining and agriculture; accelerate greenhouse gas reductions in industry through increased use of efficient cogeneration systems and highly efficient motor, steam and compressed air systems across a broad range of manufacturers; increase support to the President's Partnership for Advanced Technologies in Housing (PATH) through DOE's Building America program; reduce energy consumption and greenhouse gas emissions in buildings through accelerated development of a broad range of technologies from advanced heat pumps to windows to lighting to integrated "smart buildings"; accelerate the deployment of efficient building technologies through increased support for Energy Star products, Rebuild America partnerships, the State Energy Program and DOE's new Competitive Energy Partnerships to showcase integrated use of efficient building, industrial, transportation and renewable energy technologies; and increase support to FEMP for the Federal government's drive to become 30% more energy efficient by 2005.

Energy and Water Bill -- Climate Change Programs

Additional funding for the Energy and Water bill would help the following energy efficiency programs, which are part of our climate change technology initiative:

- **Biopower R&D:** This is for accelerated deployment of rural biopower. Completion of these key projects will provide farmers with alternative markets for crops and will provide the power industry with opportunities to produce electricity with no net greenhouse emissions. Loss of the additional \$4.7M provided in the Senate mark will derail a popular biofuels project in Minnesota that will produce 50-100 megawatts of power. DOE projects loss of the \$4.7M could result in lost savings of 3.3 million metric tons of carbon equivalent (MMTCE) annually by 2010.
- **International:** Funding for joint implementation, Country Studies, and renewable energy projects in developing countries. This funding can help build the capacity for developing countries to do things like monitor and measure their greenhouse gas (GHG) emissions and develop mitigation options, which are necessary steps for securing the “meaningful participation” in the Kyoto Protocol that we need from them.
- **Hydropower:** Funding is for design work on new generation turbine that will both be more energy efficient and avoid killing fish. The conference funding level will slow down efforts considerably.
- **Restructuring analysis:** Funds outreach efforts to States so they will understand how their own electricity restructuring efforts will affect renewables and energy efficiency, so as to avoid bad, unintended results. An increase of \$0.5M over the conference would help considerably.
- **Photovoltaics R&D -- including President's Million Solar Roofs Initiative:** Funds R&D for rooftop photovoltaic systems and establishes partnerships with communities and builders to promote their use. Lower funding limits DOE's ability to do cost-shared demo projects and jeopardizes longer range goal of 1 million solar roofs by 2010. Note that reaching this goal is projected to create some 70,000 high-tech jobs and to reduce annual carbon emissions equivalent to those emitted from 850,000 cars.
- **Climate Challenge:** Successful voluntary DOE/electric utilities partnership. This program with over 640 participants will result in reductions of 47 MMTCE in 2000. Without the modest amount of funding requested -- \$0.5M -- this cost-effective program will be discontinued.
- **Wind Power R&D:** This is for development of next generation wind turbines, which will make wind competitive with natural gas. U.S. success in this project (cost-shared R&D with two U.S. companies) could lead to substantial growth in U.S. market share for wind.
- **NREL Facilities:** The National Renewable Energy Laboratory is the premier renewable energy lab in the world. Needs the additional funding (over and above conference amount) to install modern communications network and improve lab testing capability. These upgrades support expanded RD&D effort in photovoltaics, wind, solar buildings and other technologies.

Interior Bill -- Climate Change Programs

Additional funding for the Interior bill would help the following energy efficiency programs, which are part of our climate change technology initiative:

- PNGV (Partnership for a New Generation of Vehicles): PNGV is a signature research partnership between the Administration and the Big Three designed to produce affordable cars that achieve triple fuel efficiency by 2004. It is the most important climate change initiative in the transportation sector, which accounts for a third of our national greenhouse gas emissions. The House mark denies our whole requested increase over FY 98 (about \$36M) and the Senate has approved an increase of just \$5M. The funding we seek would provide key research dollars for technologies like fuel cells and hybrid engines and allow us to stay on track for our 2004 goal.
- Building Technologies/PATH: In May, the President joined the housing industry in announcing the new Partnership for Advancing Technologies in Housing (PATH), which aims, among other things, to build new housing that is 50% more energy efficient within a decade. To make this initiative succeed, DOE needs to fund demonstration projects around the country so that new housing developments can meet the PATH goal. The funding requested here will support PATH; support implementation of technology roadmaps for commercial building and lighting; and support DOE's important standard setting effort, allowing DOE to more rapidly develop new standards for large appliances. For example, under the new standards for refrigerators, going into effect in 2001, the least efficient new refrigerators will use one-fifth the energy of a 1970s model.
- Industries of the Future/Industrial Technology: DOE's Industries of the Future program establishes research partnerships with energy-intensive industries to focus on ways to improve overall competitiveness, including increased energy and resource efficiency. Participating industries stand to save over \$10 billion in energy costs by 2010. Increased funding here will allow DOE to expand this program to two new industry sectors -- mining and agriculture (bioproducts), as well as to fund additional work on aluminum and forest products technologies as was discussed with these industries during White House industry consultations.

DOE also seeks to expand its successful Motor Challenge and to establish a Combined Heat and Power Challenge to remove market barriers to CHP (a technology about which the President has expressed great interest).

- Federal Energy Efficiency: In July 1998, the President directed all Cabinet agencies to expand the use of Energy Savings Performance Contracts (ESPCs). The funds requested will support expanded implementation of ESPCs, which enable federal facilities to make energy efficiency upgrades with no up-front cost -- private contractors receive a share of the savings their work produces, consistent with the President's directive. Every additional million dollars means that many more people to manage new ESPCs. These contracts can lead to large savings in money and emissions -- DOE projects \$1billion/year in savings within the next 3-5 years if the effort is adequately funded.

VA-HUD Bill -- Climate Change Programs

Most of the increases provided in the House and Senate bills are for PNGV (Partnership for a New Generation of Vehicles). EPA does not provide program-by-program line items, as DOE does, but requested funding for EPA would broadly help promote GHG reductions in the buildings, industrial and transportation sectors, and fund technical assistance to state and local governments as well as to developing countries.

- **Buildings sector:** EPA would use increased funding for this sector to expand successful programs like Green Lights, Energy Star Buildings and Energy Star Homes. Energy Star Homes enables families to cut energy bills by \$400/year. With increased funding for Green Lights and Energy Star Buildings, EPA projects that it will be able to enter into partnerships with 3,000 new small businesses and schools by the year 2000. A typical school can cut its energy bills by \$27,000 per year through this successful, voluntary program -- enough money to buy 900 new text books.
- **Industrial sector:** EPA would use increased funding to expand existing partnerships such as ClimateWise, through which some 400 large and small businesses outline steps they are prepared to take to reduce GHG.
- **Domestic and International Outreach:** EPA would use funding to continue to work towards integration of energy efficiency, clean air and climate change into state and local government energy planning policies. EPA would also assist more developing countries in their efforts to reduce greenhouse gas emissions, including supporting analyses of the economic benefits and the ancillary environmental benefits they could realize by reducing GHG, and the development of national action plans under the U.S. Country Studies Program.

Global Environment Facility

The GEF, created in 1992, is a multilateral development bank that invests in environmental projects. More than half the GEF's work focuses on issues other than climate change such as protecting forests, preventing species extinction, cleaning up polluted international waters and coastal areas, and preserving the ozone layer.

- Almost two-thirds of our request (\$192.5 million) is to clear arrears. This amount would not count against 302(b) caps.
- The GEF has a proven track record of protecting the environment and promoting U.S. exports around the globe. U.S. manufacturers have won a third of all GEF equipment contracts.
- The GEF's clean energy projects are an important resource in promoting a central goal of the Byrd-Hagel Resolution -- to bring developing countries more deeply into efforts to address climate change. Many of these projects also help address local air pollution problems of great concern to developing countries.
- Developing countries contribute to the GEF. Over a dozen developing countries are GEF donors. Recipient countries have contributed well over \$1 billion in co-financing for GEF projects through domestic resources or non-GEF loans.

VA-HUD CLIMATE CHANGE LANGUAGE -- OPTIONS:

- 1) From R offer, accept additional language (“including the proposing or issuing of rules, regulations, etc”) but DO NOT accept their deletion (“called for solely under”)
- 2) From language as currently written, strike “develop” and “or in contemplation of implementation”
- 3) From R offer, strike “pursuant to” and add “to implement”
- 4) In statement of managers, clarify that “pursuant to” means “solely”
- 5) From R offer, strike “pursuant to” and add “for the purpose of implementation”

FRANK

House VA, HUD, Independent Agencies FY 1999 Appropriations bill language

As currently written:

"Provided further, That none of the funds appropriated by this Act shall be used to develop, propose, or issue rules, regulations, decrees, or orders for the purpose of implementation, or in contemplation of implementation, of the Kyoto Protocol which was adopted on December 11, 1997, in Kyoto, Japan at the Third Conference of the Parties to the United Nations Framework Convention on Climate Change, which has not been submitted to the Senate for advice and consent to ratification pursuant to article II, section 2, clause 2, of the United States Constitution, and which has not entered into force pursuant to article 25 of the Protocol:"

including the proposal
on issuing, regulating
of rules, or conduct
decree

Suggested Conference Alternative:

"Provided further, That none of the funds appropriated by this Act shall be used to implement actions ~~called for solely under~~ the Kyoto Protocol which was adopted on December 11, 1997, in Kyoto, Japan at the Third Conference of the Parties to the United Nations Framework Convention on Climate Change, which has not been submitted to the Senate for advice and consent to ratification pursuant to article II, section 2, clause 2, of the United States Constitution, and which has not entered into force pursuant to article 25 of the Protocol:"

undertaken
to
for the purpose of
implementation
of

- 1) take away their deletion
- 2) statement of managers clarifying "pursuant"
- 3) from original, strike "develop"; strike "in contemplation"
- 4) add "to implement" in place of "pursuant to"
- 5) add "for the purpose of implementation"

Climate Change Appropriations Status - September 8

I. ENERGY AND WATER

House:

· **The bill was passed by the House on Monday, June 22.** The bill cuts the total increase (about \$100M) requested in the Administration's budget for the solar and renewable energy portfolio.

· No report language issues.

Senate:

· **The Senate passed the bill on Thursday, June 18.** The bill also cut the total increase (about \$100M) requested for renewable energy. However, Senators Jeffords and Roth offered an amendment -- that was accepted by voice vote -- to restore \$70M to the renewables portfolio. Chairman Domenici stated that he would try, but would not guarantee, that this money would actually stay in the bill through conference.

· No report language issues.

Conference:

· The Conference letter was sent to the Hill on July 28. While most issues have been resolved, there are several non-climate change issues that are keeping the conference from completing quickly. There apparently has been a tentative agreement to, and offsets have been found to, fund \$20M of the \$70M Jeffords amendment. DOE thinks they have an agreement on both report language issues - commercialization and trade associations, but its not definitive.

II. INTERIOR

House:

· **The House passed the bill on Thursday, July 23.** The Committee cut the total increase (about \$193M) requested for DOE's energy efficiency portfolio and the bill could be read to include an additional \$25M cut in this portfolio. Reps. Skaggs and Fox offered an amendment that was defeated 213-212 that would have restored \$40M to the severe cuts in DOE's energy

efficiency program. However, subsequent to this vote, Reps. Regula, Skaggs, Fox and Jackson-Lee offered an amendment that was adopted by voice vote that added \$90M to the bill. \$45M of this is for DOE's energy efficiency program (\$34M of which was included in the CCTI) and \$45M is for DOE's fossil research program.

·The bill contains report language that states "No funds are to be used to implement the Kyoto agreement on global warming/climate change." No report language issues.

Senate:

·**Full Committee reported the bill on Thursday, June 25. Floor action began the week of Sept. 8.** The Committee cut the increase requested for DOE's energy efficiency portfolio by about \$160M (about a \$30M increase from FY98 levels). Senator Gorton may offer an amendment to add \$20M to the energy efficiency portfolio (using the oil overcharge money).

·The Committee also included report language that "None of the funds provided in this bill are to be used to implement actions called for solely under the Kyoto Protocol, prior to its ratification." The report further states that the Committee supports longstanding energy research programs and does not intend to preclude these programs from proceeding but that the Administration must do a better job of explaining the components and goals of these programs. Senator Byrd was instrumental in negotiating this language. No report language issues.

III. VA-HUD-INDEPENDENT AGENCIES

House:

·**The House passed the bill on Wednesday, July 29.** The bill cuts the increase requested for EPA's climate change programs by about \$106M (a \$10M increase from FY98 levels). Rep. Obey offered an amendment that was accepted 226-198 (175 Democrats and 50 Republicans in support) that overrode the report language in the bill which prohibited EPA and CEQ from conducting educational outreach and informational seminars on climate change. Rep. Greenwood had planned to offer an amendment that would have modified the objectionable Knollenberg language in the bill (prohibiting planning, developing or even contemplating federal actions addressing climate change). Greenwood decided to not offer his amendment but did, along with Reps. Boelhart and Waxman, express his continued concern about the bill language.

· The bill contains language prohibiting funding to "develop, propose, or issue rules, regulations, decrees or orders for the purpose of implementation of or in contemplation of implementation of" the Kyoto Protocol.

Senate:

· **Senate passed the bill on Friday, July 17.** The bill cuts the increase requested by about \$91M (a \$25M increase from FY98 levels).

· The Committee included report language that states "none of the funds provided to EPA are to be used to support activities related to implementation of the Kyoto protocol prior to its ratification." Senators Chafee and Bond submitted a colloquy that narrows this report language to prevent only the 'issuance of federal regulations designed solely for the purpose of Kyoto Protocol implementation." The report also includes language directing the Agency to provide a detailed plan by 12/31/98 of the effectiveness of the proposal in facilitating compliance with binding greenhouse gas emission reduction commitments. Senators Byrd and Bond submitted a colloquy to ensure that this language does not impose new requirements on the EPA.

Conference: Conferees are expected to be named next week. Staff also expect to begin meeting next week.

IV. FOREIGN OPERATIONS

House:

· **Full Committee action expected on Thursday, Sept. 10.** No issues identified yet.

Senate:

· **Senate passed the bill on September 3.** This bill contains several climate change provisions: (1) Leahy and McConnell offered an amendment -- that was adopted -- that narrows the scope of bill language requiring State and AID to notify the Committee prior to expending funds to support programs promoting country participation in the FCCC or "climate change activities in the energy, industry, urban, land use (primarily forestry, biodiversity and agriculture) sectors"; (2) Leahy and McConnell also offered an amendment -- that was adopted -- that corrected added bill language permitting funding for "programs aimed at reducing greenhouse gas emissions" notwithstanding any other provisions of law; (3) The report

contains language withholding funding for the IPCC and the U.S. contribution to the FCCC until the Administration provides an assessment of the disposition of FY98 and FY99 funding, a detailed description of activities and programs and the number of personnel assigned or detailed to these programs -- State has the assessment underway.

Other issues of importance: Severe cuts in GEF funding remain. Senator Murkowski did not offer an amendment prohibiting the Ex-Im Bank from withholding financing for a project for environmental reasons if any other G-7 country is providing financing. However, the Senator may offer the amendment to another bill.

V. TREASURY-POSTAL

House:

- **House passed the bill on Thursday, July 16.** No issues identified.

Senate:

- **Senate passed the bill on Thursday, September 3.** The bill contains report language requiring the Administration to provide a detailed plan of key elements of the President's climate change plan with the FY2000 budget request. The report also includes language prohibiting funding to implement actions called for solely under the Kyoto protocol and a requirement that the Administration designate which office has authority to co-ordinate and direct interagency activity with regard to the President's proposal which can report accountably to Congress.

Climate Change Appropriations Status - August 4

I. ENERGY AND WATER

House:

• **The bill was passed by the House on Monday, June 22.** The bill cuts the total increase (about \$100M) requested in the Administration's budget for the solar and renewable energy portfolio.

- No report language issues.

Senate:

• **The Senate passed the bill on Thursday, June 18.** The bill also cut the total increase (about \$100M) requested for renewable energy. However, Senators Jeffords and Roth offered an amendment -- that was accepted by voice vote -- to restore \$70M to the renewables portfolio. Chairman Domenici stated that he would try, but would not guarantee, that this money would actually stay in the bill through conference.

- No report language issues.

Conference:

• Conferee staff have begun meeting. The Conference letter was sent to the Hill on July 28.

II. INTERIOR

House:

• **The House passed the bill on Thursday, July 23.** The Committee cut the total increase (about \$193M) requested for DOE's energy efficiency portfolio and the bill could be read to include an additional \$25M cut in this portfolio. Reps. Skaggs and Fox offered an amendment that was defeated 213-212 that would have restored \$40M to the severe cuts in DOE's energy efficiency program. However, subsequent to this vote, Reps. Regula, Skaggs, Fox and Jackson-Lee offered an amendment that was adopted by voice vote that added \$90M to the bill. \$45M of this is for DOE's energy efficiency program (\$34M of which was included in the CCTI) and \$45M is for DOE's fossil research program.

•The bill contains report language that states "No funds are to be used to implement the Kyoto agreement on global warming/climate change." No report language issues.

Senate:

•**Full Committee reported the bill on Thursday, June 25. Floor action expected after Foreign Ops and Treasury/Postal.** The Committee cut the increase requested for DOE's energy efficiency portfolio by about \$160M (about a \$30M increase from FY98 levels).

•The Committee also included report language that "None of the funds provided in this bill are to be used to implement actions called for solely under the Kyoto Protocol, prior to its ratification." The report further states that the Committee supports longstanding energy research programs and does not intend to preclude these programs from proceeding but that the Administration must do a better job of explaining the components and goals of these programs. Senator Byrd was instrumental in negotiating this language. No report language issues.

III. VA-HUD-INDEPENDENT AGENCIES

House:

•**The House passed the bill on Wednesday, July 29.** The bill cuts the increase requested for EPA's climate change programs by about \$106M (a \$10M increase from FY98 levels). Rep. Obey offered an amendment that was accepted 226-198 (175 Democrats and 50 Republicans in support) that overrode the report language in the bill which prohibited EPA and CEQ from conducting educational outreach and informational seminars on climate change. Rep. Greenwood had planned to offer an amendment that would have modified the objectionable Knollenberg language in the bill (prohibiting planning, developing or even contemplating federal actions addressing climate change). Greenwood decided to not offer his amendment but did, along with Reps. Boelher and Waxman, express his continued concern about the bill language.

•The bill contains language prohibiting funding to "develop, propose, or issue rules, regulations, decrees or orders for the purpose of implementation of or in contemplation of implementation of" the Kyoto Protocol.

Senate:

•**Senate passed the bill on Friday, July 17.** The bill cuts the increase requested by about \$91M (a \$25M increase from FY98 levels).

•The Committee included report language that states “none of the funds provided to EPA are to be used to support activities related to implementation of the Kyoto protocol prior to its ratification.” Senators Chafee and Bond submitted a colloquy that narrows this report language to prevent only the issuance of federal regulations designed solely for the purpose of Kyoto Protocol implementation.” The report also includes language directing the Agency to provide a detailed plan by 12/31/98 of the effectiveness of the proposal in facilitating compliance with binding greenhouse gas emission reduction commitments. Senators Byrd and Bond submitted a colloquy to ensure that this language does not impose new requirements on the EPA.

Conference: Staff not anticipated to begin serious conference work until second week of September. Conferees have not been named yet.

IV. FOREIGN OPERATIONS

House:

• **Full Committee action pending.** No issues identified yet.

Senate:

• **Bill is scheduled for floor action on Sept. 1.** This bill contains several climate change provisions: (1) Report language withholding funding for the IPCC and the U.S. contribution to the FCCC until the Administration provides an assessment of the disposition of FY98 and FY99 funding, a detailed description of activities and programs and the number of personnel assigned or detailed to these programs; (2) Bill language requiring that State and AID notify the Committee prior to expending funds to support programs promoting country participation in the FCCC or “climate change activities in the energy, industry, urban, land use (primarily forestry, biodiversity and agriculture) sectors”; (3) The omission in the bill of language permitting funding for “programs aimed at reducing greenhouse gas emissions” notwithstanding any other provisions of law.

Other issues of importance: Severe cuts in GEF funding and a potential Murkowski amendment prohibiting the Ex-Im Bank from withholding financing for a project for environmental reasons if any other G-7 country is providing financing.

V. TREASURY-POSTAL

House:

- **House passed the bill on Thursday, July 16.** No issues identified.

Senate:

- **The Senate began but did not complete action on the bill.** The bill contains report language requiring the Administration to provide a detailed plan of key elements of the President's climate change plan with the FY2000 budget request. The report also includes language prohibiting funding to implement actions called for solely under the Kyoto protocol and a requirement that the Administration designate which office has authority to co-ordinate and direct interagency activity with regard to the President's proposal which can report accountably to Congress.

Key FY 1999 Appropriations Issues for DOE Energy Efficiency and Renewable Energy

Appropriations for the DOE Office of Energy Efficiency and Renewable Energy (EERE) are critical to the success of the President's Climate Change Technology Initiative (CCTI). Of the \$1,292 million in CCTI-related proposed spending in the President's FY 1999 Congressional Budget Request, 77% is in EERE. Of the proposed increase of \$473 million for CCTI-related programs, 55%, or \$261 million, is in EERE. However, it appears that the increase for EERE programs will be modest. In addition, the Department is faced with potential appropriations bill language that will severely constrain our ability to manage our resources to carry out the President's initiative.

The Numbers: Current Status

The range of possible funding outcomes for FY 1999 is given in the table below. These numbers are somewhat misleading because they do not include substantial general reductions or "use of prior year funds" included in the bills that result in budget levels that are actually below those in the table.

However, the table does present an "apples-to-apples" comparison of FY 1998 and FY 1999. More detailed summaries are attached.

Floor action this week on the Senate Interior bill will finalize the Senate position on energy efficiency funding. The Interior conference schedule is uncertain, but a likely outcome is splitting the difference between the House and Senate in a way that reflects EERE priorities - albeit at low funding levels. The Energy and Water conference, possibly as early as the first part of next week, is more difficult to predict. While Chairman Domenici has pledged to protect some of the Jeffords amendment in conference, indications are that the final numbers will be much closer to the House level.

	FY 1998 Approps	FY 1999			Change from FY 1998	
		Request	House	Senate	\$million	Percent
Energy Efficiency*	611.7	808.5	632.3	646.2	+20.6-34.5	3-6%
Renewable Energy	296.6	389.3	303.5	367.4	+6.9-70.7	2-24%
Total	908.3	1197.8	935.8	1013.6	+27.5-105.2	3-12%

*The Senate Interior number will likely increase on the floor, but the amount is uncertain.

The bottom line is that the likely final numbers in both appropriations bills will enable EERE to slightly expand current effects, but prohibit the DOE from taking the bold steps forward envisioned in the President's Climate Change Technology Initiative. The result will be more pollution, lost economic opportunities and higher cost of compliance with the Kyoto Protocol.

Language Issues

A number of appropriation bills language issues pose critical problems for EERE. These issues, if not resolved, will severely restrict the ability of DOE to develop and accelerate the market use of renewable energy technologies and implement the President's Climate Change Technology Initiative.

Issue 1: One-Year Funding for Energy Supply R&D

***Summary**

Both the House and the Senate in FY 1998 mandated that funding be obligated and largely spent in that fiscal year. This was done because of appropriations committee staff perception that EERE year-end "uncosted balances" (i.e., funding obligated but not yet costed by various partners and contractors) were too high. This restriction is not a major problem for organizations that rely largely on financial grants to fund work, but poses major operational problems for EERE, as we historically have funded multi-year technology RD&D through DOE laboratories and multi-year contracts with industry partners. This one-year funding approach has substantially increased administrative costs and has restricted our ability to efficiently manage large, multi-year RD&D.

***Approach**

EERE has communicated to House and Senate appropriations committee staff the operational problems and increased costs resulting from the one-year funding restriction. Senate staff has indicated that they will relax this restriction to at least two-year funding - which will help somewhat, but not resolve the basic problem. House staff have indicated that they may also make a change. EERE is seeking in the conference a return to no-year funding. The one-year funding restriction has increased substantially administrative costs for DOE, National Laboratories and private partners and decreased our ability to effectively manage long-term technology RD&D activities. Financial and management improvements implemented under Secretary Pena have addressed many of the committee concerns that led to this constraint.

Issue 2: Restrictions in Funding of Trade Associations

***Summary**

Both House and Senate committee staff have developed language that severely restricts funding for trade associations or "associated entities". The problem with this language is that it is so general that it could easily be interpreted as a virtual ban on financial relationships with trade associations and their industry members (associated entities). The Senate language is as follows:

"The Department and its management and operating contractors should not contract with any other entity for the performance of these or similar responsibilities, and, as a general rule, appropriated funds should not be used, directly or indirectly, to underwrite the expenses of industry associations or associated entities."

The problem from the staff perspective is that EERE and potentially other DOE organizations have funded "inappropriate activities" by the trade associations and that many of the awards to these groups have been awarded non-competitively in the past.

***Approach**

EERE has conceded to House and Senate appropriations committee staff that we need to improve our financial dealings with trade associations and that future funding to these groups should generally be awarded competitively. However, due in part to the problems of one particular trade association - the Solar Energy Industries Association - House and Senate staff have indicated that a compromise resolution will be a challenge. We have recommended alternative language for the conference report allowing competitively awarded funding for trade association activities that substantially contribute to the DOE mission. This language is as follows:

After careful consideration of the House and Senate positions, the Conferees have decided that the following language should guide the Department of Energy's work with trade associations. The Managers conclude that as a general rule, appropriated funds should not be used for the principal purpose of underwriting the operating expenses of industry associations. In the funding of specific tasks carried out by industry associations, government-wide rules for financial assistance apply, and the Department should use merit review procedures.

- Financial assistance decisions regarding information dissemination and outreach activities conducted by these industry associations shall be competed and the DOE Golden Field Office shall no longer make these decisions.
- The Department is expected to make substantial progress in FY 1999 in the use of broad area solicitations and other appropriate mechanisms to facilitate increased competition for discretionary financial assistance.

We recently had positive indications from Senate and House majority staff that our language may be acceptable.

Issue 3: Restrictive Language on Technology Deployment

***Summary**

The Department conducts a broad range of research, development and deployment activities in support of its goal of increasing our nation's use of renewable energy technologies. In the planning and execution of these activities, EERE carefully considers the appropriate role of the federal government. As a result, DOE does not commercialize activities and in fact, the "deployment" programs can be best characterized as "pre-commercial deployment" that includes field testing of technologies, removal of market barriers, establishment of innovative partnerships, dissemination of information, etc. Such work is important not only in accelerating the use of these technologies, but in providing feedback to the R&D process and in fact developing better technologies.

However, both House and Senate committee staff have developed language that severely restricts funding for many such activities. For example, language prohibits DOE from conducting much of the work for the President's Million Solar Roofs (MSR) initiative. The MSR language is particularly troubling, as it uses misleading data and prohibits DOE from even referring to the initiative. Other restrictive language constrains DOE's ability to move forward on solar hot water heating, solar thermal electricity generation and geothermal electricity production. Finally, House language prohibits EERE from spending any funds on the very successful Climate Challenge program.

***Strategy**

EERE has explained to Committee staff the importance of pre-commercial deployment activities both to the R&D and to the ultimate market success of the technologies. While some progress has been made, the language on MSR and Climate Challenge is still problematic. The following rewrite of the current House language, offered to committee staff, would resolve the MSR problem:

Million Solar Roofs - In June of last year, in an address to the United Nations, President Clinton announced the Million Solar Roofs Initiative. The Committee was concerned about the cost of one million solar roofs and the initiation of a program not funded by Congress. These concerns were based in part on a DOE press release announcing the award of \$5,000,000. The Committee believed that to install one million roof systems by 2010 would require thirty-two billion dollars, of which five billion dollars would be taxpayer-funded.

The Committee could neither contemplate the source of this massive funding requirement nor the justification for taking taxpayer funds and selecting business ventures and rooftops to equip with these solar systems. These concerns were minimized with the understanding that DOE provides a small amount of funding for research, demonstration and deployment projects involving roof-based solar systems that are heavily cost-shared by industry. To the extent these activities continue, they will represent a very small element of what will need to be a large private-sector investment.

The Committee has not rejected the goal of this program. The Committee observes that the attainment of this goal relies primarily on the affordability of these systems for consumers rather than the ability of the government to force these systems onto one million rooftops. The Committee action is not intended to limit the government and industry work in the deployment of roof-based solar systems.

The following language change in the solar program direction line, offered to committee staff, would resolve the Climate Challenge problem:

The Committee supports the Department's efforts to continue its work with electric utilities to facilitate voluntary, cost-effective means to reduce emissions from power generation and approves the use of limited funding from

program direction for this purpose.

The Secretary is discussing with the EWD Appropriations Subcommittee chairmen the importance of a full range of technology RD&D activities and is pressing for language supportive of the President's Million Solar Roofs and Climate Challenge initiatives.

Issue 4: International Solar Energy

***Summary**

Funding to conduct international EERE technology transfer activities including the U.S. International Joint Implementation (or the Clean Development Mechanism articulated in the Kyoto Accord), projects in developing countries and federal government coordinating mechanisms is severely restricted. The House mark for these activities is \$0.5 million (of a request of \$8.8 million), while under the Jeffords Amendment the mark is \$5.1 million. Although the Senate mark is reasonable, it is a low priority in conference and a final number close to the House mark is likely.

***Strategy**

EERE has vigorously pressed the case for additional funding for international transfer of renewable energy technologies. Senate staff is supportive of the USII, but not supportive of other international activities. The House is generally not supportive of international activities. Higher level discussions with the Congress are needed.

The Secretary is stressing to the EWD Appropriations Subcommittee chairmen the importance of international transfer of clean energy technologies to achieve multiple U.S. strategic objectives including international competitiveness of U.S. industry, economic development of future trading partners, decreased environmental stress, and meaningful participation of developing nations in international agreements on global climate change.

FY 1999 Energy and Water Appropriations Bills Status

6-Jul-98

	FY 1998 Approps	FY 1999 Request	Change vs. FY9	Senate Mark Change Amount vs. FY98	Jeffords Amendmen Change Amount vs. FY98	House Mark Change Amount vs. FY98	Change vs. Senate
Solar & Renewables							
Solar buildings	2.7	5.0	2.3	3.6	0.9	3.9	1.2
PV	65.5	78.8	13.3	57.1	-8.4	73.0	7.5
Solar thermal	16.5	22.5	6.0	17.1	0.6	21.6	5.1
Biopower	28.2	42.9	14.7	22.8	-5.4	35.8	7.6
Transportation biofuels	30.7	46.9	16.2	36.2	5.5	41.1	10.4
Wind power	32.5	43.5	11.0	33.2	0.7	38.3	5.7
REPI	3.0	4.0	1.0	3.0	0.0	4.0	1.0
Solar program support	0.0	14.0	14.0	4.0	4.0	7.0	7.0
International	1.4	8.8	7.4	3.4	2.0	5.1	3.7
Solar technology transfer	0.0	1.4	1.4	0.0	0.0	0.7	0.7
NREL	3.2	5.0	1.8	1.0	-2.2	5.0	1.8
Geothermal	29.1	33.0	3.9	18.0	-11.1	31.3	2.2
Hydrogen	16.0	24.0	8.0	29.0	13.0	29.0	13.0
Hydropower	0.7	4.0	3.3	4.0	3.3	4.0	3.3
Renewable Indian Resources	3.9	0.0	-3.9	4.0	0.1	4.0	0.1
Superconductivity	32.0	32.0	0.0	31.0	-1.0	31.0	-1.0
Energy storage	3.9	6.0	2.1	6.0	2.1	6.0	2.1
EMF	6.9	0.0	-6.9	0.0	-6.9	0.0	-6.9
Transmission Reliability	0.0	0.0	0.0	5.0	5.0	5.0	5.0
Climate Challenge	0.0	0.5	0.5	0.5	0.5	0.5	0.5
Program direction	15.7	17.0	1.3	15.7	0.0	16.3	0.6
Remote power initiative	4.9	0.0	-4.9	3.0	-1.9	5.0	0.1
Subtotal, EERE	296.6	389.3	92.6	297.6	0.9	367.4	70.7
ER Renewables Basic Research	44.3	47.9	3.6	47.9	3.6	47.9	44.3
Total, DOE Solar and Renewables	340.9	437.2	96.2	345.5	4.5	415.3	319.0
Reductions/Prior Year Balances (a)	-24.4	-17.0	7.4	-48.0	-23.6	-48.0	-55.4
Net, EERE Solar and Renewables	272.2	372.3	100.0	249.6	-22.7	319.4	219.3
						272.5	6.9
							63.9

FY 1999 Interior Appropriations Bills Status

22-Jul-98

	FY 1998 Approps	FY 1999 Request	Change vs. FY98	House						Senate			
				Approps Mark	Change vs. FY98	Change vs. Req.	Floor Amendment (1)			Approps Mark	Change vs. FY98	Change vs. Req.	Change vs. House
							Adds	Totals	vs. FY98				
Transportation Technologies	193.3	246.1	52.8	173.2	-20.1	-72.9	21.2	194.4	1.1	214.7	21.4	-31.4	20.3
Technology deployment	11.8	16.3	4.5	11.6	-0.2	-4.7				14.3	2.5	-2.0	
Advanced automotive technologies	113.3	144.6	31.4	106.2	-7.1	-38.5				121.5	8.2	-23.1	
Advanced heavy vehicle technologies	25.6	44.2	18.6	27.2	1.6	-17.0				32.5	6.9	-11.7	
Materials technologies	35.0	31.8	-3.2	32.8	-2.2	1.0				38.2	3.2	6.4	
Management	7.6	9.2	1.6	7.9	0.3	-1.4				8.2	0.6	-1.0	
Use of prior year funds	0.0	0.0	0.0	-10.1	-10.1	-10.1					0.0	0.0	
Transfer of offset funds to Policy & Man.	0.0	0.0	0.0	-2.3	-2.3	-2.3				0.0	0.0	0.0	
Industrial Technologies	136.2	166.6	30.4	130.3	-5.9	-36.3	6.6	136.9	0.7	143.2	7.0	-23.4	6.3
Industries of the Future (specific)	53.1	76.0	22.9	54.0	0.9	-22.0				55.5	2.4	-20.5	
Industries of the Future (crosscutting)	49.1	49.4	0.3	52.4	3.3	3.0				52.4	3.3	3.0	
Technology Access	26.3	32.0	5.7	25.5	-0.8	-6.5				26.7	0.4	-5.3	
Management	7.7	9.2	1.5	8.2	0.5	-1.0				8.6	0.9	-0.6	
Use of prior year funds	0.0	0.0	0.0	-8.3	-8.3	-8.3					0.0	0.0	
Transfer of offset funds to Policy & Man.				-1.5	-1.5	-1.5				0.0	0.0	0.0	
Building Technologies	233.9	317.5	83.7	222.9	-10.9	-94.6	17.2	240.1	6.3	258.9	25.0	-58.7	18.7
Building systems design	23.0	36.4	13.4	21.4	-1.6	-15.0				27.0	4.0	-9.4	
Building equipment and materials	26.9	46.2	19.3	30.7	3.8	-15.5				38.1	11.2	-8.1	
Codes and standards	14.4	22.6	8.2	14.2	-0.2	-8.4				16.6	2.2	-6.0	
State and local partnerships	156.7	197.7	41.0	151.6	-5.1	-46.1	11.0	162.6	5.9	163.8	7.1	-33.9	1.2
Weatherization	124.8	154.1	29.3	120.0	-4.8	-34.1				129.0	4.2	-25.1	
SEP	30.3	37.0	6.8	30.0	-0.3	-7.0				31.2	0.9	-5.8	
MEMP	1.6	6.6	5.0	1.6	0.0	-5.0				3.6	2.0	-3.0	
Management	12.9	14.7	1.9	13.0	0.1	-1.8				13.5	0.6	-1.3	
Use of prior year funds	0.0	0.0	0.0	-6.4	-6.4	-6.4					0.0	0.0	
Transfer of offset funds to Policy & Man.				-1.5	-1.5	-1.5				0.0	0.0	0.0	
Federal Energy Management	19.8	33.9	14.1	23.2	3.4	-10.7	0.0	23.2	3.4	24.8	5.0	-9.1	1.6
Policy and Management	28.6	44.4	15.9	37.7	9.1	-6.7	0.0	37.7	9.1	36.2	7.6	-8.2	-1.5
Unallocated use of prior year funds	0.0	0.0	0.0	0.0	0.0	0.0				-31.5	-31.5	-31.5	-31.5
Subtotal, Energy Efficiency	611.7	808.5	196.8	587.3	-24.5	-221.3	45.0	632.3	20.6	646.2	34.5	-162.3	13.9
Addition of Fossil Energy Turbine Program	0.0	0.0	0.0	43.0	43.0	43.0	0.0	43.0	43.0	0.0	0.0	0.0	-43.0
Total, Energy Efficiency	611.7	808.5	196.8	630.3	18.5	-178.3	45.0	675.3	63.6	646.2	34.5	-162.3	-29.1
	272.2	372.3					272.5			319.36			
	727.2	1180.8					904.8	0.75523		965.6	0.805977		

Energy Efficiency Priorities for the FY 1999 Interior Appropriations Bill

In order to make significant progress in implementing the President's Climate Change Technology Initiative, EERE must have additional funding above either the House or the Senate marks for energy efficiency. The table below specifies \$72 million in critical increases needed relative to the House Interior marks. These increases represent about one third of the difference between the FY 1998 appropriations and the FY 1999 request. The House marks are generally lower than the Senate, so they are used as a point of departure.

The attached table shows specific budget detail for each of the increases below.

Program	House Level	Senate Level	Increment Needed	Explanation
PNGV Critical Needs	67.6	81.8	30.6	PNGV technology R&D critical to program success. Additional R&D on heat engines, fuel cells, combustion and small diesel engines will address the most critical PNGV needs. Without these specific increases, we will likely not achieve our 2004 goal of a triple efficiency family sedan with no compromise in size, performance and safety.
Industries of the Future Critical Needs	19.3	23.3	5.9	R&D to meet critical needs in implementation of Industries of the Future technology roadmaps. This funding will lead to implementation of the technology roadmap for bio-based feedstocks as part of a broad bioenergy initiative; implementation of mining industry roadmap; and additional funding for aluminum and forest products technologies as promised in industry consultations.
Accelerated Deployment of Efficient Industrial Technologies	6.2	13.0	5.0	Activities to accelerate efficient industrial technology use in two key areas. The successful Motor Challenge program will be expanded into steam and compressed air technologies and a Combined Heat and Power Challenge will be established to remove market barriers to CHP.
Building Technologies R&D Critical Needs	12.3	29.9	12.0	R&D to meet critical needs in implementation of building technology roadmaps and PATH. This funding will support implementation of roadmaps for commercial buildings and lighting and expand support for the President's Partnership for Advanced Technology in Housing (PATH).

Accelerated Deployment of Efficient Building Technologies	40.0	45.8	11.5	Activities to accelerate efficient building technology use in two key areas and through two key mechanisms. Rebuild America partnerships with States and communities will be expanded to retrofit additional buildings and Energy Star labeling will be extended to additional equipment. The State Energy Program will include additional highly-leveraged efficiency projects in States and comprehensive showcases of efficiency technologies will be established in selected cities.
Federal Energy Management	19.8	33.9	5.0	Energy Savings Performance Contracts implementation. Funds will support management of the ESPC implementation process to maximize level and quality of efficiency retrofit task orders for Federal facilities. New Federal Energy initiatives will be supported.
Policy and Management	n/a	29.8	2.0	Funding will support implementation of key crosscutting initiatives and expanded roles for Regional Support Offices in implementation of energy efficiency initiatives with States and communities.

Renewable Energy Priorities for the FY 1999 Energy and Water Appropriations Bill

In order to make significant progress in implementing the President's Climate Change Technology Initiative, EERE must have additional funding above the House EWD marks for the following programs. The Senate mark is \$63.9 million above the House mark. Of that difference, the \$33.6 million specified below is critical to the success of the CCTI. This increase represents about one third of the difference between the FY 1998 appropriations and the FY 1999 request.

Program	House Level	Senate Level	Increment Needed	Explanation
Restructuring Analysis	0.0	4.0	4.0	Analysis and outreach to States undergoing restructuring to encourage energy efficiency and renewable energy technology deployment. Without such an effort, restructuring may retard further progress in improving U.S. energy efficiency and our use of renewable energy technologies.
Solar International	0.5	5.1	4.6	Funding for USIJI, Country Studies (within IJI) and renewable energy projects in developing countries. Such funding is critical to achieving significant participation by developing countries in addressing global climate change.
Hydropower R&D	2.0	4.0	2.0	Development of environmentally friendly turbine that will allow the U.S. to maintain and perhaps expand hydro capacity while mitigating local environmental concerns. Without this technology, U.S. hydroelectric capacity will likely decline - forcing increased reliance on high-carbon fuels.
Climate Challenge	0.0	0.5	0.5	Modest funding for the Climate Challenge program that involves +70% of electric utilities in climate emissions reduction efforts. This will allow Climate Challenge - strongly supported by the electricity industry - to continue and facilitate innovative ways to reduce greenhouse gas emissions in this sector.
Biopower RD&D	31.1	35.8	4.7	Accelerated deployment of rural biopower using different feedstocks in different regions. Completion of these key projects will provide opportunities for the power industry to produce electricity with no net carbon and farmers with alternative markets for crops. Further, this is critical to the overall bioenergy initiative linking biomass power, biomass fuels for transportation and bio-based products production.

Solar Buildings R&D	2.2	3.9	1.0	Accelerated development and deployment of solar hot water heating systems to help meet the goal of one million solar roofs installed by 2010. Additional system R&D, certification and deployment activities are critical to program success.
Photovoltaics RD&D	66.8	73.0	3.0	Accelerated deployment of rooftop photovoltaic systems to help meet the one million solar roofs goal. Further R&D directed at improving system cost and performance is critical to the success of the this effort.
Wind Power RD&D	33.2	38.3	5.1	Development of next generation of inexpensive wind turbines and accelerated deployment of wind technology in the U.S. and abroad. The next generation turbine, coupled with certification and other deployment activities, will result in substantial growth in wind's market share in the U.S. and improve the competitiveness of U.S. wind turbines abroad.
NREL Facilities	2.0	5.0	3.0	Improvements to equipment and infrastructure at the National Renewable Energy Laboratory. These upgrades support the expanded renewable energy RD&D effort in PV, wind, solar buildings and other technologies.
Solar Program Direction	15.6	16.3	0.7	Salary and support funding for renewable energy programs. This funding provides adequate salaries and support to enable the overall renewable energy effort. (Excludes any increase for restructuring analysis which may be added to this budget line).
Transmission Reliability	0.0	5.0	5.0	Analysis and R&D to maintain or improve electricity system reliability. During the transition to restructured electricity markets and distributed clean generation technologies, system reliability will likely decrease. This funding will produce analysis and technologies to directly address this threat.

Ag Approps

 T J. Glauthier
08/27/98 09:57:15 AM

Record Type: Record

To: Martha Foley/WHO/EOP, Roger S. Ballentine/WHO/EOP, Lisa M. Kountoupes/WHO/EOP, William J. Antholis/OPD/EOP
cc: Todd Stern/WHO/EOP, Elizabeth Gore/OMB/EOP, Kathleen Peroff/OMB/EOP, Randolph J. Steer/OMB/EOP
Subject: Title XI of Ag Approp bill -- Biodiesel Energy Development Act

I should have included you in the original distribution of this email about a new problem on appropriations. we'll include you in subsequent info.

----- Forwarded by T J. Glauthier/OMB/EOP on 08/27/98 09:54 AM -----

 T J. Glauthier
08/27/98 09:53:14 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Gary L. Bennethum/OMB/EOP, Randolph J. Steer/OMB/EOP, David A. Bernell/OMB/EOP
Subject: Title XI of Ag Approp bill -- Biodiesel Energy Development Act

heads up, we've uncovered another serious problem in an appropriations bill! Someone tacked a whole new title onto the end of the Senate Agriculture Appropriations Bill that amends the Energy Policy Act and radically undermines the alternative fuel vehicle (AFV) program. Its major effect is to change all the definitions so that a blend of diesel fuel that is only 20% biofuels would qualify as AFV fuel, and virtually all diesel cars and trucks could be counted as AFVs!

We are trying to work this on the Hill and through the DOE, but a lot of people are out this week, so we're even having trouble figuring out exactly where this came from. We will continue this effort --- the only acceptable resolution is to get the whole title stricken. It's inappropriate there and should be dealt with by the energy committees, and the authorizing committees at that. Because its effects are so extreme, I would hope we can mobilize opposition to get that done.

We are revising the letter to the conferees now and will work directly with the appropriations staff to get as much done at that level as possible.

the attached description from Randy Steer explains the substance of this.

----- Forwarded by T J. Glauthier/OMB/EOP on 08/27/98 09:22 AM -----

 Randolph J. Steer
08/25/98 05:49:51 PM

Record Type: Record

To: T J. Glauthier/OMB/EOP

cc: Mark A. Weatherly/OMB/EOP, Kathleen Peroff/OMB/EOP, Gary L. Bennethum/OMB/EOP, David A. Bernell/OMB/EOP

Subject: Title XI of Ag Approp bill -- Biodiesel Energy Development Act

Final version -- TJ - Toss the draft I brought over.

Mark Weatherly brought be a section of the Agriculture appropriations bill today, which addresses biodiesel fuels. I had heard last month that there was some type of alternative fuel provision in the Ag bill, but when I asked Ann Kennedy at USDA and people here, they hadn't seen it.

The entire title is filled with redefinitions and expansions that amend EAct and will effectively gut all of the alternative fuel vehicle provisions currently in place in EAct and EO 13031.

My reading of the title indicates the following:

1. The EAct notion that alternative fuels are ones that are "substantially not petroleum" (Sec. 302(a)(7)) is tossed out the window by declaring a blend of 20 percent biodiesel and 80 percent conventional diesel to be an "alternative fuel."
2. All diesel-engine vehicles will be considered to be "dual fuel", since they can all run on a blend of 80% regular diesel fuel and 20% biodiesel. This means hardly any of what we think of as "AFVs" will need to be purchased to meet the fleet requirements -- diesel vehicles will meet the requirements.
3. EO 13031 makes a distinction between "medium duty" and "heavy duty" vehicles -- the Title XI amendments lump them together. It also gives extra AFV credits to all heavy duty vehicles. Among other effects, this eliminates the value of the ZEV credits that EO 13031 offers for medium and heavy-duty electric vehicles.
4. Dual-fuel and flex-fuel vehicles get double credits if they operate on alternative fuels, compared with a dedicated, AFV which only gets a single credit.
5. DOE is authorized to subsidize States' costs for alternative fuels.
6. Extra AFV credit is given for acquiring one year's supply of alternative fuel (for typical AFV use) for any AFVs acquired over the agency's minimum requirement. For biodiesel as defined here, though, that means extra credit for the purchase of about 100 gallons of pure biodiesel. (500 gallons of blended biodiesel.) That credit only accounts for the vehicle's first year fuel use, though. After that, there is no incentive to continue operating the vehicle on alternative fuels.

The problems this section creates are so severe and so intertwined that the best solution is to delete the section entirely. Barring that, the following changes **at a minimum** would need to be made to make the section less damaging to the existing AFV program:

1. Section 1103(2)(A) should specify alternative fuels "derived from domestically produced renewable biological materials (including biodiesel) at mixtures not less than **70 percent** by volume". [Change is in bold italics -- current draft is 20 percent mixtures.] That would put biodiesel on the same footing as alcohol fuels. (Alcohol fuels are generally sold as 85% blends with 15% gasoline, although EAct only requires a 70 percent minimum alcohol

bend.)

2. Drop references to marine vessels and engines.
3. Eliminate extra credit for using alternative fuel in a dual-fuel or flex-fuel vehicle. Giving that more credits than a dedicated AFV is a perverse incentive. If an incentive for fuel use in dual-fuel vehicles is desired, amend EPCRA to give dual-fuel and flex-fuel vehicles only 1/2 credit for their mere acquisition, and raise it to 1 full credit if they purchase a year's standard supply of fuel (probably about 500 gallons) for each of the first three years the vehicle is in the fleet. (Or alternatively, for every year the vehicle is in the fleet.)

Randy.

Message Sent To:

Todd Stern/WHO/EOP
Dirk Forrester/WHCCTF/EOP
Shelley N. Fidler/WHCCTF/EOP
Kathleen A. McGinty/CEQ/EOP
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Kathleen Peroff/OMB/EOP
Charles E. Kieffer/OMB/EOP
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ported beef or imported lamb contained in the product, as determined by the Secretary.

"(B) APPLICATION.—Subparagraph (A) shall not apply to the extent the Secretary determines that the costs associated with labeling under subparagraph (A) would result in an unreasonable burden on producers, processors, retailers, or consumers."

(c) GROUND BEEF AND GROUND LAMB LABELING STUDY.—

(1) IN GENERAL.—The Secretary of Agriculture shall conduct a study of the effects of the mandatory use of imported, blended, or percentage content labeling on ground beef, ground lamb, and other processed beef or lamb products made from imported beef or imported lamb.

(2) COSTS AND RESPONSES.—The study shall be designed to evaluate the costs associated with and consumer response toward the mandatory use of labeling described in paragraph (1).

(3) REPORT.—Not later than 1 year after the date of enactment of this Act, the Secretary shall report the findings of the study conducted under paragraph (1) to the Committee on Agriculture of the

House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

SEC. 1003. REGULATIONS. Not later than 120 days after the date of enactment of this Act, the Secretary of Agriculture shall promulgate final regulations to carry out the amendments made by this title.

TITLE XI—BIODIESEL ENERGY DEVELOPMENT ACT

SEC. 1101. SHORT TITLE; TABLE OF CONTENTS. (a) SHORT TITLE.—This title may be cited as the "Biodiesel Energy Development Act of 1998".

(b) TABLE OF CONTENTS.—The table of contents of this title is as follows:

- Sec. 1101. Short title; table of contents.
- Sec. 1102. Definitions.
- Sec. 1103. Amendments to the Energy Policy and Conservation Act.
- Sec. 1104. Minimum Federal fleet requirement.
- Sec. 1105. State and local incentives programs.
- Sec. 1106. Alternative fuel bus program.
- Sec. 1107. Alternative fuel use in nonroad vehicles, engines, and marine vessels.
- Sec. 1108. Mandate for alternative fuel providers.
- Sec. 1109. Replacement fuel supply and demand program.
- Sec. 1110. Modification of goals; additional rulemaking authority.
- Sec. 1111. Fleet requirement program.
- Sec. 1112. Credits.
- Sec. 1113. Secretary's recommendation to Congress.

SEC. 1102. DEFINITIONS. Section 301 of the Energy Policy Act of 1992 (42 U.S.C. 13211) is amended—

(1) in paragraph (2), by striking "derived from biological materials" and inserting "derived from domestically produced renewable biological materials

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(including biodiesel) at mixtures not less than 20 percent by volume";

(2) in paragraph (8), by striking subparagraph (B) and inserting the following:

"(B) a motor vehicle (other than an automobile) or marine vessel that is capable of operating on alternative fuel, gasoline, or diesel fuel, or an approved blend of alternative fuel and petroleum-based fuel.";

(3) by redesignating paragraphs (11) through (14) as paragraphs (12), (14), (15), and (16), respectively;

(4) by inserting after paragraph (10) the following:

"(11) the term 'heavy duty motor vehicle' means a motor vehicle or marine vessel that is greater than 8,500 pounds gross vehicle weight rating;"

(5) by inserting after paragraph (12) (as redesignated by paragraph (3)) the following:

"(13) the term 'marine vessel' means a motorized watercraft or other artificial contrivance used as a means of transportation primarily on the navigable waters of the United States;"

(6) in paragraph (15) (as redesignated by paragraph (3)), by striking "biological materials" and in-

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serting "domestically produced renewable biological materials (including biodiesel)".

SEC. 1103. AMENDMENTS TO THE ENERGY POLICY AND CONSERVATION ACT. Section 400AA of the Energy Policy and Conservation Act (42 U.S.C. 6374) is amended—

(1) in the second sentence of subsection (a)(3)(B), by striking "vehicles converted to use alternative fuels may be acquired if, after conversion," and inserting "existing fleet vehicles may be converted to use alternative fuels at the time of a major vehicle overhaul or rebuild, or vehicles that have been converted to use alternative fuels may be acquired, if"; and

(2) in subsection (g)—

(A) in paragraph (2), by striking "derived from biological materials" and inserting "derived from domestically produced renewable biological materials (including biodiesel) at mixtures not less than 20 percent by volume";

(B) in paragraph (5), by striking subparagraph (B) and inserting the following:

"(B) a motor vehicle (other than an automobile) or marine vessel that is capable of operating on alternative fuel, gasoline, or diesel fuel, or an approved blend of alternative fuel and petroleum-based fuel; and"; and

(C) in paragraph (6), by inserting "or marine vessel" after "a vehicle".

SEC. 1104. MINIMUM FEDERAL FLEET REQUIREMENT.

Section 303 of the Energy Policy Act of 1992 (42 U.S.C. 13212) is amended—

(1) by redesignating subsections (c) through (f) as subsections (d) through (g), respectively; and

(2) by inserting after subsection (b) the following:

"(c) **HEAVY DUTY AND DUAL-FUELED VEHICLE COMPLIANCE CREDITS.**—

"(1) **IN GENERAL.**—For purposes of meeting the requirements of this section, the Secretary, in consultation with the Administrator of General Services, if appropriate, shall permit a Federal fleet to acquire 1 heavy duty alternative fueled vehicle in place of 2 light duty alternative fueled vehicles.

"(2) **ADDITIONAL CREDITS.**—For purposes of this section, the Secretary, in consultation with the Administrator of General Services, if appropriate, shall permit a Federal fleet to take an additional credit for the purchase and documented use of alternative fuel used in a dual-fueled vehicle, comparable conventionally-fueled motor vehicle, or marine vessel.

"(3) **ACCOUNTING.**—

"(A) **IN GENERAL.**—In allowing a credit for the purchase of a dual-fueled vehicle or alternative fuel, the Secretary may request a Federal agency to provide an accounting of the purchase.

"(B) **GUIDELINES.**—The Secretary shall include any request made under subparagraph (A) in the guidelines required under section 308.

"(4) **FUEL AND VEHICLE NEUTRALITY.**—The Secretary shall carry out this subsection in a manner that is, to the maximum extent practicable, neutral with respect to the type of fuel and vehicle used."

SEC. 1105. STATE AND LOCAL INCENTIVES PROGRAMS.

(a) **ESTABLISHMENT OF PROGRAM.**—Section 409(a) of the Energy Policy Act of 1992 (42 U.S.C. 13235(a)) is amended—

(1) in paragraph (2)(A), by striking "alternative fueled vehicles" and inserting "light and heavy duty alternative fueled vehicles and increasing the use of alternative fuels"; and

(2) in paragraph (3)—

(A) in subparagraph (B), by inserting after "introduction of" the following: "converted or acquired light and heavy duty";

(B) in subparagraph (E), by inserting after "of sales of" the following: ", incentives toward

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1 use of, and reporting requirements relating to";
2 and

3 (C) in subparagraph (G)—

4 (i) by redesignating clauses (i) through
5 (iii) as clauses (ii) through (iv), respec-
6 tively; and

7 (ii) by inserting after "cost of—" the
8 following:

9 "(I) alternative fuels;"

10 (b) *FEDERAL ASSISTANCE TO STATES*.—Section
11 409(b) of the Energy Policy Act of 1992 (42 U.S.C.
12 13235(b)) is amended—

13 (1) in paragraph (1)—

14 (A) in subparagraph (B), by striking "and"
15 at the end;

16 (B) in subparagraph (C), by striking the
17 period at the end and inserting "; and"; and

18 (C) by adding at the end the following:

19 "(D) grants of Federal financial assistance
20 for the incremental purchase cost of alternative
21 fuels.";

22 (2) in paragraph (2)(B), by inserting after "be
23 introduced" the following: "and the volume of alter-
24 native fuel likely to be consumed"; and

25 (3) in paragraph (3)—

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1 (A) by inserting "alternative fuels and"
2 after "in procuring"; and

3 (B) by inserting "fuels and" after "of such".

4 (c) *GENERAL PROVISIONS*.—Section 409(c)(2)(A) of
5 the Energy Policy Act of 1992 (42 U.S.C. 13235(c)(2)(A))
6 is amended by inserting after "alternative fueled vehicles
7 in use" the following: "and volume of alternative fuel con-
8 sumed".

9 *SEC. 1106. ALTERNATIVE FUEL BUS PROGRAM*. Sec-
10 tion 410(c) of the Energy Policy Act of 1992 (42 U.S.C.
11 13236(c)) is amended in the second sentence by striking
12 "and the conversion of school buses to dedicated vehicles"
13 and inserting "the incremental cost of alternative fuels used
14 in flexible fueled school buses, and the conversion of school
15 buses to alternative fueled vehicles".

16 *SEC. 1107. ALTERNATIVE FUEL USE IN NONROAD VE-*
17 *HICLES, ENGINES, AND MARINE VESSELS*. Section 412 of
18 the Energy Policy Act of 1992 (42 U.S.C. 13238) is amend-
19 ed—

20 (1) in the section heading, by striking "and en-
21 gines" and inserting ", engines, and marine vessels";

22 (2) by striking "vehicles and engines" each place
23 it appears in subsections (a) and (b) and inserting
24 "vehicles, engines, and marine vessels";

25 (3) in subsection (a)—

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1 (A) in the subsection heading, by striking
2 "NONROAD VEHICLES AND ENGINES" and insert-
3 ing "IN GENERAL";

4 (B) in paragraph (1)—

5 (i) in the first sentence, by striking "a
6 study" and inserting "studies"; and

7 (ii) in the second sentence—

8 (I) by striking "study" and in-
9 serting "studies"; and

10 (II) by striking "2 years" and in-
11 serting "2, 6, and 10 years";

12 (C) in paragraph (2)—

13 (i) by striking "study" each place it
14 appears and inserting "studies"; and

15 (ii) in the second sentence, by inserting
16 "or marine vessels" after "such vehicles";
17 and

18 (D) in paragraph (3)—

19 (i) by striking "report" and inserting
20 "reports"; and

21 (ii) by striking "may" and inserting
22 "shall"; and

23 (4) in subsection (b)—

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1 (A) in the subsection heading, by striking
2 "AND ENGINES" and inserting ", ENGINES, AND
3 MARINE VESSELS"; and

4 (B) by striking "rail transportation, vehi-
5 cles used at airports, vehicles or engines used for
6 marine purposes, and other vehicles or engines"
7 and inserting "rail and waterway transpor-
8 tation, vehicles used at airports and seaports, ve-
9 hicles or engines used for marine purposes, ma-
10 rine vessels, and other vehicles, engines, or ma-
11 rine vessels".

12 SEC. 1108. MANDATE FOR ALTERNATIVE FUEL PRO-
13 VIDERS. Section 501 of the Energy Policy Act of 1992 (42
14 U.S.C. 13251) is amended—

15 (1) in subsection (a)(1), by inserting "or heavy"
16 after "new light"; and

17 (2) in subsection (b)—

18 (A) in paragraph (1), by striking "and" at
19 the end;

20 (B) in paragraph (2), by striking the period
21 at the end and inserting "; and"; and

22 (C) by adding at the end the following:

23 "(3) allow the conversion of an existing fleet ve-
24 hicle into a dual-fueled alternative fueled vehicle at
25 the time of a major overhaul or rebuild of the vehicle,

1 if the original equipment manufacturer's warranty
2 continues to apply to the vehicle, pursuant to an
3 agreement between the original equipment manufac-
4 turer and the person performing the conversion."

5 SEC. 1109. REPLACEMENT FUEL SUPPLY AND DE-
6 MAND PROGRAM. Section 502 of the Energy Policy Act of
7 1992 (42 U.S.C. 13252) is amended—

8 (1) in the first sentence of subsection (a), by in-
9 serting "and heavy" after "in light"; and

10 (2) in the first sentence of subsection (b), by in-
11 serting after "October 1, 1993," the following: "and
12 every 5 years thereafter through October 1, 2008,".

13 SEC. 1110. MODIFICATION OF GOALS; ADDITIONAL
14 RULEMAKING AUTHORITY. Section 504 of the Energy Policy
15 Act of 1992 (42 U.S.C. 13254) is amended—

16 (1) in the first sentence of subsection (a), by
17 striking "and periodically thereafter" and inserting
18 "consistent with the reporting requirements of section
19 502(b)"; and

20 (2) in subsection (c), by inserting after the first
21 sentence the following: "Any additional regulation
22 issued by the Secretary shall be, to the maximum ex-
23 tent practicable, neutral with respect to the type of
24 fuel and vehicle used."

1 SEC. 1111. FLEET REQUIREMENT PROGRAM. (a)
2 FLEET PROGRAM PURCHASE GOALS.—Section 507(a)(1) of
3 the Energy Policy Act of 1992 (42 U.S.C. 13257(a)(1)) is
4 amended by inserting "acquired as, or converted into," after
5 "shall be".

6 (b) FLEET REQUIREMENT PROGRAM.—Section 507(g)
7 of the Energy Policy Act of 1992 (42 U.S.C. 13257(g)) is
8 amended—

9 (1) in paragraph (1), by inserting "acquired as,
10 or converted into," after "shall be";

11 (2) by redesignating paragraph (4) as para-
12 graph (5); and

13 (3) by inserting after paragraph (3) the follow-
14 ing:

15 "(4) SUBSTITUTIONS.—The Secretary shall, by
16 rule, permit fleets covered under this section to sub-
17 stitute the acquisition or conversion of 1 heavy duty
18 alternative fueled vehicle for 2 light duty vehicle ac-
19 quisitions to meet the requirements of this sub-
20 section."

21 (c) CONVERSIONS.—Section 507(j) of the Energy Pol-
22 icy Act of 1992 (42 U.S.C. 13257(j)) is amended—

23 (1) by striking "Nothing in" and inserting the
24 following:

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1 “(1) *IN GENERAL*.—Subject to paragraph (2),
2 *nothing in*”; and

3 (2) *by adding at the end the following:*

4 “(2) *CONVERSION INTO ALTERNATIVE FUELED*
5 *VEHICLES*.—

6 “(A) *IN GENERAL*.—A fleet owner shall be
7 permitted to convert an existing fleet vehicle into
8 an alternative fueled vehicle, and purchase the
9 alternative fuel for the converted vehicle, for the
10 purpose of compliance with this title or an
11 amendment made by this title, if the original
12 equipment manufacturer's warranty continues to
13 apply to the vehicle, pursuant to an agreement
14 between the original equipment manufacturer
15 and the person performing the conversion.

16 “(B) *CREDITS*.—A fleet owner shall be al-
17 lowed a credit for the conversion of an existing
18 fleet vehicle and the purchase of alternative fuel
19 for the vehicle.”.

20 (d) *MANDATORY STATE FLEET PROGRAMS*.—Section
21 507(o) of the Energy Policy Act of 1992 (42 U.S.C.
22 13257(o)) is amended—

23 (1) in paragraph (1)—

24 (A) by inserting “or heavy” after “new
25 light”; and

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1 (B) by inserting “or converted” after “ac-
2 quired”; and

3 (2) in the first sentence of paragraph (2)(A)—

4 (A) by striking “this Act” and inserting
5 “the Biodiesel Energy Development Act of 1997”;
6 and

7 (B) by inserting after “of light” the follow-
8 ing: “or heavy duty alternative fueled”.

9 SEC. 1112. *CREDITS*. (a) *IN GENERAL*.—Section
10 508(a) of the Energy Policy Act of 1992 (42 U.S.C.
11 13258(a)) is amended—

12 (1) by striking “The Secretary” and inserting
13 the following:

14 “(1) *ADDITIONAL ALTERNATIVE FUELED VEHIC-*
15 *CLES*.—The Secretary”; and

16 (2) by adding at the end the following:

17 “(2) *ALTERNATIVE FUEL*.—The Secretary shall
18 allocate a credit to a fleet or covered person that ac-
19 quires a volume of alternative fuel equal to the esti-
20 mated need for 1 year for any dual-fueled vehicle ac-
21 quired or converted by the fleet or covered person as
22 required under this title.”.

23 (b) *ALLOCATION*.—Section 508(b) of the Energy Policy
24 Act of 1992 (42 U.S.C. 13258(b)) is amended—

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(1) by striking "In allocating credits under subsection (a)," and inserting the following:

"(1) *ADDITIONAL ALTERNATIVE FUELED VEHICLES*.—In allocating credits under subsection (a)(1),"; and

(2) by adding at the end the following:

"(2) *DUAL-FUELED VEHICLES; ALTERNATIVE FUEL*.—In allocating credits under subsection (a)(2), the Secretary shall allocate 2 credits to a fleet or covered person for acquiring or converting a dual-fueled vehicle and acquiring a volume of alternative fuel equal to the estimated need for 1 year for any dual-fueled vehicle if the dual-fueled vehicle acquired is in excess of the number that the fleet or covered person is required to acquire or is acquired before the date that the fleet or covered person is required to acquire the number under this title."

SEC. 1113. SECRETARY'S RECOMMENDATION TO CONGRESS. Section 509(a) of the Energy Policy Act of 1992 (42 U.S.C. 13259(a)) is amended—

(1) in paragraph (1), by inserting before the semicolon at the end the following: "and exempting replacement fuels from taxes levied on non-replacement fuels"; and

(2) in paragraph (2)—

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(A) by inserting "and converters" after "suppliers"; and

(B) by inserting before the semicolon the following: ", including the conversion and warranty of motor vehicles into alternative fueled vehicles".

This Act may be cited as the "Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1999".

Passed the House of Representatives June 24, 1998.

Attest: ROBIN H. CARLE,
Clerk.

Passed the Senate July 16, 1998.

Attest: GARY SISCO,
Secretary.

**White House Climate Change Task Force**

734 Jackson Place, N.W. - Washington, DC 20503

facsimile**TRANSMITTAL**

TO: <i>Todd Stern / Jonathan Ad.</i>	FROM:
OFFICE: <i>Roger Ballentine / Martha Fajuy</i>	DATE:
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IF TRANSMITTAL IS INCOMPLETE, PLEASE CALL THE ABOVE NUMBER.	

MESSAGE/COMMENTS:

- ① Letter to EPA from Wasserman. The Agency is trying to get an answer out today - But promised we it would be circulated.
- ② Fact Sheets on: Methane Landfill Rule
Chiller Can Rule
NRDC Consent Decree

JUL-13-1998 11:27

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Congress of the United States
House of Representatives
Washington, DC 20515-0529

HENRY A. WAXMAN
29TH DISTRICT, CALIFORNIA

July 12, 1998

Via facsimile 260-3384

The Honorable Carol M. Browner
Administrator
Environmental Protection Agency
401 M Street, S.W.
Mail Code 1101
Washington, DC 20460

Dear Administrator Browner:

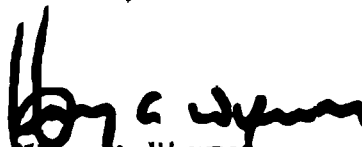
I am writing to request your views on H.R. 4194, the VA-HUD Appropriations bill, and an amendment I am considering offering to that bill on the floor.

As in years past, the VA-HUD Appropriations bill contains objectionable language in both the bill and the report which would hinder our efforts to protect the environment under existing successful programs. Specifically, there is language which would prevent the Administration from developing proposals to curb-- or even educate the public about-- the dangers of global warming, defund our energy efficiency programs, prevent the cleanup of PCB contaminated sediments, restrict the use of Brownfields funds, stall implementation of the Food Quality Protection Act, and block the cleanup of dangerous mercury air pollution.

In order to prevent a rollback of our important and popular environmental programs, I am considering offering an amendment which would exempt activities currently authorized by law from all of these limitations.

H.R. 4194 is expected to be considered on the House floor on Wednesday July 12, 1998, so I would greatly appreciate receiving your thoughts on this bill and my amendment before then. Thank you for your assistance with this critically important issue.

Sincerely,


Henry A. Waxman
MEMBER OF CONGRESS

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795-2342

Landfill Methane Control

EPA rules and guidelines issued under the Clean Air Act in 1996 require large landfills to control emissions that lead to the formation of ozone smog. The same control measures will also cut landfill emissions of methane (a potent greenhouse gas) by more than half -- the equivalent of eliminating the greenhouse emissions of 20 million cars -- while recovering enough usable fuel to meet the energy needs of two million homes.

Key Points:

- EPA's actions were taken primarily to protect the American people from ozone smog. The rules and guidelines, issued under Section 111 of the Clean Air Act, are focused on controlling volatile organic compounds (VOCs) that contribute to unhealthy levels of ozone smog. Landfill control measures will reduce emissions of VOCs, as well as toxic air pollutants and offensive odors, by more than half (more than 90,000 tons per year).
- Methane is also formed from decomposing garbage. Landfill methane emissions are captured and destroyed along with the other chemicals. Landfill methane emissions present a well-documented danger of fires or explosions.
- Methane is also a powerful greenhouse gas. The landfill methane emissions captured and destroyed by these EPA actions are equivalent to eliminating the greenhouse emissions of 20 million cars. Captured landfill methane can be used cost-effectively to generate enough electricity to meet the energy needs of two million homes.
- These common-sense actions under existing law are helping to protect the American people from dangerous urban smog while at the same time reducing the risks of global warming. They were not an attempt at "back door" implementation of the Kyoto Protocol. But these clear benefits for public health and the environment could not have been achieved if EPA had been prevented from acting by a misplaced anti-Kyoto rider.

Self-Chilling Cans

EPA used its authority under the Clean Air Act to block the introduction of a self-chilling soda and beer can that would have emitted *hydrofluorocarbons* (HFCs), extremely potent greenhouse gases. In response, the product's inventors came up with a safer design, using another cooling agent. The new design will soon go to market, with EPA approval.

Key Points

- As part of the phase-out of chemicals that deplete the stratospheric ozone layer, the 1990 Clean Air Act requires EPA to review the health and environmental effects of replacements chemicals and products. Section 612(c) requires EPA to block the introduction of any replacement that may present adverse effects to human health or the environment, if there is an available alternative that *“reduces overall risk to human health and the environment.”* Section 608(c) also makes it illegal to knowingly vent or release a replacement refrigerant from a product into the air, unless EPA determines that it *“does not pose a threat to the environment.”*
- Self-chilling cans work by releasing a refrigerant substance when opened. The expansion and escape of the refrigerant cools the can. The first self-chilling can design would have used HFCs as the refrigerant – chemicals that have 140 to 1,300 times the warming power of carbon dioxide. Releasing these chemicals from the cans would have posed new environmental risks not associated with traditional refrigeration.
- If self-chilling cans using one of these chemicals (HFC-134a) had captured just 5% of the 90 billion can U.S. market by the year 2000, they would have more than offset all the greenhouse gas reductions achieved by the Administration's voluntary programs. At a 25% market penetration, their emissions would have equalled nearly one-third of the greenhouse gases coming from all electric power generation in the U.S.
- In response to EPA's action, the product's inventors came up with a new design that uses a safer refrigerant. The new product will have no more impact on the environment than traditional refrigeration. It will soon be on the market, with EPA's approval.
- These common-sense actions under existing law have protected the American people from new and unnecessary dangers as ozone-depleting chemicals are replaced. They were not an attempt at “back door” implementation of the Kyoto Protocol. They are, however, the kind of common-sense public health protection Americans will lose if misplaced anti-Kyoto legislation is enacted.

Proposed Settlement Agreement on Mercury Emissions

What the proposed stipulation says:

"EPA shall undertake ..., an analysis of the emission reductions of SO₂, NO_x, CO₂ and mercury (and the effect on mercury removal costs) that would be achieved through an array of strategies to control SO₂, NO_x, CO₂ and mercury, ..."

Key Points

- **EPA has made no decision to regulate CO₂ from electric power plants, and this is not an attempt at "back door" implementation of the Kyoto Protocol. The Administration is committed not to implement the Kyoto Protocol until the Senate has given advice and consent to its ratification.**
- **The stipulation is contained in a proposed revision to a settlement agreement in a lawsuit brought by the Natural Resources Defense Council. The revised settlement agreement delays the date by which EPA must meet its obligation under §112 of the Clean Air Act to determine whether it is appropriate and necessary to regulate emissions from electric utility steam generating units of specific air pollutants, including mercury, that are listed as "hazardous" under the Act. EPA has identified mercury as the hazardous air pollutant of primary concern in the emissions of electric utility steam generating units.**
- **The analysis called for in the proposed revision to the settlement agreement is specifically intended to inform EPA's decision whether, and if so, how to regulate mercury emissions from coal-fired electric power plants. Multiple pollutant analysis makes sense because efforts to reduce any one of these pollutants has an effect on the others. EPA routinely uses a widely-accepted computer model, called the Integrated Planning Model (IPM), to undertake these multiple pollutant analyses.**
- **EPA has conducted multi-pollutant analyses like this for electric power plants for more than two years, with broad stakeholder involvement and support. In 1996, EPA conducted the Clean Air Power Initiative (CAPI), a stakeholder process involving utilities, fuel suppliers, labor, and environmental organizations, using the IPM model to look at the interaction of control strategies for various pollutants from electric power plants.**
- **In the CAPI process and in subsequent advisory committees, EPA has been repeatedly urged by utilities, the United Mine Workers, and environmental groups to include CO₂ in these IPM analyses. The present analysis is intended solely to inform the decisions EPA is required to make under the Clean Air Act regarding mercury emissions from electric steam generating units.**
- **Multiple pollutant analyses are called for in the Clean Air Act. For example, §103(g)(1) calls for analyses of "[i]mprovements in nonregulatory strategies and technologies for preventing or reducing multiple air pollutants, including sulfur oxides, nitrogen oxides, heavy metals, PM-10 (particulate matter), carbon monoxide, and carbon dioxide, from**

stationary sources, including fossil fuel power plants."