AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

FY 2005 BUDGET PRIORITIES FOR THE DEPARTMENT OF ENERGY

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

APRIL 1, 2004

Serial No. 108–80

Printed for the use of the Committee on Energy and Commerce

Available via the World Wide Web: http://www.access.gpo.gov/congress/house

U.S. GOVERNMENT PRINTING OFFICE

93–304PDF WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON ENERGY AND COMMERCE

JOE BARTON, Texas, Chairman

W.J. "BILLY" TAUZIN, Louisiana
RALPH M. HALL, Texas
MICHAEL BILIRAKIS, Florida
FRED UPTON, Michigan
CLIFF STEARNS, Florida
PAUL E. GILLMOR, Ohio
JAMES C. GREENWOOD, Pennsylvania
CHRISTOPHER COX, California
NATHAN DEAL, Georgia
RICHARD BURR, North Carolina
ED WHITFIELD, Kentucky
CHARLIE NORWOOD, Georgia
BARBARA CUBIN, Wyoming
JOHN SHIMKUS, Illinois
HEATHER WILSON, New Mexico
JOHN B. SHADEGG, Arizona
CHARLES W. "CHIP" PICKERING, Mississippi, *Vice Chairman*
VITO FOSSELLA, New York
STEVE BUYER, Indiana
GEORGE RADANOVICH, California
CHARLES F. BASS, New Hampshire
JOSEPH R. PITTS, Pennsylvania
MARY BONO, California
GREG WALDEN, Oregon
LEE TERRY, Nebraska
MIKE FERGUSON, New Jersey
MIKE ROGERS, Michigan
DARRELL E. ISSA, California
C.L. "BUTCH" OTTER, Idaho
JOHN SULLIVAN, Oklahoma

JOHN D. DINGELL, Michigan
Ranking Member
HENRY A. WAXMAN, California
EDWARD J. MARKEY, Massachusetts
RICK BOUCHER, Virginia
EDOLPHUS TOWNS, New York
FRANK PALLONE, Jr., New Jersey
SHERROD BROWN, Ohio
BART GORDON, Tennessee
PETER DEUTSCH, Florida
BOBBY L. RUSH, Illinois
ANNA G. ESHOO, California
BART STUPAK, Michigan
ELIOT L. ENGEL, New York
ALBERT R. WYNN, Maryland
GENE GREEN, Texas
KAREN McCARTHY, Missouri
TED STRICKLAND, Ohio
DIANA DeGETTE, Colorado
LOIS CAPPS, California
MICHAEL F. DOYLE, Pennsylvania
CHRISTOPHER JOHN, Louisiana
TOM ALLEN, Maine
JIM DAVIS, Florida
JANICE D. SCHAKOWSKY, Illinois
HILDA L. SOLIS, California
CHARLES A. GONZALEZ, Texas

BUD ALBRIGHT, *Staff Director*
JAMES D. BARNETTE, *General Counsel*
REID P.F. STUNTZ, *Minority Staff Director and Chief Counsel*

(II)

CONTENTS

	Page
Testimony of:	
Abraham, Hon. Spencer, Secretary, U.S. Department of Energy	15
Additional material submitted for the record:	
Abraham, Hon. Spencer, Secretary, U.S. Department of Energy, response for the record	68

FY 2005 BUDGET PRIORITIES FOR THE DEPARTMENT OF ENERGY

THURSDAY, APRIL 1, 2004

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

The committee met, pursuant to notice, at 9:30 a.m., in room 2123, Rayburn House Office Building, Hon. Joe Barton (chairman) presiding.

Members present: Representatives Barton, Hall, Upton, Stearns, Gillmor, Whitfield, Norwood, Shimkus, Wilson, Shadegg, Buyer, Radanovich, Bass, Walden, Terry, Ferguson, Rogers, Issa, Otter, Sullivan, Dingell, Markey, Boucher, Brown, Eshoo, Stupak, Engel, Wynn, Green, McCarthy, Strickland, Capps, Doyle, Allen, Davis, Schakowsky, and Solis.

Staff present: Mark Menezes, majority counsel; Bob Meyers, majority counsel; Jason Bentley, majority counsel; Bob Rainey, fellow; Peter Kielty, legislative clerk; Bruce Harris, minority counsel; and Sue Sheridan, minority counsel.

Chairman BARTON. The committee will come to order.

Today we're here to hear from the Secretary of Energy on the Department of Energy's pending budget request and any other issues that he wishes to put before us.

The Chair would recognize Mr. Dingell for a unanimous consent request.

Mr. DINGELL. Good morning, Mr. Chairman.

I have a unanimous consent which you and I have discussed. It have discussed it with the members of the minority.

It is as follows, and I ask unanimous consent to this effect: For the purposes of this meeting alone that members be limited in their opening statements to 1 minute; that subsequently each of them will receive the appropriate amount of time under rules, i.e., 5 minutes for questions or such further comments as may be appropriate.

That is the unanimous consent request subject to just a couple of things I want to say.

One, we would expect if this time does not make it possible to receive the full testimony of the Secretary or the opportunity of all members on both sides to ask questions and so forth, that we would expect that the Secretary would come back. And second of all, to have a clear understanding that this does not change or amend the rules of the committee. It is simply a unanimous consent request for this day's business only.

Chairman BARTON. Observing the right to object.

Mr. DINGELL. I certainly yield to my——

Chairman BARTON. And I will not object, but I want to let all the members of the committee know that I take my duties as chairman of this committee, you know, absolutely seriously. And it is not my intent nor will I unilaterally violate any of the rules.

I was led to believe until last week that we actually had a rule that said all members of the committee had a right to give a specified opening statement. It turns out that at least in the opinion of the Parliamentarian and the majority counsel that it is not a right, it is a tradition. I want to maintain the traditions also. But on rare occasions when we have Cabinet secretaries or other special situations that have limited time, I will work with Mr. Dingell to determine the best way to maximize everybody's opportunity to have some input.

So as long as everybody understands that accepting this unanimous consent request does not set a precedent and does not acknowledge a subordination of the chairman's rights of recognition, I will not object. And we will get this worked out. We are going to get with the Parliamentarian, with both majority and minority counsel and make sure we understand what the rules are, what the rights are. And those will be honored scrupulously.

So with that, is there an objection to the gentleman from Michigan's unanimous consent request? Hearing none, so ordered.

The Chair would recognize himself for 1 minute.

Mr. Secretary, we are glad to have you here today. This is an important hearing. As you know, energy is in the news today. This committee and the House of Representatives passed a comprehensive energy bill. The committee passed the original bill last spring. We passed the Conference Report right before Christmas, and yet today the other body has yet to see fit to move that bill.

Energy prices are at, or near, all time highs. Consequently, we need to focus on our energy policy. We also need to focus on your Department's budget.

I want to commend you on what you have done in the management of the Department of Energy. You are one of the few Cabinet Secretaries that has taken managing the Department to heart, and the Office of Management and Budget has given your leadership at the Department very high marks for what you have done.

So I look forward to hearing from you. And, obviously, we look forward to having a full discussion in the question and answer period.

[The prepared statement of Hon. Joe Barton follows:]

PREPARED STATEMENT OF HON. JOE BARTON, CHAIRMAN, COMMITTEE ON ENERGY AND COMMERCE

The hearing will come to order. One of the first decisions I made upon becoming Chairman of the Committee was to exercise our Constitutional duty to review the budget requests of cabinet departments within our jurisdiction. Thus far, the full Committee has heard from Secretaries Thompson and Evans and today we've invited Secretary Abraham of the Department of Energy to address DOE's budget for FY 2005.

We have heard from the Secretary and his office on several critical items this Congress: of course on the energy bill, but also the August blackout, Yucca Mountain, and a number of oversight matters. But the Energy Department also performs a wide range of services for our country, from modernizing our nuclear weapons stockpile to the development of energy efficiency technology and renewable energy. I think it important to recognize your accomplishments, Mr. Secretary; I understand

OMB has announced that your Department has made the most progress in fulfilling the President's Management Agenda by creating cost-saving synergies to enhance performance while meeting the Department's missions. Considering the challenges facing your Department, that is quite a feat and you and your staff should be complimented.

Today, Mr. Secretary, you bring us the largest DOE budget in history and we look forward to hearing from you as to why that's the case.

Chairman BARTON. With that, I would recognize the gentleman from Michigan for 1 minute.

Mr. DINGELL. Mr. Chairman, I thank you.

Welcome, Mr. Secretary.

Mr. Chairman, I hope that this hearing—first of all, I commend you for the hearing.

Second, I hope that the hearing will focus very carefully and that the Secretary will assist us on a number of questions. One, the question of enacting electric reliability legislation and, with the administration's support, that being done separately.

Two, the need of the administration to job own OPEC and OPEC members and whether that has in fact been done because I believe that is extremely important.

I also hope that we will address seriously the problem of reform of Yucca Mountain funding where monies belonging to the public are being dissipated improperly by the Congress and by the Budget Committee and the Appropriations Committee.

I also would like to see us address this morning problems associated with accelerated clean-up at defense waste sites and other similar facilities. Also facility security and worker safety. These are important matters which need to be address and I hope we an explore today.

Thank you, Mr. Chairman.

Chairman BARTON. Thank you.

Without objection, all members' written statement will be made a part of the record.

The Chair is now going to recognize any members who seeks recognition to give a 1-minute opening statement.

The Chair would recognize the distinguished subcommittee chairman of the Energy and Air Quality Subcommittee, Mr. Hall of Texas.

Mr. HALL. Mr. Chairman, I have no opening statement.

Chairman BARTON. The Chair would then recognize Mr. Markey for an opening statement. Okay. Mr. Markey passes.

The Chair would then recognize Congresswoman Wilson for an opening statement.

Ms. WILSON. I will pass, Mr. Chairman.

Chairman BARTON. Okay. The Chair would recognize Mr. Brown of Ohio for an opening statement.

Mr. BROWN. Thank you, Mr. Chairman. I will limit to 1 minute as you request.

America's energy future is taking shape, Mr. Secretary, in Ohio a national leader in fuel cell technology research. That is why I strongly support your FutureGen proposal to build a coal fueled emissions free fuel cell power plant. I look forward to working with you to make FutureGen a reality.

I also support the President's proposal to increase funding for EnergyStar. We should be doing more by providing Federal rebates to consumers who choose EnergyStar labeled products.

But though high natural gas prices are hurting manufacturers, the President proposes to cut funding for programs that help manufacturers save money by saving energy. That is a mistake we in Congress must correct. We know what has happened in your part of the country, my part of the country; Michigan, Ohio, the entire Great Lakes area with loss of manufacturing jobs. The President seems to be missing the boat on this part of dealing with that problem and other areas also in manufacturing.

The Energy Information Administration projecting record gasoline demand and low gas inventories, the Energy Department must act to protect consumers. I urge you to meet this spring with oil company executives to make certain that inventories are sufficient to protect consumers from the price effects of unanticipated supply disruption.

Mr. Secretary, I am glad you are here. Thank you.

Chairman BARTON. Does the gentleman from Arizona wish to make an opening statement?

Mr. SHADEGG. I do, Mr. Chairman.

Chairman BARTON. The gentleman is recognized for 1 minute.

Mr. SHADEGG. Mr. Secretary, I want to thank you for being here today and for presenting yourself for questioning by our committee.

I want to compliment you on the efforts of you and the administration to address the energy issues facing our Nation.

In May 2000 the administration released a comprehensive national energy policy which made over 100 separate recommendations to address all aspects of the energy equation.

In the summer of 2001 you worked with the committee and the House to pass H.R. 4, the Energy Policy Act of 2001 with a wide range of issues proposing to boost energy oil product, gas and electricity and implement energy conservation programs and efficiency programs.

Last spring you worked with us again to pass even more legislation, more comprehensive legislation the Energy Bill H.R. 6.

We appreciate your efforts to address these issues.

I know there will be questions today about the Strategic Petroleum Reserve, and I am anxious to get into that discussion.

But I want to compliment this administration. Obviously, a lot of things that you have put on the table have not yet become law or have been defeated as a result of the deliberations of the U.S. Congress, and those things have had consequences. Now that we face extremely high oil prices and——

Chairman BARTON. The gentleman's time has expired.

Mr. SHADEGG. [continuing] I share my colleagues' concern that we work to try to hold down gasoline prices as we go forward.

I thank you for being here.

Chairman BARTON. The gentleman from Massachusetts now recognized for 1 minute opening statement.

Mr. MARKEY. President Bush gets quite a bit of advice about how to deal with OPEC oil cartel. Here is a plan I really wish that he had taken to heart prior to yesterday's announcement. "What I think the President ought to do is he ought to get on the phone

with the OPEC cartel and say we expect you to open your spigots. One reason why the price is so high is because the price of crude oil has been driven up. OPEC has gotten its supply act together and it is driving up the price like it did in the past. And the President of the United States must job own OPEC members to lower the price." Great advice. Who offered it? It was candidate George W. Bush back in January 2000 to Bill Clinton. Unfortunately, President George W. Bush does not seem to have listened. Instead of getting OPEC to turn on the spigot, President Bush has failed to prevent OPEC from turning off the spigot that powers the American economy.

The Bush Administration's failed energy policies are already forcing consumers to pay a Bush gas tax of $24 billion a year that could rise to $32 billion by the summer unless President Bush gets OPEC to start producing more oil instead of reducing by a million barrels of oil at a point where the economy of the world is in trouble.

Chairman BARTON. I thank the gentleman from Massachusetts.

Does the gentleman from New Hampshire wish to make an opening statement?

Mr. BASS. Yes, Mr. Chairman.

Chairman BARTON. The gentleman is recognized.

Mr. BASS. The comments of my friend from Massachusetts notwithstanding, Mr. Secretary energy should not be about Republicans versus Democrats in an election year. It should not be about liberals versus conservatives, and it is not. Energy policy is about developing a unified bipartisan strategy that involves foreign policy and the balanced development of energy resources that meet the needs which are unique and interesting of all regions of the country.

And I am looking forward to working with you and this committee if we do not have an energy bill in the near future to develop a plan that will be of interest to regions such as the northeast.

And I yield back.

Chairman BARTON. The gentleman from Michigan wish to make an opening statement?

Mr. STUPAK. Yes, Mr. Chairman.

Chairman BARTON. The gentleman is recognized.

Mr. STUPAK. Mr. Chairman.

Mr. Secretary, I recently read a Florida paper which suggested creating a renewable energy trust fund using revenue derived from an energy postage stamp similar to the breast cancer research stamp. The special stamp would cost more than a regular postage stamp with the extra revenue awarded to universities for the research and development of clean, renewable energy sources such as hybrid cars and alternative fuels, the goal being energy independence by 2014. This is similar to what the government asked of Americans during World War II. The government asked them to buy war bonds, grow victory gardens. Now we should ask them to buy energy stamps to help free us from foreign oil, which again is linked to our national security.

And with that, I would yield back. I will be interested in hearing your comments.

Chairman BARTON. We thank the gentleman.

Does the gentleman from New Jersey wish to make an opening statement?

Mr. FERGUSON. I do, Mr. Chairman.

Chairman BARTON. The gentleman is recognized.

Mr. FERGUSON. Thank you, Mr. Secretary for being here.

I was listening to my friend from Massachusetts talk about the failed energy policies of the Bush Administration. It has got to be April Fool's Day, because many of the important energy policies of the Bush Administration have never been put into law because of those in the Congress, those in this committee, those on the House floor and in particular our friends in the Senate who have sought to stymie the energy policies of this administration from being put into law.

Clearly, this administration and Secretary Abraham and others have worked like dogs for 3 years to try and implement an energy policy which was lacking for 8 years under the previous administration. It seems to me that many of the energy problems and the situations that we are facing today could have been helped had we put an energy policy in place 1 or 2 or 3 years ago. It is my hope that we will continue to work today with the Secretary and our friends in the Senate to implement an energy policy which this administration had put forward 3 years ago, more than 3 years ago.

Thank you, Mr. Chairman.

Chairman BARTON. Does the gentleman from New York wish to make an opening statement?

Mr. ENGEL. Yes, thank you, Mr. Chairman.

I believe that the administration must do everything in its power pure and simple to bring down the prices of gasoline. I think it is quite disingenuous to suggest that if the energy bill had passed in the Senate, somehow that would have effected the prices of gasoline.

I know the energy bill would reward polluters and do a lot of other things, but I do not really see it bringing down the prices of gasoline. And that is the No. 1 priority for the American people.

A few days ago OPEC announced it will cut production. Our supposed allies in the Middle East are once again squeezing the American consumers. If that does not prove the point that we must find innovative ways to become an energy independent Nation, I do not know what will.

It has been a quarter of a century since we increased CAFE standards. In that time we have seen a revolution in medical technology, telephone and wireless equipment and the creation of a little thing called the Internet. We have some very bright engineers. So I find it absolutely impossible to believe that the automotive engineers have not been able to improve engine efficiency.

I think that we have to have high better insulating materials for walls and windows, a much more aggressive effort to deploy super conductors in the market. And the energy policy of this country, we also need to think a lot about conservation.

Chairman BARTON. The gentleman——

Mr. ENGEL. And finally I want to say——

Chairman BARTON. The gentleman's time is expiring.

Mr. ENGEL. [continuing] that the Federal Government should not—I urge the Federal Government to put a temporary hold on purchasing more oil for the Strategic Petroleum Reserve, and I join my colleague from Virginia and dozens of other members who said that.

Thank you, Mr. Chairman.

Chairman BARTON. I thank the gentleman from New York.

Does the gentleman from Michigan wish to make an opening statement?

Does the gentlelady from California wish to make an opening statement, Ms. Eshoo?

Ms. ESHOO. Thank you.

And good morning, Mr. Chairman and Mr. Secretary. Welcome.

I am very glad that you are here to discuss the administration's budget request. But of course this is an opportune time to talk just a little bit in our opening statements about national energy policy.

What I want to direct my comments very quickly at, and other members have done this as well, is the issue of gasoline prices and what is happening at the pump. They are high all over the country. I am a Californian. Last weekend, just maybe three blocks from my home, $2.25 a gallon for regular. $2.25 a gallon for regular.

So this is hitting people hard. And I do think that there are some things that we can do, both short term and long term.

Everyone in California including our new Governor, the entire California delegation, bipartisan California congressional delegation and even EPA scientists know that the waiver to improve air quality in our State would certainly help to lower costs. We need to act on that waiver, and we need your assistance in doing that.

I carried legislation with a former member from this committee from Southern California——

Chairman BARTON. Okay. The gentlelady's time is expiring.

Ms. ESHOO. And I hope, Mr. Secretary, that you will take a very close look at the letter that we have sent to you. It is not to cure the entire problem, but it certainly will go a long way.

Thank you.

Chairman BARTON. The gentlelady's time has expired.

The gentleman from California, Mr. Issa, is recognized for 1 minute.

Mr. ISSA. Mr. Secretary, I would echo parts of my colleague from California's comments that it is important that California be allowed to formulate less expensive clean fuels as soon as possible. I would note that that is in the Energy Bill, and hopefully we will soon see that waiver brought about.

But what I am going to be very concerned to get a feel for is with the Federal Government buying 160,000 barrels a day for the Strategic Petroleum Reserve and past experience of unloading 30 million barrels in order to try to reduce prices and finding that it only reduced prices by about .01 cent a gallon; whether or not this is really going to make a material difference in what we all admit is a refining capacity problem leading to higher prices. And, hopefully, you can deal with that and then in the remaining seconds that we all have, help us understand the impending natural gas shortage.

Thank you. I yield back.

Chairman BARTON. The gentleman from Texas, Mr. Green, is recognized for 1 minute.

Mr. GREEN. Thank you, Mr. Chairman.

And as we know, energy prices are having a major impact on our economy today, not only our constituents at the pump, but particularly in the economy of the Gulf Coast where I represent where natural gas prices are threatening the chemical manufacturers to use natural gas as a fed stock, plus the price of just heating our homes and cooling our homes.

The Washington Post on March 17 ran a front page business section article with headline "Chemical Industry in a Crises: Natural Gas Prices Are Up, Factories Are Closing And Jobs Are Vanishing." My concern is we are going to see the same thing happen to the chemical industry that happened in a lot of our other basic industries.

The article cited an industry executive saying we have the highest natural gas prices in the world and U.S. businesses have lost $50 billion in business to foreign competition. The industry has lost over 100,000 jobs not just in Texas, but Ohio, New Jersey, West Virginia and other manufacturing states.

I support H.R. 6, the comprehensive energy package, and I would hope the Senate would find the votes to pass it. It is not as good as I would like for energy production, but it is the best we could do.

An example of the bill, I would hope that the administration's——

Chairman BARTON. The gentleman's time has expired.

Mr. GREEN. [continuing] decision to hold off on exploration in the eastern Gulf of Mexico.

Thank you, Mr. Chairman.

Chairman BARTON. I thank the gentleman from Texas.

Does Mr. Otter wish to make an opening statement.

The gentlelady from Missouri?

The gentleman from Oklahoma wish to make an opening statement?

Mr. SULLIVAN. Thank you, Mr. Chairman.

And thank you, Secretary for being here today and testifying before us. And I look forward to hearing your 2005 energy priorities.

Yesterday, OPEC announced its decision to cut oil production by 1 million barrels a day. And this just highlights the need for a comprehensive energy policy that we have heard from many people today.

Over 50 percent of our energy comes from foreign sources, and a large percentage of that comes from areas that we have carpet bombed recently. I think it's asinine that we rely on that much.

We need an energy policy, one that spurs domestic production and increases our refining capacity. They are running at almost full capacity.

As you know, Mr. Secretary, we have not built a refinery in nearly 30 years. This is an important issue to Oklahoma as 100,000 people are employed by the energy industry. It is especially important to my independent producers and royalty owners. I think that all Americans are now realizing the importance of this industry

with the increasing prices at the pump. I look forward to hearing your testimony and, again, thank you for being here today.

Chairman BARTON. The gentlelady from California, Ms. Capps, wish to make an opening statement?

Ms. CAPPS. Yes, Mr. Chairman.

Chairman BARTON. The gentlelady is recognized.

Ms. CAPPS. Mr. Secretary, I believe the administration is dead wrong to call for passage of H.R. 6 to address our energy problems. It would not help. According to the Energy Department this policy would actually increase gas prices. Gas prices need to come down, not go up and here are a few ways to make that happen.

First, the President should grant California the 2 percent oxygenate waiver as Governor Schwarzenegger and the bipartisan California delegation have been asking. According to the Petroleum Industry Research Foundation unnecessary RFG standards add up to 20 cents a gallon.

Second, we should stop adding to the Strategic Petroleum Reserve when oil prices are so high. We should buy oil for the SPR when prices are low, not when they are sky high.

And finally, the administration should press OPEC to raise output and lower prices. Back in 2000 then Governor Bush called for more administration jawboning of OPEC countries to bring down oil prices. Today he needs to follow his own advice.

I yield back.

[The prepared statement of Hon. Lois Capps follows:]

PREPARED STATEMENT OF HON. LOIS CAPPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Thank you, Mr. Chairman.

With gas prices at record levels and rising, the economy still struggling, and a summer of potential electricity blackouts possible, energy issues remain at the forefront of our agenda.

I am disappointed that Congress didn't pass *responsible* energy legislation in the last session.

I am not, however, disappointed the energy bill that came out of the House did NOT become law.

H.R. 6 did just about everything *but* promote a responsible national energy policy.

The bill was loaded down with billions in subsidies for the oil, gas, coal and nuclear industries.

It would have weakened key environmental laws, restricted states' ability to protect their coasts, and given immunity to producers of the known groundwater contaminant and gasoline additive MTBE.

And the bill would have had virtually no impact in several key areas like reducing global climate change or keeping gas prices affordable.

Indeed, the Energy Information Agency noted that HR 6 would have virtually no effect on gasoline prices.

We should pass the noncontroversial parts of the bill—like Mr Dingell's electricity reliability standards—and stop holding them hostage to the more loathesome provisions.

As for the skyrocketing gas prices, I have a few suggestions . . .

First, the President should grant California the waiver from the 2% oxygenate standard. According to the Petroleum Industry Research Foundation, without a waiver California's gas prices will be as much as 20 cents a gallon higher.

Gov. Schwarzenegger, former Gov. Davis and virtually the entire bipartisan California delegation has been asking for this waiver for the last 5 years.

Just yesterday, Reps. Waxman, Eshoo, Solis, Lofgren and I renewed this request to the President.

Second, we should stop adding to the Strategic Petroleum Reserve when oil prices are so high. Not only would that send a signal to OPEC that we will take steps to combat the cartel's illegal manipulation of oil prices—it would be good for tax-

payers as well. We should be buying oil for the SPRO *when prices are low . . . not* when they are *sky high.*

Finally, the Administration should *press OPEC to raise output and lower prices.* Yesterday's *New York Times* notes that the "United States is placing 'very little' pressure on Saudi Arabia and other OPEC countries to keep production up.//

Diplomacy is often best conducted behind closed doors, but OPEC decision to cut production by a million barrels illustrate another failure of the Administration.

And we clearly have to take some steps for the long term, the most important being one this Committee unwisely shot down—*raising the automobile fuel efficiency standards.*

The National Academy of Sciences has concluded a significant improvement in the miles-per-gallon performance of cars and trucks over the next ten years *is possible.*

Higher efficiency standards would result in real fuel savings, benefitting consumers and the economy, reducing our dependence on foreign oil, and enhancing the competitiveness of our auto industry.

I yield back the balance of my time.

Chairman BARTON. I thank the gentlelady.

Mr. Whitfield wish to make an opening statement? Okay.

The gentleman from Pennsylvania wish to make an opening statement?

Mr. DOYLE. Yes. Thank you, Mr. Chairman.

Mr. Secretary, welcome.

As you know, Mr. Secretary, I voted for the Energy Bill in this committee and on the House floor, but I have to tell you I am very concerned with the state of DOE's budget because it seems we are in the process of decimating a lot of our core R&D programs at the Department. And I just think government has to play a role in encouraging the development of technologies that have a public benefit but are too risky for the private sector to take on alone. But it seems like we are making significant cuts in places that should be priorities like distributed generation, fossil energy and other core R&D programs.

We hear a lot about the price of gasoline here. I will tell you, forget about sending a man to Mars. Let us put our energy and money and resources into this hydrogen fuel cell project, not robbing Peter to pay Paul or we are taking from other parts of the budget. Put some real money into the program, make that our mission to Mars and we can tell OPEC to eat their oil. That is what we should be doing in this country and be doing it right away.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Mike Doyle follows:]

PREPARED STATEMENT OF HON. MIKE DOYLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

I want to thank Chairman Barton for calling this hearing, I look forward to hearing from Secretary Abraham today and thank him for being here.

I'm very concerned with the state of the DoE budget as it seems to me that they are in the process of decimating our core R & D programs at the department. I believe that the government must play a role in encouraging the development of technologies that have a public benefit but are too risky for the private sector to take on alone. Yet we are making significant cuts in places that should be priorities like distributed generation, fossil energy, and other core R & D programs.

This short-sighted approach is the exact opposite of the direction we should be moving in. Rather then declaring that we want to make a manned expedition to Mars a national priority, President Bush and Secretary Abraham should be declaring that our national priority will be to strive for energy independence in this country. Imagine how our foreign policy would be positively effected if we didn't have to rely so heavily on foreign oil. Imagine how our gas prices would benefit if we weren't captive to OPEC. Imagine how our environment would benefit if we ex-

panded the diversification of our energy portfolio and developed the ways to make our native energy supply sustainable.

We have great advantages in this country in that we have a fantastic base of natural resources that many countries don't, but we also have a great advantage in that we have the intellectual capacity to do achieve so much more if we would simply make a commitment to achieving energy independence. Then we would devote the resources necessary to achieve this admirable goal.

Unfortunately the DoE budget once again proves that this is far from what we are doing. By decimating our support for distributed generation—by slashing our fossil energy and core R & D programs—we are actually doing the opposite. I'm sure the Secretary would cite the FutureGen program as an example of how the administration is trying to be forward thinking but that argument is simply not borne out by the facts.

More and more people I talk to seem to think FutureGen is little more then a short term political strategy and has not been clearly thought thru. There is no new money being put into this program. All that's happening is they are simply robbing Peter to pay Paul as the Future Gen program sucks up already allocated monies that would be better spent as part of the core R & D programs.

So believe me I'm frustrated as I see these shell games being played. I'm frustrated that the Bush administration is decimating important R & D programs and not establishing realistic and attainable goals for our energy future. I truly hope we can find some ways to address these priorities in the future.

Chairman BARTON. I doubt it would taste very good.

The gentleman from Georgia wish to make an opening statement?

Mr. NORWOOD. Thank you very much, Mr. Chairman.

No, other than to welcome the Secretary. We are delighted you are here. Thank you for that.

And thank you for having the hearing.

Chairman BARTON. Okay. The gentleman from Maine wish to make an opening statement?

Mr. ALLEN. Yes. Thank you, Mr. Chairman.

Mr. Secretary, we are glad you are here.

Gas prices are rising, demand is up here and around the globe. The New York Times reports recently that Saudi Arabia may not have reserves that will be large enough to deal with the projected global demand in the future, yet this administration seems to want to drill its way out of this problem. But we have only 3 percent of the known oil reserves, and we consume 25 percent of the world's fossil fuels.

I believe this administration needs to turn its attention to significant efforts to reduce consumption of fossil fuels to emphasize renewables. And with respect to the budget that you are about to present us, I really ask you to look again at the robust nuclear earth penetrator, $485 million through fiscal year 2009 that will do nothing either for our national security or for our energy situation.

Thank you.

Chairman BARTON. Does the gentleman from California, Mr. Radanovich wish to make an opening statement?

Mr. RADANOVICH. Just briefly, Mr. Chairman.

Chairman BARTON. You will be recognized.

Mr. RADANOVICH. I want to welcome to the Secretary to the hearing. I am looking forward to your testimony. And while we are talking about California, I would request the administration's help on getting a new refinery in California so we are not always subject to a small supply of the boutique fuels that are required there. So any help that you can be on getting another refinery in California to solve this problem, would be just wonderful.

Thank you very much.

[The prepared statement of Hon. George Radanovich follows:]

PREPARED STATEMENT OF HON. GEORGE RADANOVICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Thank you, Chairman Barton for having this hearing. I want to welcome you again Mr. Secretary. I look forward to your testimony.

Unfortunately, energy is becoming all too scarce and all too expensive. We are paying record prices for gasoline. In my home state of California, those prices may well go much higher as we enter the summer driving season and face the temporary halt in production to change over to the array of summer blends mandated by Environmental Protection Agency.

There are 24 different blends of unleaded gasoline required by law for different states and different times of the year, and if there is a shortage of gasoline in one area, gasoline can't be interchanged easily between various parts of the country. Also, nearly half of all American refineries have been shut down in the last 30 years and no new facilities have been built due to confusing environmental standards. This means we must import more refined petroleum products, such as gasoline and diesel fuel, sending those refining jobs overseas and causing prices to increase.

The comprehensive energy bill now before Congress makes a commitment to alternative energy production and would launch numerous initiatives to provide abundant, affordable energy in America. In my district For example, the fuel cell project in Yosemite National park could progress at a much faster pace providing a cleaner environment. It would also reauthorize important programs like the Energy Savings Performance Contracts (ESPC) that has saved millions of taxpayer dollars in wasted energy costs, provided substantial environmental benefits such as reductions in greenhouse gas emissions, and created thousands of local jobs at energy efficiency project sites across the country.

It has been a dozen years since we passed a comprehensive energy bill. It is time Republicans and Democrats pull together—not apart—and pass a comprehensive energy bill that will lower gasoline prices and protect Americans and their jobs. Done right, we can produce hundreds of thousands of new jobs. It's time to work together in our common interests to lower gas prices.

Thank you very much for this opportunity to speak. Mr. Secretary, I look forward to your testimony and I look forward to your help in solving some of the national energy problems.

Chairman BARTON. Does the gentleman from Florida wish to make an opening statement?

The gentleman from Nebraska wish to make an opening statement?

The gentlelady from Illinois wish to make an opening statement?

Ms. SCHAKOWSKY. Thank you, Mr. Chairman.

I completely agree that we need a comprehensive energy policy, but not one in which the centerpiece is drilling in the Arctic wilderness, more resources for big oil and little for 21st century solutions for clean energy.

Yesterday OPEC decided to cut production by 4 percent, a move that would increase gas prices here in the United States. And according to the President's Press Secretary, "The President has still not called OPEC leaders about the issue." Unfortunately, in the short term we still need to deal with foreign oil, and it seems to me that the President ala the quote that Mr. Markey made, needs to do some job owning, needs to be talking to OPEC and not just waiting for that call to be made.

In Chicago gas prices at many places are above $2 a gallon. We are heading into the summer driving seasons. These exorbitant prices are putting a squeeze, not only on my constituents but our entire economy and we need to do something about it now.

Chairman BARTON. We thank the gentlelady.

Does the gentlelady from California, Ms. Solis——

Ms. SOLIS. Thank you, Mr. Chairman.

And welcome, Secretary Abraham to our committee.

First, I would just like to issue that we are concerned very much about gasoline prices in California. In fact, in my District where I live unemployment rates are 7.8 percent. They have been like that for 3 years. Gasoline prices are at $2.36 for regular. So we have been going through this pinch for a long time.

And my question is what is your administration doing, your agency, to help us bring down those costs for our consumers? Are we looking at conservation? Are we looking at renewable energy as well?

Last week, also, we had a very, very warm week in California where we were also hit with a shortage of electricity. So we had somewhat our first blackout that we have not experienced since 2003, May 2003. So I would also like to ask you about what electricity reform is ongoing now for the State of California to provide us with relief. Because as you know, that will hurt business and our consumers in our District. So I would just ask you those two questions and hope that you will respond.

Thank you.

Chairman BARTON. I thank the gentlelady.

The distinguished chairman of the Telecommunications Subcommittee Mr. Upton is recognized.

Mr. UPTON. Well, thank you, Mr. Chairman. I have a full statement for the record.

I would just welcome Mr. Secretary from our home State of Michigan.

A couple of things I would like you to focus on. One is Yucca Mountain status, the nuclear waste storage facility there. Boutique fuels, obviously this is an important thing as we look at rising gas prices in the midwest.

The refinery fire that I understand that they had in Texas as well.

Hydrogen fuel, as my colleague from Pennsylvania raised that as the co-Chair of the Auto Caucus with Dale Kildy from Michigan. Hydrogen fuel cell technology is very important as we look to lessen our reliance on foreign energy. And I look forward to your testimony and the ability to engage in a number of questions.

I yield back.

[The prepared statement of Hon. Fred Upton follows:]

PREPARED STATEMENT OF HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, I commend your having this hearing today. I think it is very important that this committee exercise its oversight over the Department of Energy and its budgetary priorities.

My personal budgetary priority over at the Department of Energy is getting the Yucca Mountain Nuclear Waste Storage Facility in place so that we have a permanent, monitored and guarded storage place for our nation's nuclear waste. I will admit to having a district interest in this in that I have two nuclear power plants within 40 miles of each other right on Lake Michigan. I have long thought that it is important to get this waste away from environmentally sensitive areas when its useful life for power production is spent and I have worked very hard to get this site in place. Post September 11, this is more than just an environmental issue. It is a national security issue and it could now be an issue of life and death. The opponents of Yucca say we haven't had enough study; we haven't spent enough money.

We have spent nearly $15 billion in taxpayer dollars and decades in time getting this site ready.

I hope that Secretary Abraham will give us an update on the status of this important site. I know that hailing from the Great State of Michigan, he understands this issue as well as I do and I know it has been a priority for this administration. I would like to know what the plan is for the Yucca Mountain site in this budget year.

I am also interested in funds that are programmed for work in nanotechnology research and development. In a time when our nation is losing some of the traditional manufacturing jobs, new developments in nanotechnology offer some hope of the next industry to emerge. I know that the Department of Energy has been interested in pursuing this science, and I would like to hear where they are on that issue.

Finally, and this is not necessarily a budget question, but I am very concerned about the rising costs of fuel—both home heating and gasoline. I am interested in knowing what, if anything is included in the budget proposal to address this critical issue for my constituents.

Thank you Mr. Chairman and Mr. Secretary, I look forward to hearing today's testimony.

Chairman BARTON. Mr. Strickland of Ohio is recognized for 1 minute.

Mr. STRICKLAND. Thank you, Mr. Chairman. I will be brief.

Mr. Secretary, in case I do not get to ask this question later, I just want to let you know that I am concerned and I believe my friend from Kentucky, Mr. Whitfield is concerned as well, about the Department's lack of benefits continuity for the workers at the Portsmith and Paducah sites under the most recent cleanup ARFP. In the past, regardless of party, DOE has provided equitable treatment of the workforce at DOE nuclear sites.

For example, when USEC was privatized, it was required to assume that pre-privatization collective bargaining agreements in place with the workforce under Lockheed Martin.

Mr. Secretary, I hope to ask you later why the Department seems to be stripping workers at Pickton and Paducah of the right to pension continuity and existing collective bargaining agreement.

And I welcome you, sir. I am glad you are here. Thank you for coming.

Chairman BARTON. Is there any other member seeking recognition to give an opening statement? Seeing none, all members written statements will be made a part of the record.

[Additional statement submitted for the record follows:]

PREPARED STATEMENT OF HON. MARY BONO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman: While I understand that the subject of today's hearing will center on the Department of Energy's budget priorities for FY 2005, I would like to direct my comments more towards the ongoing issue of high gasoline prices.

Californians are hurting. We are paying more at the pump than any other state. While I understand that issues like the oxygenate waiver and state regulations add to the burden, it still seems as if our costs are still higher than the national average.

Yesterday, the Organization of Petroleum Exporting Countries (OPEC) agreed to cut production by 4 percent. I certainly appreciate your statement of disappointment and am pleased that the Administration is working on this issue with all due diligence. Still, I fear what this cut in production can further do to exacerbate the situation.

Another concern of mine has to do with refining capacity, specifically in California. Although over the last three weeks, the average pump price in California has fallen 3.3 cents a gallon, we are going into a sixth straight week of more than $2 a gallon at the pump. Limited refining capacity is certainly a factor in this and I would appreciate hearing your comments on this matter.

Another fact we must face is that we also need to do more at home on developing and opting for alternative fueled vehicles. Americans love their SUVs and gasoline powered cars, so we also need to be working on reducing our dependence on foreign oil by moving towards other fuel supplies. The President has certainly made an effort to lead the way with his FreedomCAR proposal and I look forward to working with the Administration on this and any other efforts related to this cause.

As far as budget priorities are concerned, I would like to encourage the Department to support the Renewable Energy Production Incentive. This is an initiative that not only needs to be reauthorized, a provision of which is in the stalled energy bill, but also needs adequate funding to make it a viable program.

Thank you Mr. Chairman. I look forward to hearing Secretary Abraham's testimony.

Chairman BARTON. And we would now recognize the distinguished Secretary of Energy for such time as he may consume.

I see, Mr. Secretary, that you have the distinguished Deputy Secretary behind you and the Under Secretary and the head of EIA. So we have all of the brain trust from the Department of Energy. Not that you will need it, but it is good that they are all here, too.

So we welcome you, and recognize you to give us your thoughts on our energy policy.

STATEMENT OF HON. SPENCER ABRAHAM, SECRETARY, U.S. DEPARTMENT OF ENERGY

Mr. ABRAHAM. Mr. Chairman, first of all, thank you for having us here today.

Congressman Dingell, it is good to be back with both of you and the committee.

I would begin, Mr. Chairman, by offering our congratulations to you in your position as chairman. And also to express collectively on behalf of all of us at the Department our best wishes to Congressman Tauzin as he recovers. We enjoyed very much working with him in this committee over the last several years, and look forward to do the same with you as well.

Obviously, today I am here to discuss our budget for the Department for 2005. I have a very long statement, and in the interest of time would prefer to just have that submitted for the record and just make——

Chairman BARTON. Without objection.

Mr. ABRAHAM. [continuing] a short comment or two on some of the highlights.

At $24.3 billion, this year's budget is the largest in the history of the Department. I think it reflects the confidence that the President has in the work which we are doing, as well as the importance of the missions of this Department. It builds on a number of successes which we have achieved over the past 3 years.

And I want to just make a point here to all of you that a number of you have facilities in your Districts, how proud we are of the work that the Department's men and women have done on behalf of the American people in addressing national energy and economic security challenges.

After 3 years on this job I can surely say that the people who work at this Department are very dedicated and very effective in the work they do. I am very proud to be part of that workforce. And I think a testament to the dedication and the hard work which they have done is the recent announcement that you alluded to, Mr. Chairman, by the Office of Management and Budget that the

Department of Energy ranked first among Cabinet level agencies and the implementation of the President's management agenda. Those scorecard evaluates all of the departments in such areas as financial management and human capital, e-government and a variety of others. And it recognized our Department as leading the pack. So, obviously, we are all proud of that. But, again, it would not happen but for the people who are on the front lines.

As I said, my written statement goes into a lot of details about our budget request. I just would like to spend a minute or 2 discussing some of the highlights of the work which is reflected in that budget.

First, I would just say that this budget request fully funds the Department's security and safeguards effort. A top priority is making sure that our complex is safely and securely operated. And this budget fully addresses the requirements which have been identified in the revised design-basis threat, the post-September 11 analysis of potential threats against which we must protect our sites and our materials across the country.

Obviously, the world changed on 9/11 and a number of actions we have taken at the Department since then reflect that basic fact. For instance, we have increased the budget for security and safeguards by about 35 percent since 2002. We have made some significant managerial changes in the leadership of the security forces at our facilities. And we have a current high level review of security procedures being conducted by some of the Nation's top military and civilian experts.

We are also taking steps, significant ones, toward modernizing and rebuilding our defense weapons complex which was in very bad shape just a few years ago. We have launched a large scale capital improvement program to rebuild decaying infrastructure and at the same time we are working to restore defense capabilities.

For instance, we are on schedule to have a new fully certified plutonium pit enter the stockpile for the first time by fiscal year 2007. First time in many years.

In addition, we are continuing our major investments in projects designed to maintain the reliability of the stockpile through our stockpile stewardship efforts.

The budget request also supports our efforts to develop cutting edge technologies to address the Nation's energy challenges. Our energy efficiency and renewable energy budget request in particular seeks more money and nominal dollars than Congress provided either last year or any prior year for the past two decades. It includes investment for research and development to improve energy efficiency and reliability in buildings, transportation and industry as well as to reduce the cost of renewable energy technologies like wind, solar, geothermal and biomass.

The EERE budget request also supports our hydrogen efforts, and we are strongly pursuing 21st century hydrogen fuel cell technologies to try to transform the way Americans drive and to reduce our nation's growing dependence on foreign sources of energy. President Bush unveiled this program, as you will recall, in last year's State of the Union. Since that announcement we have engaged partners in the energy and automotive industries as well as

State and local governments. And we have moved forward with critical hydrogen fuel cell research and development.

Probably the most important new development at this stage is that we have brought together all of the major countries interested in hydrogen to work in a formal partnership on hydrogen issues to stretch our research dollars. And we are hoping to establish workable codes and standards on an international basis through this collaboration on pre-competitive research and development. Without question, this we believe will tremendously accelerate the coming of the hydrogen revolution by many years.

In the meantime, we are committed to developing cleaner more efficient use of fossil fuels through projects such as our clean coal technologies program and the FutureGen program.

FutureGen as was commented by at least one of the members earlier, is a 10-year $1 billion program designed to create the world's first zero emission fossil fuel plant. I little more than 12 months we have made some great progress on this project and we expect continued progress in fiscal year 2005. When it is operational, this will be the cleanest fossil fuel fired power plant in the world.

We are also exploring clean coal and advanced carbon sequestration technologies both as a part of FutureGen and beyond. Carbon sequestration is not a glamorous topic, necessarily, but in my opinion it is an extremely important area for us to focus on. And the demonstrated potential of carbon sequestration has convinced us to fully pursue its promise.

Another top Presidential initiative is weatherization. The National Energy Policy which we released in 2001 pledged to increase funding for weatherization by $1.4 billion over 10 years in order to weatherize a total of 1.2 million low income homes. That is more than twice as many homes as would have been weatherized before we made that commitment. And this year's budget request keeps us on track to, at least in our submissions, fulfill that commitment.

The budget also requests the highest funding level in the history of our Department for our environmental management programs consistent with our effort to try to accelerate the cleanup of contamination at cold war era nuclear weaponsites. At the beginning of the administration, as I think the committee knows the time table for this cleanup at all the sites, it was basically except for those that were already on an accelerated program launched in the previous administration of the three sites that were rapidly moving toward completion, in all the rest of the complex the goal was 70 years. We felt that it was unfair for the communities in these other parts of the country to have to wait until the grandchildren or great grandchildren of people who lived there today before the full completion of these projects. And so we are working hard to, and consistent with safety issues, accelerate the completion of these sites to reduce that timeframe by we hope 35 years.

And, incidentally, because of the reduction in the maintenance and security costs that would accompany that, we can actually reduce some of the bill along the way.

I would also like to just say a few words about our nonproliferation efforts with Russia and more broadly. We have worked very closely with our counterparts in the Russian Federation and have

been successfully accelerating and expanding the work we do there to secure dangerous nuclear materials. We have enjoyed a number of successes. And by the end of fiscal year 2005 our material and protection program will have secured 41 of 64 nuclear warhead sites and will have secreted 37 percent of some 600 metric tons of weapons useable nuclear material in the former Soviet Union.

Meanwhile, we are working with the Russian government on shutting down the last remaining plutonium production plants, plutonium power plants and replacing their electricity production with coal burning power plants. This will end the annual of 1.2 metric tons of weapons grade plutonium, a nonproliferation triumph, I think.

Finally, our Department also of course contains the Energy Information Administration. And their work continues to equip Congress and our Department with the accurate information which we use to work on a number of our programs. We are requesting a 5-percent increase for EIA in 2005, which will provide the Federal employee pay raise and maintain the other ongoing data analysis activities there so they can continue their outstanding work.

Mr. Chairman, I really could go on a great length for a budget of this size and because the scope of this committee covers so much of the budget. But in the interest of time, I would yield at this point and, obviously, look forward to answering the committee's questions.

[The prepared statement of Hon. Spencer Abraham follows:]

PREPARED STATEMENT OF HON. SPENCER ABRAHAM, SECRETARY, U.S. DEPARTMENT OF ENERGY

Good Morning Mr. Chairman and Members of the Committee. I am pleased to appear before you today to discuss the President's FY 2005 budget request for the Department of Energy. At $24.3 billion in gross budget authority, the FY 2005 budget request is the largest in the history of the Department.

This budget request builds on a number of successes we have had over the past three years. I am very proud of what we have accomplished in terms of fulfilling the President's management vision for this Department and also what we have achieved for the national, energy, and economic security of the American people.

The Office of Management and Budget (OMB) recently announced that DOE has made the most progress among cabinet-level agencies in the implementation of the President's Management Agenda. OMB recognized the Department as the cabinet-level agency "leading the pack with regard to management improvement."

In addition to the progress we have made on management and mission definition, we have made great progress in a number of our program areas. We have implemented changes that have fundamentally reformed DOE's Environmental Management program. Complex-wide, we have taken an approach to accelerated cleanup that says we will not allow the legacy of the work done in the weapons complex to be part of a community's burden for future generations. At the beginning of this Administration, the timetable for completing cleanup at all sites was 70 years. Today, we have implemented reforms to accelerate completion of the cleanup program by 35 years, saving American taxpayers as much as $50 billion and perhaps even more.

Another area where we have made tremendous progress is ensuring that nuclear power remains part of the Nation's fuel mix. Two years ago, the Administration and Congress made the decision to move forward with the Yucca Mountain project, a permanent nuclear waste repository in Nevada. The Yucca Mountain project is on schedule to accept waste in 2010. There is still much work to be done—at the site, at the Nuclear Regulatory Commission, and throughout the country—but at the end of the day America will finally have a long-promised, safe repository for nuclear waste.

The Yucca Mountain project goes hand-in-hand with other steps we have taken to ensure nuclear energy plays an important role in our future energy mix. Our scientists are pursuing an advanced fuel cycle to significantly improve fuel performance, energy utilization, and proliferation resistance for nuclear reactors. We are

also working internationally to develop the next generation of nuclear technologies to take us to the next level in terms of efficiency, reliability, and security.

In addition to advanced nuclear research, we are pursuing other new technologies to meet future energy and environmental challenges. These are transformative technologies that will change the way we think about how we use and produce energy. We are pursuing a path toward a "hydrogen economy"—with affordable zero emission fuel cell vehicles, abundant production sources, and safe storage and transportation of hydrogen. We are developing carbon sequestration which, when used in conjunction with advanced power production technologies, promises to ensure that this country's 250-year coal reserves can be used without concern about environmental impact.

We have also aggressively pursued international cooperation in order to advance our initiatives. In a variety of areas, especially those that relate to climate change, we have been able to create partnerships with other countries to develop the Department's cutting-edge science and technology.

Last November, the International Partnership for the Hydrogen Economy brought together 15 countries and the European Union to work together on fuel cells and other energy technologies for the future. In June, the Carbon Sequestration Leadership Forum brought 13 countries together to begin working on ways to sequester greenhouse gas emissions from fossil fuels.

We have expanded international partnerships on the energy production side as well. We have developed much stronger relationships with countries like Russia and others in the Caspian region, in Africa, and in South America that have the potential to be major suppliers of gas and oil for the 21st century. As important as it is to have a diverse mix of fuel, it is equally important to have a diverse set of sources from which we acquire that fuel. In December we hosted a conference on liquefied natural gas, or LNG, bringing together all of the world's major gas-producing countries to discuss increasing U.S. access to gas imports. It was an extremely successful conference, one that will help produce the fuels we need in the 21st Century.

Finally, we have made a lot of progress on safety and shoring up the security of the Department's complex. Much of our Department's work is of a highly skilled nature and deals with dangerous materials. Many of our facilities are located near populated communities. Given these facts, it is clear that safety has to be of paramount concern for everyone at DOE. We have done a good job of driving that message home.

The same goes for security. Our Departmental mission is national security. We cannot be said to be fulfilling that mission with any confidence unless we can guarantee security at our facilities. We are attempting to do that. We have increased the security budget by about 35 percent since FY 2002. We have made significant managerial changes in the security leadership at our facilities. We have revised and are implementing the Design Basis Threat, which is the post-September 11th analysis of potential threats against which we must protect DOE sites and materials across the country. And we have a high-level review of security procedures being conducted by some of the Nation's top military and civilian experts.

Our FY 2005 budget proposal seeks to continue and build on our successes. It includes unprecedented funding increases to hasten the cleanup of the Cold War environmental legacy, to construct a permanent nuclear waste repository at Yucca Mountain, to deliver on essential nuclear-related defense requirements, to provide for energy security by exploring the promise of hydrogen and fusion, and to promote basic science research to ensure America's technological preeminence well into the future.

ENERGY

Turning to the energy budget, the Department is requesting $2.7 billion for energy resource programs in FY 2005. An important element of all our energy programs is making current forms of energy use more secure, more efficient, and more environmentally benign. At the same time, we are preparing long-term energy solutions that will eventually make questions of supply and environmental effects obsolete. The Administration's energy portfolio takes a long-term focus through investments in hydrogen use and production, electricity reliability, and advanced coal and nuclear energy power technologies. Investments in these pivotal areas honor a commitment to strengthen the Nation's energy security for the near-term and for generations to come.

Hydrogen holds tremendous promise to help meet our Nation's future energy challenges. In FY 2005, the Department's Office of Energy Efficiency and Renewable Energy is at the forefront of implementing the President's Hydrogen Fuel Initiative.

The Department is requesting $227 million for hydrogen activities. That figure includes $173 million in the Energy Efficiency and Renewable Energy program, $29 million in the Science program, $16 million in the Fossil Energy program, and $9 million in the Nuclear Energy program.

The budget includes an investment of $544 million for R&D to improve energy efficiency and reliability in buildings, transportation, and industry, and $375 million for R&D to reduce the cost of renewable energy technologies such as wind, solar, geothermal, and biomass, as well as to promote deployment of renewable technologies. The Energy Efficiency and Renewable Energy budget also includes $291 million to fulfill the President's commitment to increase funding for the Weatherization Assistance Program by $1.4 billion over ten years. The FY 2005 request would weatherize 119,000 homes in calendar year 2005.

This budget invests $447 million for the President's Coal Research Initiative to dramatically improve the efficiency and environmental protections being developed for coal burning power production. Of that figure, $287 million will go to the President's Clean Coal Power Initiative, including the ambitious FutureGen program. The Department launched FutureGen in FY 2004. This cost-shared, $1 billion project will create the world's first near zero-emissions fossil fuel plant. When operational, FutureGen will be the cleanest fossil fuel-fired power plant in the world.

Continuing on the discussion of fossil energy, the Strategic Petroleum Reserve and Northeast Home Heating Oil Reserve are key elements of our nation's energy security. Both serve as resource options for the President to use to protect U.S. citizens from disruptions in commercial energy supplies.

The President has directed DOE to fill the Strategic Petroleum Reserve (SPR) to its full 700 million barrel capacity. The mechanism for doing this—a cooperative effort with the Minerals Management Service to exchange royalty oil from federal leases in the Gulf of Mexico—is working well. We have been able to accelerate fill from an average of 60,000 barrels per day at the start of the President's initiative to a rate of 130,000 barrels per day.

Because of the President's "royalty in kind" initiative, we have achieved the Reserve's highest inventory level ever, now at 650 million barrels. Our goal remains to have a full inventory of 700 million barrels by the end of calendar year 2005.

The FY 2005 budget for the SPR is $172.1 million, all of which is now in our facilities development and operations account. We do not require additional funds in the oil acquisition account because charges for transporting "royalty in kind" oil to the SPR are now the responsibility of the oil supplier.

We are requesting $5 million for the Northeast Home Heating Oil Reserve, the same level as last year. The two-million-barrel reserve remains ready to respond to a Presidential order should there be a severe fuel oil supply disruption in the Northeast. A key element of this readiness is a new online computerized "auction" system that we implemented to expedite the bidding process. Installing and testing the electronic system (including tests with prospective commercial bidders) have also been major elements of the Fossil Energy program's role in implementing the "e-government" initiatives of the President's Management Agenda.

Nuclear energy remains a critical component of the Nation's energy portfolio and a significant part of America's energy future. The budget request for the Department's nuclear energy programs in FY 2005 is $410 million. These programs work to address essential requirements to develop advanced nuclear power technologies for deployment. The FY 2005 nuclear energy budget request also reflects the establishment of the Idaho National Laboratory. This new laboratory will serve as the Nation's primary center for strategic nuclear energy research, development, demonstration, and education. It will lead the Department's investigation of a new type of nuclear power plant that is proliferation-resistant and melt-down proof—the next generation nuclear power plant. It is our objective that the Idaho National Laboratory becomes the world's premier nuclear energy technology center within a decade.

The widespread blackout of August 2003, affecting an area with 50 million people across eight states and one Canadian province, was a strong reminder that our Nation's electricity grid has vulnerabilities and weaknesses which need to be addressed. Energy reliability is imperative. To this end, DOE requests $91 million to modernize and expand our national electricity transmission grid. Included within this request is $5.5 million for the new Gridworks program and $5 million for the Gridwise program. These initiatives will improve electricity reliability by bringing innovation in information technology and transmission hardware into operational electric systems. The budget request for Other Defense Activities includes $10.6 million for Energy Security and Assurance activities to complement the efforts undertaken by the Office of Electric Transmission and Distribution and the activities of the Department of Homeland Security.

ENVIRONMENT

All of our scientific research is designed in part to meet our Nation's environmental challenges. In that regard, DOE's work on hydrogen, clean-coal technology, or next generation nuclear technology comes as readily to mind as our renewable energy research. This commitment to the environment includes taking action to address the environmental legacy of our past work, particularly building the nuclear weapons complex that helped win the Cold War. We need to cleanup the contamination caused by the production of nuclear weapons and. We also need to do right by former weapons employees who may have become ill as a result of their work at nuclear facilities. And we must act to ensuring our Nation is equipped to safely handle future high-level nuclear waste generated by the use of conventional nuclear power as well as the continued production of nuclear weapons.

DOE is prepared for these responsibilities through our Environmental Management program, and the work at Yucca Mountain. Our FY 2005 budget requests $8.6 billion to meet our various environmental-related objectives. Within that, we are seeking over $7.4 billion for the Environmental Management program. This is the most funding ever requested for this program. This budget reflects the peak year of DOE's investment strategy for accelerated cleanup. The budget also includes a $350 million proposal to reserve funds pending the satisfactory outcome of uncertainties associated with a recent court ruling dealing with our authority to classify certain lower-activity waste from reprocessing (Waste Incidental to Reprocessing) under the Atomic Energy Act of 1954.

To better focus Environmental Management funds on actual cleanup activities, the FY 2005 budget includes several program shifts from environmental management to other programs within the Department. The Department's accelerated cleanup strategy has led to the creation of two new organizations outside of Environmental Management—the Office of Legacy Management and the planned Office of Future Liabilities. Transferring responsibilities to these new offices enables the Environmental Management program to complete its current cleanup scope, and allows other Departmental programs to focus on their primary missions.

The budget includes $66 million for the Office of Legacy Management to manage post-environmental-cleanup activities. This organization demonstrates the Department's long-term commitment to manage requirements relevant to closure sites beyond the completion of remediation.

The budget also includes $8 million for the Office of Future Liabilities to address various cleanup activities at sites with continuing missions. The FY 2005 budget provides funds to pay for and manage environmental liabilities for sites not currently assigned within the Department. This is a planning office to address various future cleanup activities at sites with continuing missions. The FY 2005 budget provides funds to plan for environmental liabilities not currently assigned within the Department.

The FY 2005 budget includes $43 million within the Environment, Safety and Health program to accelerate the processing of applications by employees of DOE contractors who may have become ill as a result of their work at DOE facilities. This is a matter of doing what's right and taking care of those whose labors helped secure our safety. With this budget request, we are making good on implementing a three-year program to completely eliminate the backlog of applications at DOE by the end of 2006.

One of the most significant and long-standing commitments addressed in this budget is funding to establish a permanent nuclear waste repository at Yucca Mountain. In order to remain on schedule to begin operation in 2010, the FY 2005 budget requests $880 million for Yucca Mountain repository activities. This is key to ensuring the future use of nuclear power in this Nation. It is also key to helping us complete the cleanup of our weapons facilities and to consolidate high-level nuclear waste in one safe, secure location. This request enables us to finalize the license application for construction of the permanent repository, as well as other activities associated with construction and with developing a transportation system to Yucca. We plan to submit a license application to the Nuclear Regulatory Commission by December 2004.

The Yucca Mountain project is moving toward a second phase, one which will require a significant financial commitment to accomplish. The FY 2005 budget request includes a legislative proposal to reclassify currently mandatory receipts to the Nuclear Waste Fund as discretionary, to offset the amount appropriated for geologic repository activities. In FY 2005, the Department proposes that $749 million in fees collected from utilities for the purposes of the Nuclear Waste Fund be used to offset FY 2005 non-defense appropriations in support of design and other Yucca Mountain

activities. This proposal will help ensure that the Department will have the financial resources needed to accomplish an undertaking of this scope.

Throughout the entire budget request is funding for one of our highest priorities, safeguarding and securing DOE's sites and facilities. The FY 2005 budget includes $1.38 billion for all DOE safeguards and security programs to address additional requirements identified as a result of the revised Design Basis Threat.

Within the total amount requested for safeguards and security activities, approximately $707 million will support activities to safeguard nuclear weapons facilities. About $265 million will support activities that protect the Cold War nuclear waste material being cleaned up at our environmental cleanup sites.

In addition, we are committing approximately $73 million to support the continued safeguards and security activities at our scientific laboratories and facilities. We are requesting $255 million to support the development of DOE-wide security policies as well as to provide physical security for DOE Headquarters. The FY 2005 budget request also includes $58 million to support safeguards and security activities at the new Idaho National Laboratory for nuclear energy R&D. Moreover, $25 million will fund the Department's cyber security activities administered by the Department's Chief Information Officer, while an additional $109 million within the amounts mentioned above will fund DOE-wide cyber security measures.

ENERGY INFORMATION

The Department through the Energy Information Administration (EIA) is being increasingly called upon to provide timely energy information and analysis on ongoing and topical energy issues to assist the Administration and Congress in deliberations regarding national and international energy policy, markets and investments. To that end, we are requesting $85 million. The FY 2005 funding will provide for the Federal employee pay raise and maintain the other on-going data and analysis activities, allowing EIA to continue disseminating accurate and reliable energy information and analyses to inform energy policy-makers.

EIA's base program includes the maintenance of a comprehensive energy database, the maintenance of modeling systems for both near and mid-term energy market analysis and forecasting, and the dissemination of energy data and analyses to a wide variety of customers in the public and private sectors through the National Energy Information Center.

EIA continues to aggressively expand the availability of electronic information and upgrade energy data dissemination, particularly on the EIA website. The increased use of electronic technology for energy data dissemination has led to an explosive growth in the number of its data customers and the breadth of their interests, as well as an increase in the depth of the information distributed. Since establishing a FY 1997 goal to increase the number of users of its website by 20 percent annually, EIA has either met or exceeded this commitment in each of the succeeding years. In FY 2003, EIA accomplished a 23-percent increase as compared to FY 2002, delivering more than 2,600 gigabytes of data.

CONCLUSION

The Department's FY 2005 request reflects the accomplishments of the last three years, the successes, and the many changes. This request charts a focused course of investment for the Nation's future—one guided by a cohesive mission and targeted performance metrics. Making all of this work are the extremely talented men and women of the Department of Energy which include some of the world's top engineers and scientists. It is a privilege to work alongside them on a common mission. It is an honor to serve a President who has provided this vision of what this Department can—and will—accomplish in FY 2005 and beyond.

Thank you. This concludes my formal statement. I would be pleased to answer any questions you may have at this time.

Chairman BARTON. Thank you, Mr. Secretary.

The Chair is now going to recognize himself for the first 5 minute question round.

I believe you were in the U.S. Senate in 1995, is that not correct?

Mr. ABRAHAM. Yes.

Chairman BARTON. Okay. And do you recollect who the President of the United States was in that year?

Mr. ABRAHAM. Yes.

Chairman BARTON. Who was it?

Mr. ABRAHAM. You are asking tough ones here, Mr. Chairman. I did not prepare for these. President Clinton.

Chairman BARTON. President Clinton. And we do something each year, or try to, called budget reconciliation. In 1995 when President Clinton was the President in budget reconciliation, both Houses of Congress passed a Budget Reconciliation Bill that included drilling in ANWR. Do you recollect what President Clinton did to that bill?

Mr. ABRAHAM. I believe it was vetoed.

Chairman BARTON. He vetoed it.

Now, what if he had not had vetoed it and what if we had drilled in ANWR, and what if they really have found that there is 1 million to 2 million barrels of oil per day that could be coming to the lower 48, do you think that would mean we would have higher gasoline prices or lower gasoline prices?

Mr. ABRAHAM. Well, obviously, had that process began in 1995, there would be development there. The estimates that we have are that there would be at this point substantial production, somewhere ranging up as high a million barrels a day, perhaps more. Obviously, that would have a huge impact on our domestic energy supply at this point.

Chairman BARTON. So, I mean, there is a case that had President Clinton accepted the will of the Congress in the mid-'90's, it's arguable that we would be paying much less, although energy prices would still be high, gasoline prices would still be high, but we certainly would not be paying the prices that we are paying today for gasoline.

If we were to pass an ANWR drilling program and send it to President Bush, what would your recommendation be to him. Would you recommend that he veto it?

Mr. ABRAHAM. Well, Mr. Chairman, I think you know that the President included ANWR in the energy plan which was produced in 2001 and, obviously, still support that provision.

Chairman BARTON. And I think you know, Mr. Secretary, that the House passed ANWR and the other body refused to accept the wisdom of the House. And so that the pending bill that is in the Senate now, the Conference Report on Energy, the Comprehensive Energy Bill, does not have an ANWR provision in it.

Mr. ABRAHAM. Right.

Chairman BARTON. With regards to that bill, I know you are very well aware that the House of Representatives passed a Comprehensive Energy Bill last spring. The Senate passed an energy bill in late summer. We went to conference with the other body. The Conference Report came out, the House has passed the Conference Report, the Senate still has not passed the Conference Report.

Do you think the pending Conference Report on Comprehensive Energy Bill would help our Nation's energy security or hurt it?

Mr. ABRAHAM. Well, obviously, Mr. Chairman we would like to see Congress pass a Comprehensive Energy Bill. We look forward to working with you and with other members of this committee and your counterparts to try to get that done this year. I can't stress enough how important I think that is to address some of the issues that have been raised today.

We have spent—I have spent and many members of this committee a lot of time over the last several years to try to get this

done. You know, every time it seems I come here there is some different energy challenge. The last time I was here, it was right after that blackout. We talked then about the need to address provisions that would help us to deal with electricity reliability. Today members want us to address America's dependence on foreign old. We need a comprehensive bill that include provisions to handle all of these different challenges. And we need that legislation.

Chairman BARTON. Mr. Secretary, I know that you also want a clean environment and you have talked about the President's hydrogen initiative. I would assume that you support the clean coal technology program in the Comprehensive Energy Bill which would for the first time allow the Federal Government to help retrofit some of the older coal fired power plants with the latest available control technology so that we keep those jobs in the United States and keep that energy being produced in the United States. I would assume that you would support that part of the bill?

Mr. ABRAHAM. We do. And, you know, a number of folks in their comments earlier mentioned the challenge we have with regard to natural gas prices and some of the other issues that were raised. We need a diverse mix of fuels. Coal has to be a key part of our long term electricity production.

The challenge we have with coal is not having coal. We have got plenty of coal. It is making sure that we can use it and use it as safety as possible. And the clean coal programs that we have launched and that the Congress has been working on are important, imperative really in my view, to keeping the coal component of our electricity product in intact.

Chairman BARTON. And my time has expired, but my final comment, I know that you support strongly the bill that we just introduced to free up the Nuclear Waste Fund so that we can use it to construct the repository at Yucca Mountain.

Mr. ABRAHAM. Right.

Chairman BARTON. We have introduced that bill here in the House on a bipartisan basis. And we would encourage you and the President to support that.

Mr. ABRAHAM. We support it strongly, and look forward to working with you to secure not only its passage in the House, but its passage in the Senate.

Chairman BARTON. Thank you, Mr. Secretary.

And I do want to commend you for being willing to come before the committee. Of all the Cabinet Secretaries, you have been the most willing to come. We had several that have never been before the committee until recently, but you have and we appreciate that.

Mr. ABRAHAM. Thank you, Mr. Chairman.

Chairman BARTON. The Chair would recognize the distinguished gentleman from Michigan, Mr. Dingell for 5 minutes for questions.

Mr. DINGELL. Mr. Chairman, I thank you.

I will be submitting some letters to the Secretary asking questions about certain matters down there. And I would ask unanimous consent that those be inserted in the record at the appropriate place.

Chairman BARTON. Without objection, so ordered.

Mr. DINGELL. Mr. Secretary, am I correct in understanding that you and your staff have been directly involved in the U.S. Canada

Task Force looking into the blackout last August and that the task force November 2003 interim report found that a number of NERC's voluntary reliability rules were violated and that these violations contributed significantly to the extent of the blackout?

Mr. ABRAHAM. Yes. That was the conclusion of our interim report. And we are nearing the finishing of the final report. And we have not departed from that conclusion.

Mr. DINGELL. Thank you, Mr. Secretary.

Now, with regard to legislation. Do you believe that the Congress should enact legislation making NERC's rules mandatory and enforceable?

Mr. ABRAHAM. I believe they should, yes.

Mr. DINGELL. Do you believe that if we fail to do so, we have put the country at significant risk of additional blackouts?

Mr. ABRAHAM. I know that you strongly share this view that this is very important to do. We think that this, like some of these other provisions, needs to be done and needs to be part of a comprehensive bill.

Mr. DINGELL. Now, Mr. Wood the Chairman of the Federal Energy Regulatory Commission said he would support reliability legislation to stand alone in the event a comprehensive bill failed to pass. Do you join him in that position?

Mr. ABRAHAM. You know, Congressman, I have been advocating a comprehensive bill for a long time.

Mr. ABRAHAM. I know we do.

Mr. DINGELL. And I want to address what we are going to do about the different parts of this. So would you support this standing alone if we cannot get a comprehensive bill?

Mr. ABRAHAM. My view remains what it has been when we have talked in the past.

Mr. DINGELL. All right. So you are saying no?

Mr. ABRAHAM. I believe that if we indicate that we are ready to——

Mr. DINGELL. Mr. Secretary, with all respect, I have a limited amount of time.

Mr. ABRAHAM. I know.

Mr. DINGELL. And I must respect it.

I understand that the administration's legislative proposal on Yucca Mountain funding applies only to future ratepayer contributions to the Nuclear Waste Fund. And I am concerned about hijacking of past payments into the fund by the Budget Committee. I would note that the legislation must also assure that the $14 billion balance in the fund is used to support the Yucca Mountain program. If Congress settled for anything less, it would be explicitly and implicitly writing off ratepayers' past contribution.

Now, Mr. Secretary, one: Do you agree with that? And two, does the administration support legislation ensuring that all ratepayer contributions to the Nuclear Waste Fund, past and present, are appropriated for their intended purpose?

Mr. ABRAHAM. Congressman, at this point we have focused on the revenues that are going to be coming in the future because we feel that that is the first step in this process.

Mr. DINGELL. And so you are writing off prior contributions——

Mr. ABRAHAM. No, not writing off.

Mr. DINGELL. [continuing] that have been rated by OMB and the Budget Committee and the Appropriations——

Mr. ABRAHAM. Not writing them off. Because, as you know, we are being sued in——

Mr. DINGELL. Well, you are being sued and you have to protect those funds or else they are going to be dissipated by a Congress willing to spend those monies for other purposes.

Mr. ABRAHAM. Well, I could not agree more. And we felt the first step in this process should be to amend the provisions so that the funds in the future——

Mr. DINGELL. You would not oppose, though, going to get all of those monies, would you?

Mr. ABRAHAM. Well, we need to secure them at some point. And we have not developed——

Mr. DINGELL. And I would assume the sooner the better, because I would note that the full $14 billion in the Waste Fund to Yucca Mountain, if we put that all in the project could then be funded for 10 additional years without any additional ratepayer contributions and you would probably get rid of the lawsuit that you mentioned. Is that not true, Mr. Secretary?

Mr. ABRAHAM. Well, I do not know if we would get rid of the lawsuits, but certainly moving forward and demonstrating that we are going to finish the project——

Mr. DINGELL. Do you disagree with the statement that I made?

Mr. ABRAHAM. Well, I am not——

Mr. DINGELL. Yes or no.

Mr. ABRAHAM. I do not know that I disagree with it. I would be happy to answer in greater detail for the record——

Mr. DINGELL. All right. I would, but if you disagree with me——

Mr. ABRAHAM. [continuing] but I certainly——

Mr. DINGELL. [continuing] Mr. Secretary, now please tell me.

Now, I note yesterday the White House said it was disappointed by OPEC agreeing to cut back on their production. Has the President or the President not begun a process of jawboning the OPEC countries with regard to product and opening the spigot instead of closing it down and increasing prices? Has the White House done anything about that?

Mr. ABRAHAM. Congressman, the statement that the President issued yesterday also indicated that the administration has been stressing to big producers that high energy prices are unacceptable.

Mr. DINGELL. Has the President called any of the OPEC countries to tell them to open up the spigot or not?

Mr. ABRAHAM. Conversations between the President and other members of the administration——

Mr. DINGELL. I am not asking about his communications to you. I am asking about his communications to the OPEC countries. Has he job owned the OPEC countries to produce more oil or not?

Mr. ABRAHAM. The President and members of the administration have had contact. The President and members of the administration regularly discuss issues with countries who are part of OPEC.

Mr. DINGELL. No, no, no. Have you told OPEC to open the spigots or not?

Mr. ABRAHAM. I indicated in the statement that the President released yesterday that we have stressed to big producers that high energy prices are unacceptable.

Mr. DINGELL. And I am pleased that he is distressed. What has he done?

Mr. ABRAHAM. Well, that is among the issues which have been conveyed.

Mr. DINGELL. Mr. Secretary——

Chairman BARTON. The gentleman's——

Mr. DINGELL. [continuing] your responses are superb and very senatorial, and I want to thank you for your visit here today.

Mr. ABRAHAM. Well, you know, I grew up in Michigan and had some excellent guidance from the entire delegation, members from both sides who are here today.

Chairman BARTON. The distinguished former chairman's questions were excellent and well put, as well.

The distinguished chairman of the Energy and Air Quality Subcommittee is recognized for 5 minutes.

Mr. HALL. Thank you, Mr. Chairman.

Mr. Secretary, while gasoline prices sore and people are complaining and very concerned and most of these questions that you will be asked will be probably evolving around that, all that time there's an energy bill that languishes over there in the other body that we are waiting for some relief from them, relief for youngsters who may have to go fight a war if we do not solve the energy problems, waiting for answers that allow us to drill in the ultra-deep areas. And I think you are familiar with the ultra-deep provisions of that bill.

Are you also familiar with the fact that we have passed the ultra-deep last session, passed the negotiation stage and it has been accepted as we have this time, but we still don't have an energy bill? And what are we, two votes ahead away from it? That is reportedly——

Mr. ABRAHAM. The bill that is the Conference Report——

Mr. HALL. And it is a watered down bill that they are looking at over there now.

I think your office has recently analyzed the potential impacts of that provision in H.R. 6. For the record, it is the Ultra-Deep Water and Unconventional Natural Gas Supply Research and Development Program. And the conclusion of the analyze was that the program would result in substantial increases in natural gas and oil production. And our calculations indicate that the increased Federal royalties that will result from the supply increases contemplated by DOE analysis would pay for the program over a 10-year period, substantially pay for it. And as you know, DOE's Office of Fossil Energy conducts gas and oil supply research. For example, the Fossil Energy Office was instrumental in providing up front research funding and direction for coal bed methane, which now accounts for about 9 percent of our domestic natural gas production.

So my question is could you comment further on the value of DOE's research and development to increased gas and oil supplies with the effect of the ultra-deep provision being in the law?

Mr. ABRAHAM. Well, I think those efforts are very positive. We face as you know, Congressman, a huge natural gas demand increase that as far as we look out into the future will continue. We have on one hand in recent years, obviously, posed a lot of regulations on industries and so that that has made natural gas a growing part of our energy mix, many would say the fuel of choice. Even as we have constrained our ability to produce as much as we want, and frankly a lot of the best areas have already been well tapped here in America. Just to give the committee some perspective, there was a time when we produced all the natural gas we needed here in America for America. In recent years, Canada has become an increasing supplier. We have actually had to import.

And just to give the committee an issue that we are working on that we will be working on, I am sure, together; the National Petroleum Council at my request in March 2002 did a long term natural gas survey concluded in the finish of their report last September that in the year 2025 we would only be able to supply—and this is with some optimistic assumptions such that an Alaska pipeline would come into play, we would only be able to supply about 75 percent of our natural gas demand here in North America. And that we would be, obviously, in need of greater imports.

And so we are working on these issues. Looking at liquid natural gas and other possible ways to make up that different. But also it is important that we keep the fuel supply diverse by making sure that coal and other electricity sources, the renewable energy sources will be tapped.

Mr. HALL. Well, I thank you.

And, as you know, the EIA analysis of this provision in H.R. 6 forecasts substantial increases in supply from an R&D of approximately, I think, $50 million per year. And the program in H.R. Conference Report that is there now as it is written now, however, is about $150 million a year program. Is it fair to assume that a larger research program would result in even a greater supply response than that identified in DOE's analysis?

Mr. ABRAHAM. It is possible.

Mr. HALL. But that is highly likely, is it not?

Mr. ABRAHAM. It is possible. Obviously, you know in all of these research areas we try to identify that research that we think will not be performed in the private sector that has the best yields for us. And we hope that our programs will be so successful.

Mr. HALL. Yes. I like "likely" better than I like "possible."

Secretary ABRAHAM. All right. Likely.

Chairman BARTON. The gentleman's time has expired.

Mr. HALL. I thank you, Mr. Secretary.

Chairman BARTON. The distinguished ranking member of the subcommittee, Mr. Boucher is recognized for 5 minute.

Mr. BOUCHER. Well, thank you very much, Mr. Chairman.

And Secretary Abraham, I would like to join with the chairman and other members in welcoming you here today. And thank you for the time you are taking with us.

I am also very concerned about how natural gas prices and the effect of these prices on residential consumers of natural gas, approximately one-half of the homes in America are heated with nat-

ural gas, upon industrial users of natural gas, upon farmers and others who are gas dependent in our economy.

Mr. Greenspan visited this committee during the summer of last year in order to express his concern about the affect of extraordinarily high natural gas prices on the economic recovery and he laid before this committee a challenge to try to find some alternatives to either increase natural gas supply or to divert natural gas users to other fuels.

I am particularly concerned about high natural gas prices and the effect on electric utilities, notwithstanding the fact that natural gas prices reached a peak of $7 per million BTUs earlier this year, a record high I think. Your Energy Information Administration is still predicting that of the approximately 1600 new electricity generating plants that will be constructed around the country during the coming 20 years, at least 80 percent of those are going to be fueled with natural gas, further increasing demand and obviously holding the potential for dramatic additional increase in price to the disadvantage of everybody else who uses gas.

And so my question to you is what can we do in order to encourage electric utilities in particular to rely on another fuel? And coal is the obvious alternative. We have 250 years of future supply in the country. Coal is consumed at approximately one-half the price of natural gas and it is the obvious thing for this Nation to do. Saying it is fairly easy, achieving that objective is somewhat more difficult.

So my question to you this morning is use this opportunity, if you would, to tell us how we can go about go about encouraging electric utilities to use more coal and to rely to a lesser degree upon natural gas?

Mr. ABRAHAM. Well, I would like to rejoin my earlier comments about clean coal technology and really put that in perspective.

You make an excellent point in terms of the coal reserves that we enjoy in this country. The question is can we use them and use them in a way that is safer.

The rest of the world has many of the same challenges. China and India and other countries with huge coal reserves are going to use their coal. We are going to use our coal. Can we do it better and safer?

And one of the reasons that the President made a decision which was in our energy plan to increase clean coal technology by $2 billion over 10 years to dramatically increase that share was to try to address these challenges, both in terms of the way we would be able to make existing types of coal generation safer, but also to develop technologies of the future.

I mentioned the FutureGen program and Congressman Brown mentioned it as well. We see this as an extremely important project. It is a huge approximately $1 billion 10-12 year program that is designed to do three things. One is through a coal gasification process to produce electricity. Second, to fully separate and sequester the pollutants including carbon so that there are no omissions so it truly is a cleaned fired operation. And as a byproduct, produce hydrogen that can be then used in fuel cells, we hope then to power motor vehicles or stationary power sources.

And we think if we can perfect these technologies over the next decade, in a cost competitive fashion, that we can then provide the coal industry with the kind of long term approach that would make the use of coal continue to be a very important component. As you know, it is 50 percent of production today.

Mr. BOUCHER. We have in the Energy Bill, H.R. 6, in the Conference Agreement approximately $3 billion in tax credits both investment tax credits and production tax credits that would be directed toward electric utilities that utilize a new generation of clean coal technology. And this provision is designed to encourage electric utilities both to retrofit existing plants, but more importantly to build new coal fired facilities and be able to do so in a way that is truly affordable to them. Can I expect the strong support of the administration for that provision?

Mr. ABRAHAM. Congressman, I think as we have indicated in a number of different letters to Congress that we are very—we have been concerned from the beginning about the size of the tax component of an energy bill. In our energy plan we identified a series of tax provisions approximately $8 billion of provisions, primarily in the area of renewable energy and energy efficiency that we felt were the appropriate number of provisions. That remains our position today. We are concerned about the total cost, and we tried to identify what we thought were the right priorities.

We believe that the work we are doing on clean coal technology is the right way to help business and to encourage the development of coal, and that has been our priority.

Chairman BARTON. The gentleman's has expired.

Before I recognize Mr. Upton, if the facts are, Mr. Secretary, that just extending existing tax provisions in the tax code, over $8 billion does the President support letting existing tax incentives expire?

Mr. ABRAHAM. You know, Mr. Chairman, we have tried to give Congress on numerous occasions a sense of the size of the tax package that we think is preferable. And, obviously, we have spent a lot of time looking at the kinds of tax issue that could be used to be part of our energy plan, identify the ones we thought were the best. We recognize Congress plays a role in this process, too, and that the ones that we think are the best may not be the ones that emerge in a bill. But we are concerned about the total of cost of energy legislation and——

Chairman BARTON. Well, we are willing, as you know, to work with the President and yourself and the Treasury Secretary on the tax provisions. But we do not want to be put in a position of supporting the President on new tax provisions for hydrogen and others at the expense of letting existing tax provisions expire. And some of the oil and gas provisions, the coal provisions, even some of the wind, renewable, those are existing provisions.

Mr. ABRAHAM. Right.

Chairman BARTON. And over a 10-year period, you know, we have put a number out there, the current bill and the Conference Report is scored at $30 billion, the President's recommend is at $8 billion. But that is a 10-year score. So $30 billion over 10 years is $3 billion a year. Eight billion dollars over 10 years is over $800,000 billion. And I would just encourage you if we can get the

other body to act responsibly, which is always a hope, that we have a meeting of the minds on the cost because we do want to get a bill.

Mr. ABRAHAM. Well, obviously as you know, Mr. Chairman, we appreciate that Congress plays a part in this, too. We have identified our energy plan and what we think would be sufficient and, you know, the process will certainly be one that we work with you on.

Chairman BARTON. Thank you, sir.

Mr. Upton is recognized for 5 minutes.

Mr. UPTON. Thank you, Mr. Chairman.

And, Mr. Secretary, we do need a Comprehensive Energy Bill. I share your frustration. I think that there will be hell to pay if we do not get a Comprehensive Energy Bill out of the Senate before too long it passes. Allegedly, they do have the votes to pass the bill, they just do not have the 60 votes to break the filibuster. As I look back at Dingell's question, reliability standards are very important. It was an important element of the Energy Bill and, frankly, the blackout that we experienced in much of the midwest and northeast last year was the spark to get this bill going. And I wish that the reliability standards had been a little bit stronger, maybe quite a bit stronger, but at least we made a step in the right direction.

For those that talk ANWR, ANWR is part of this bill. We had the votes in both the House and the Senate to include it, but it was taken out to make it more bipartisan and to make sure that we actually get the bill out, particularly when we had the conditions that were imposed as part of that settlement.

I look at boutique fuels as the summer is coming to have 20 to 25 different perhaps boutique fuels all impacted the supply line and the cost of getting those fuels to folks, particularly in the midwest, it only raises the prices. It does not lower them.

I look at the incentives for hydrogen fuel and the things that we have in this legislation.

And other alternative fuels. I am a big supporter with many of my colleagues on ethanol, which I happen to believe is a win/win/win. I mean not only taking down the reliance on foreign fuels, but it helps our farmers and obviously helps with the clean air debate as well.

Natural gas prices. I have got some consumers in my District where their natural gas prices went up five figures from 1 year to the next. And, again, in that legislation by building a new pipeline coming down from Alaska, the natural gas prices are probably five times more volatile than gasoline prices.

And like it or not, I happen to believe that the failure to pass a Comprehensive Energy Bill shows the rest of the world that we cannot get our own house in order. And how is that we can job own effectively with folks on the other side of the pond when we cannot get our house in order? And I think a Comprehensive Energy Bill would help us as we try to get the other OPEC nations on board and trying to increase their production and try to help the worldwide economy and not just here.

But I have a couple of questions before my time expires. What is your estimate as to what the gas prices will be on the three next—well, we are close to Easter, but Memorial Day, Fourth of

July and Labor Day? Where do you see the gasoline prices at the pump nationwide taking us under the current conditions?

Mr. ABRAHAM. The most recent Energy Information Administration's analyses for the summer period, and that right now is projecting a $1.74 average nationwide.

Mr. UPTON. $1.74. So you actually predict that it is going to go down?

Mr. ABRAHAM. Well, that is over a period. We do not do it sort week-to-week, so I cannot give you that analyses.

Mr. UPTON. In my own——

Mr. ABRAHAM. I am giving you for the summer.

Mr. UPTON. —Fred Upton estimate throughout my parts of my District, it is already about a $1.80. So you think it is going to actually come down a little bit?

Mr. ABRAHAM. You know, our Department has——

Mr. UPTON. I am a good shopper.

Mr. ABRAHAM. Congressman, I only have the data that the way it is collected by the EIA. That is their most recent short term energy forecast for us.

Mr. UPTON. When was the last refinery built in this country, oil and gas refinery built in this country?

Mr. ABRAHAM. It was built in, I believe, the early 1970's.

Mr. UPTON. Now, I know that there was fire this last week in Texas, as I recall. Do you have any estimate in terms of how long that refinery is going to be out of business?

Mr. ABRAHAM. I do not. I would be happy to submit for the record whatever we can learn about that. Maybe someone here who has some—I guess I am told by told that it actually is up and operational again.

Mr. UPTON. Okay. What is your estimate in terms of what our natural gas prices are going—have there been any forecasts in terms of where we are going to be this next fall?

Mr. ABRAHAM. I am not sure if I have got it right here, but I think it is going to remain in a range $5.00 or higher.

Mr. UPTON. Okay. Thank you very much.

Yield back my time.

Chairman BARTON. Thank you, the gentleman from Michigan.

The gentleman from Massachusetts is recognized for 5 minutes.

Mr. MARKEY. Thank you.

Welcome, Mr. Secretary.

Today is April Fool's Day. OPEC is making a fool of the United States. We have 130,000 young men and women over in that region, and yet those OPEC ministers are meeting and have decreased by 1 million barrels the amount of oil they are giving us. That is oil they were producing yesterday, but today they are saying they are not going to produce for the United States economy.

We have an economic security crises in our country. We have lost 2.5 million jobs over the last 4 years and OPEC is only now going to increase dramatically the pressure on our economy, even as we are trying to sacrifice with young American men and women's lives for the security of that region.

My question to you, Mr. Secretary, is how many of the OPEC leaders has President Bush personally called to ask them to turn

on the spigots of oil rather than turning off the spigots of oil as they are doing today?

Mr. ABRAHAM. The President and others of us are on an ongoing basis in contact with not just OPEC countries, but other oil producing countries.

Mr. MARKEY. Who has the President called personally?

Mr. ABRAHAM. We do not comment on the specifics of our conversations.

Mr. MARKEY. Has the President personally called the leaders of any of the OPEC nations and asked them to not cut back on the production of oil?

Mr. ABRAHAM. As the President indicated in his statement yesterday, we have been stressing—he has been stressing to big producers that high energy costs are unacceptable.

Mr. MARKEY. Has he talked to the leaders of any of the OPEC nations personally and asked them not to run off spigots of oil?

Mr. ABRAHAM. He has been in touch on an ongoing basis with the leaders of the countries in OPEC, among the messages and some of these discussions obviously involve other issues as well——

Mr. MARKEY. As he asked the head—has he asked the leader of Saudi Arabia not to turn off the spigots of oil production because it would hurt the American economy?

Mr. ABRAHAM. I am not going to comment on the specifics of his discussions. I will just simply indicate what he indicated in his statement yesterday.

Mr. MARKEY. Do you know if he called the head of Saudi Arabia and asked him not to——

Mr. ABRAHAM. I know that he has had conversations with all of the leaders of OPEC. And in context—well, at least most of the leaders, some of the leaders of OPEC as, you know, are from countries like Iran and Libya with whom we really do not have much dialog. But I know he has been in contact with them on a variety of issues. And yesterday's statement I think speaks for itself.

Mr. MARKEY. Well, you know, the American consumer is being tipped upside down by OPEC with money being shaken out of their pockets everyday at the gas pump. And it is going to have a profound impact on the American economy. So I think the American public has a right to know whether or not jawbone these leaders.

Which of the OPEC leaders, Mr. Secretary, have you personally asked not to turn off the spigots of oil?

Mr. ABRAHAM. I have been in contact on a regular basis with the leaders of most of the OPEC countries on these issues.

Mr. MARKEY. Did you talk to the leader of Saudi Arabia and——

Mr. ABRAHAM. No, I did not.

Mr. MARKEY. You did not?

Mr. ABRAHAM. Not to the leader. No, I did not.

Mr. MARKEY. Who in your administration has talked to the leader of Saudi Arabia and asked him not to turn off the spigots of oil to the United States?

Mr. ABRAHAM. Conversations with the leaders of Saudi Arabia have taken place, Congressman. We do not comment on the specific discussions, and I certainly am not going to comment on what other Cabinet members might or might not have had discussions

with the Crown Prince. But I can assure you that the message has been sent very clearly, which was released yesterday.

And I just might say, you know, we are focusing on OPEC, and that is an issue which, as we indicated yesterday, we are very disappointed with the decision they made yesterday and, obviously, are evaluating what we might—as we do after everyone of their decisions when——

Mr. MARKEY. Mr. Secretary, OPEC is price gouging the American public. This is oil they were producing yesterday and now they are not producing it, even as we see stories of young Americans who are being killed on a daily basis in the Middle East.

Mr. ABRAHAM. Well, Congressman, I would just——

Mr. MARKEY. I mean, it is absolutely morally wrong for OPEC to take advantage of the United States as we are providing our young men and women, an American treasure, from our taxpayers to protect that region that they then put a double tax on the American economy by cutting back on the oil that they have been producing over the last year in order to further extract this incredible price out of the American people.

Mr. ABRAHAM. Congressman, let me just say a couple of things. First of all, what matters in this arena is not just what people say but what they do. Right now the OPEC quota is stated to be 24.5 million barrels a day, the production is over 25 million barrels a day.

Yesterday after this decision was announced, the price of oil actually went down, not up. And a lot of the analyses that was in the trade journals today talked about the fact that there were was deep questions about whether any production reduction was——

Mr. MARKEY. Mr. Secretary, you should deploy the Strategic Petroleum Reserve. The President of the United States should deploy Strategic Petroleum Reserve. This is our economic security. They are threatening the economic security of our country. They are putting a dagger at the heart of our capacity to create a new jobs by imposing this huge new oil tax on our people, and the President must jawbone OPEC to get that tax off the backs of the American public.

Chairman BARTON. The gentleman's time has expired.

The chair would ask unanimous consent before recognizing Mr. Whitfield to put into the record the actual production record of OPEC for the last 9½ years. Is there objection? Hearing none, so ordered.

The Chair would indicate, and we will make copies of this available to all members, that since January 1995 OPEC's production has fluctuated from a little under 25 million barrels a day to a little over 29 million barrels a day. As of mid-January it was at 27 million barrels a day.

I support Mr. Markey's suggestion that we do everything possible to maximize OPEC production, but we should have what the record actually is on their production.

Mr. WYNN. Mr. Chairman?

Chairman BARTON. The gentleman from Maryland seeks recognition.

Mr. WYNN. Regarding that exhibit, the Secretary just suggested that actual production exceeds reported production. And I wanted

to inquire as to whether that report that you are about to enter is consistent with the Secretary's statement that production is higher than reported or if in fact it is as reported, which would indicate that we can expect lower production starting today?

Chairman BARTON. This report, this chart, and we will get a copy of the chart, and it is it from the Energy Information Administration, has the actual quota or it has the regular—it has the official quota and then I think it has the actual production. We will get the specific answer to that. And it is general knowledge that OPEC produces above their stated quotas. But we will get you that specific information.

Mr. WYNN. Thank you, Mr. Chairman.

Chairman BARTON. Yes. And all members, there have been a number of suggestions and obviously we are going to honor these, all members will have the opportunity to provide written questions to our witness today.

The gentleman from Kentucky is recognized for 5 minutes.

Mr. WHITFIELD. Mr. Chairman, thank you.

And, Mr. Secretary, thank you for joining us this morning and listening to our concerns.

I wanted to reiterate the comments made by my colleague Mr. Boucher and emphasize once again the importance of coal. It is our most abundant resource. It is our most economical resource and it can go a long way in helping alleviate some of our energy challenges. And we do hope that the Senate would take action because, as has already been indicated, we do have the production tax credit and the investment tax credit for clean coal technology in that bill.

But I would also like to express a concern. I know your fossil research and development budget for 2005 it appears that you are requesting $447 million, but it is my understanding that $237 million of that is being taken away from the FutureGen initiative which started out as a $1 billion project over 10 years and the industry was going to put in $200 million initially, and now we have ten coal companies willing to put in $250 million. The government was going to initially put in $800 million; that's down to about $500 million now. And now we are taking money from FutureGen and moving it over to the fossil R&D budget instead of asking for new monies.

And it seems to me with coal potentially playing such a vital role, that it is sort of getting the shortchanged here. I recognize that you have a limited budget, but I wanted to make that comment.

Mr. ABRAHAM. Well, if I just would say, I mean FutureGen is coal, it is all about coal.

Mr. WHITFIELD. Right.

Mr. ABRAHAM. And so, you know, we have added that to our clean coal technology program. It is not a decreasing of other things, it is a new component of it which we think will ultimately serve this Nation's coal production capabilities very well.

Mr. WHITFIELD. But I had the impression that you were taking money away from FutureGen and it is the reverse? Okay.

Mr. ABRAHAM. Well, let just quickly go over for you. You know, the FutureGen program we have costed out at about $950 million.

Mr. WHITFIELD. Right.

Mr. ABRAHAM. The Federal Government will be providing $500 million in basic technology research and another $120 million in carbon sequestration work that will be done accompanying the program for about $620 million total.

The private sector, as you indicated, will contribute about $250 million. And we expect already based on the success we have had working with international partners on carbon sequestration and clean coal, that there will be an interest and contributions from the international community that will be the final component.

Mr. WHITFIELD. And you are hopeful that that will work out?

Mr. ABRAHAM. I believe it will. We had the first meeting of the Carbon Sequestration Forum last year. We brought, literally, 14 major coal producing countries to the United States. They have joined with us in a joint carbon sequestration set of research efforts. And we think that there is a lot of interest in what we are doing on FutureGen.

Mr. WHITFIELD. And I want to thank also, Mr. McSlarrow and Mr. Card because they are working with us on these RFPs for the new cleanup and infrastructure contractors at Portsmouth and Paducah. But Mr. Strickland referenced this earlier, representing Paducah and Portsmouth, we feel like that the employees there are being treated differently to their detriment on the pension and retiree health benefits, and also the requirement for community reinvestment. They are being totally treated different in terms of the RFP at the Mound facility.

And from my knowledge, that has never been done before. So I am anxious to continue working with Mr. McSlarrow and Mr. Card, and hopefully we can correct that issue.

Mr. ABRAHAM. I know, and Congressman Strickland mentioned in his opening statement his concern, which we are aware of. And others who share these communities have expressed it. We are hopeful that we can work together with all of you, as well as obviously the folks on the ground. I know that several proposed ideas have been now presented to us. We are trying to work our way through that. And as you noted, the Deputy Secretary has taken on this issue directly so that we have in our own office high level focus on it.

Mr. WHITFIELD. Thank you.

Mr. HALL [presiding]. All right. Gentleman's time expired.

The Chair recognizes the gentlelady from California, Ms. Eshoo for 5 minutes.

Ms. ESHOO. Thank you, Mr. Chairman.

Again, Mr. Secretary, welcome. It is nice to see you.

Just a couple of observations. I am just glancing at the chart that was placed in the record, and what I'm struck with is that regardless of the production level, we are very dependent upon it. And I think that is really what the operational factor is in discussing national energy policy today or anytime any Secretary of Energy comes to appear before the committee.

Certainly our people are feeling the real punch at the pump right now. But my constituents continually ask and press on the following issue: What are we doing to prepare ourselves in this century to be less dependent? I do not share conspiracy theories about going to war singularly for oil, but we would not be there if they

had fields of broccoli, most frankly. And so I think today's discussion really has to center upon what we can do so that our country, the United States of America, is less dependent on this. This is not a pretty picture and it was uncomfortable I think for everyone to hear hard cold facts as Mr. Markey pressed very hard on this. But again, this chart I think the real story to this chart is that whether it is up, down or sideways in terms of what OPEC produces and what their levels, is that we high level of dependence.

Another observation. The administration's energy bill is stuck over in the other body on a bipartisan basis. this is not one party that is holding it up. I mean, as you know, your party has the majority. I know that they have different rules over there, but there is bipartisan opposition to the bill. And it has been said, and I believe that it is so, that if the administration dropped the MTBE Liability Safe Harbor Provision that other parts of the bill could move.

So you can tell where I am going. Would you support a bill without an MTBE provision?

And I also want to get on the record that the Energy Information Administration has estimated that the Energy Bill cold add as much as 8 cents to the cost of each gallon of gasoline and that the Energy Bill will not have an effect on our dependence relative to imported oil. So besides an Energy Bill that has a price tag, obviously, $23 billion to the American people and which adds $140 billion to consumers' bills, what is the administration offering to help solve our energy problems in the short term and in the long term? It is a big question, but I think that is the question that is on the minds of the American people. And I do not think they look at these issues, Mr. Secretary, as whether it is a Republican Energy Bill or a Democratic Energy Bill. They know that we cannot be about yesterday. We have the capacity in terms of technology and moving toward those kinds of things that are going to take us away from fossil fuels.

What is the administration's short term given where the bill is stuck so that there really is not any national energy policy and long term? What are you willing to change to make things work, especially with this new layer of what OPEC is doing to us and the barrel of the gun, so to speak, economically that we are looking down?

Mr. ABRAHAM. Congresswomen, thank you for the question.

Mr. Chairman, I note there is only about 40 seconds left, but this is going to take a little more than that if I might to answer.

Mr. HALL. The Chair recognizes you for a full answer. It was a good long question.

Mr. ABRAHAM. Right. It was a good long question.

Let me just talk about the process going back to day one and where I see our future challenges and how we are trying to address them.

When we took office, the one thing that was abundantly clear—and look, I was a member of the Senate when we did not develop an energy plan and we did that on a bipartisan basis. The previous administration did not develop an energy plan. We did not have one.

President Bush in his first week asked us to put together a series of recommendations for his consideration. In May 2001 we put forth 105 recommendations, many of which we have already been implementing through the executive branch on a variety of levels. It was designed to look not just at the short term, but the midterm, the long term. Some of those components could not be done by Executive action only, which is why we have been pressing for the passage of an energy bill.

And I know there is disagreements on some of these components. We all, you know, have our philosophies. And I, obviously, would make the case for the inclusion of things in that bill that are not even in it and were referenced earlier, including the production of oil in Alaska as we see what our dependence has become. But we have been moving forward to implement that plan.

Now, one of the issues you raised how do we get out of this dependence, and we need to do that. You are absolutely right. Today we import 54 percent of our oil. Back during the oil embargo in 1973 it was 33 or 36 percent. But in 20 years it is going to be nearly 70 percent. How do we address that?

We concluded, therefore, the energy plan and actions that we would take needed to be focused on the exact same issue you raised; the technology options to this country. At the top of the list we concluded was the development of motor vehicle fueling systems that did not require oil, which is how the hydrogen program really was launched. And we are fully committed to that program as are a lot of members of this committee on both sides of the aisle and the same is true in the Senate. We need to pass an Energy Bill in part so that we can get the authorization to fully implement the hydrogen program.

It is going to take time. It is a complicated process to reduce the cost of hydrogen production and fuel cell technology so that the vehicles we would develop could be competitive. People will not buy a hydrogen vehicle if it costs a lot more. They will not buy it if they can't be guaranteed they can drive home after they have left home. We have to have a fueling infrastructure. It is going to take time.

We made a decision after the professional career folks in our Department worked very, very hard that over the first 5 years this program would need about $1.7 billion in investment. We are working hard to secure that funding. We need to focus it on a roadmap we have developed. And I am very pleased, as I said in my statement, that we have been able to bring for the first time the automotive and the energy industries together to chart that progress so that we are working in parallel.

Part of the problem we have had, people have been talking about hydrogen for a long time. The problem has been that on the one side people have said well we will build the car when they have the fueling system. And on the other side they had said we will build the fueling system when you have the car. And so we are making good progress, because now we have people working on a parallel track and we have got an international partnership that is working on it as well.

And in my personal opinion, more than anything else, that is the way we break this dependence. Because you can produce hydrogen here at home from renewable sources, from coal, from as I said ear-

lier, from nuclear energy; from a variety of possible sources. And we are letting research go on in all of those areas. We are very optimistic that we can transition to a hydrogen economy by 2020 so that we in fact are in a situation where the market of motor vehicles are going to be hydrogen driven.

But there are a lot of other components of this energy plan that have been implemented as well. One of the first things we focused on was our efforts to try to help work around the world in places other than the traditional sources of oil production, to increase production.

Back then Russia was producing about 6 million barrels—I am going too long? Could I answer for the record, maybe, a little bit more, Mr. Chairman, to elaborate because there really is a lot that I think we are doing here.

Mr. HALL. Go ahead and finish. Finish in another minute, and 30 seconds is already gone.

Mr. ABRAHAM. Well, I began to talk about the international efforts. They are producing I think a lot of success in places in the world that had not traditionally produced or were not producing as much. We are working closely with our counter parts in West Africa, in the Caspian region in Russia so that in fact in the interim there is a more diverse world marketplace.

And let me just say one statistic for the record. A lot of focus today on OPEC. OPEC produces about 26 million barrels a day. The total world production per day is 82 million barrels of oil. OPEC is one-third; not 50, not 70, not 90 percent. It is one-third. And our goal is to work very hard to increase the share from other parts of the world. But we also need to recognize that demand is growing, too, and that is one of the real challenges. It is growing here. Our economy is strengthening, that means more demand. But in China, in Asia as you know, there is a lot of competitors.

And so I would love to answer more for the record. I will rest. Thank you, Mr. Chairman.

Mr. HALL. Thank you.

The Chair recognizes the gentleman from Georgia, Mr. Norwood for 5 minutes or so.

Mr. NORWOOD. Well, Mr. Chairman, you have to admit, that was a senatorial answer if I have ever heard one.

Mr. Secretary, I have a couple of questions that I would like to pose to you and then when I get those out, perhaps turn it over to you to answer.

Now, on February 3 of this year a group of southern Governors, including Governor Purdue of Georgia, sent the President and you a letter expressing concern over the nature and pace of certain recent initiatives at the Federal Energy Regulatory Commission that have the potential to greatly increase the cost to electric consumers in Georgia, and indeed through the southeast. And with unanimous consent, I would like to offer that letter for the record, Mr. Chairman.

As you aware, Chairman Wood is pursuing these initiatives even though Congress is currently still considering the administration's proposed Energy Bill that places significant limitations on the Commission's authority in this particular area. I am quite puzzled, frankly, by the fact that Chairman Wood who is certainly a mem-

ber of this administration and as recently as last year has expressed his full support for the carefully crafted provisions in the electricity title, he is proceeding today as if all those provisions never existed and were never supported by this administration.

Mr. Secretary, I know that you have stated publicly that you support voluntary regional organizations and you and other senior Administrative officials were very, very helpful in crafting the provision in the Energy Bill that delays the so called standard market design rulemaking at FERC. While I know that FERC is an independent agency within the Department, I believe that given your overall responsibility to ensure a sound energy policy in this country, you can and should remain involved in helping FERC as it deals with individual cases before it to balance the relevant policy imperatives. This cooperative relationship with regards to policymaking between FERC and DOE certainly has been practiced in other administrations, both Republican and Democratic. And I'd like in a second for you to comment briefly on that, and perhaps longer in writing.

Second, I would appreciate it if you would take a minute and explain to this committee why it is important that the plutonium pit facility come into being? You have noted in your remarks that hopefully by 2007. But I think it would be useful for us to understand what the point and purpose of that pit facility is. Then we have anything left, I have a gasoline question or two.

Mr. ABRAHAM. Well, I will make sure to talk long again.

Well, first, with regard to our views, we have indicated that we favor regional transmission organizations but on a voluntary basis. We think that these are going to be much more successful if that is the method by which it comes about because we need to respect the differences between regions.

I would just say, and I will be happy to expand on this for the record, that we do work with Chairman Wood in discussions on these issues. Obviously, passage of an Energy Bill would address this issue most directly and clearly, for a variety of reasons, is a preferable course.

With regard to plutonium pit production, I would just say to the committee very simply this: We as a country stopped producing plutonium pits, the primary trigger on our nuclear warhead some time ago. All of the other nuclear weapons countries continue to have this capability. The United States is the only one which does not. We have no plans to build new nuclear weapons.

The arsenal, the stockpile however is getting older and there is some issues about how long the existing stockpile warheads will remain reliable. So at some point the components have to be refurbished or replaced. So if we want to maintain the stockpile, it is essential that we ultimately have the capacity to produce on a larger scale basis the plutonium pit. And, you know, this is a case of simply restoring capabilities, not of expanding capabilities, but to make sure that our nuclear deterrent remains fully effective. And, obviously, if we ever reached a point where that were not the case, it would imperil national securities. So we believe it is a very critical investment, and we intend certainly to continue moving forward with it.

Mr. NORWOOD. Well, it is a national security problem. And that is something I think we need to keep saying.

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

The Chair recognizes Mr. Stupak from Michigan, 5 minutes.

Mr. STUPAK. Thank you.

You know, the chairman started off questioning about what happened back in 1995. I do not mean to go back and rehash old history, but I just find it sort of ironic that back in 1995 many Republicans, in fact when you were in the Senate, actually called for elimination of the Department of Energy. So if that would have gone forward, would we not have a more disjointed energy policy than what we have right now if we did not even have a Department of Energy?

Mr. ABRAHAM. Well, as you well know, I was a co-sponsor of that legislation and have been repeatedly asked by Members of Congress in every committee hearing I think I have ever attended, and this may be the first time in this one. When I learned the error of my ways, you know, I certainly would subscribe to the theory that the Department's functions are very important, and part of it is because Congress did reorganize the Department later in that decade in an effort that I supported and I think has made it a much more successfully functioning agency since.

Mr. STUPAK. I know a lot of it was said back then that there was a lot of contracting out, especially under nuclear waste cleanup. And that still remains today, right?

Mr. ABRAHAM. Right.

Mr. STUPAK. Is that an efficient way of doing it, do you believe or——

Mr. ABRAHAM. Yes. The size of these projects are, in our judgment and I think by the previous administration as well, are going to be effectively addressed if a large contractor familiar with this kind of work, to the extent you can be, is in charge.

Mr. STUPAK. Okay. And is it going fairly—in your estimation is the nuclear cleanup going well?

Mr. ABRAHAM. Well, I indicated earlier one of the things that bothered me when I took the job was that I learned that in three of our sites, two in Ohio one in Colorado——

Mr. STUPAK. Right.

Mr. ABRAHAM. [continuing] we were on an accelerated path to correct the communities and the others weren't. And I think we are making progress, although you know we cannot shorten them as much as we have the first three. But that we are making progress to reduce risk instead of just manage it. And that it is an important transition.

Mr. STUPAK. And you are satisfied with the contract completion on these and the performance of the contractors?

Mr. ABRAHAM. Mostly. But believe me, each contract is kept—you know, we watch these closely and we do have issues where we have to find new contractors, and that will continue.

Mr. STUPAK. Yes. We spent a lot of time on oversight investigation on that issue, that is why I asked.

Mr. ABRAHAM. Yes. That remains a challenge.

Mr. STUPAK. Let me ask you this question, I hear a lot about this when I am back home doing my town hall meetings as I will be

in the next 2 weeks: Back in November President Bush ordered the filling of the SPR to its capacity of roughly 700 million barrels of oil principally through the royalty and kind acquisition of crude from Federal off shore leases. Deliveries are scheduled through October 2004. On March 11 in its debate on this budget resolution, the Senate called for a suspension of those deliveries and a sale instead of 53 million barrels of the royalty in kind oil to be used for deficient reduction and increased homeland security funding. And this is at odds with the President's order, which he is requiring that they continue to be filled.

In the past, Presidents have released oil from SPR to try to stabilized gas prices, and as we see them coming back on the rise again many people are asking why are we not doing it. And the things I am hearing back home is, "Well, we do not want to do it because it is good for the President and his buddies to keep the oil and gas prices high." There is other concerns that we do not do it because homeland security, our security at our oil supplies and gasoline supplies around the country is not as successful or not as secure as we would like them to be. Or third, the President is planning some kind of a conflict after the election, war whatever you want to call, and we are hoarding all of our oil and gas.

What of the three are correct? What would you advise me to tell the folks back in Michigan, since you know them as well as I do?

Mr. ABRAHAM. It's answer No. 4, none of the above.

Mr. STUPAK. None of the above. But what is the answer? Why do we not release the SPR?

Mr. ABRAHAM. I would love to answer that question. And let me just say that none of the options that you mentioned are correct. Frankly, if we wanted to help oil companies, we would let them sell the oil at the prices that they could sell it for today, they would make a lot more money.

Mr. STUPAK. But are you not taking oil and gas out of the supply line?

Mr. ABRAHAM. Let me talk about first the rationale and then what the impact would be if we ceased filling.

Mr. STUPAK. Sure.

Mr. ABRAHAM. Because I think this is important for us all to discuss.

After 9/11 the President made a decision, and let me say on a bipartisan basis there was a strong support for it; that we should take the reserve which has a capacity of 700 million barrels and fill it. We only had about 540 million barrels. And so the President decided we should do it.

He also said let us do this in a way that has the least disruptive impact on the oil market. And we concluded the best way to do it was to take the oil which has to be given to the government——

Mr. STUPAK. The royalties?

Mr. ABRAHAM. The royalties. Take that royalty oil and use it on a very gradual basis; on such a slow basis in fact that it is going to take about 3 years for that 150 million barrel fill to occur. We knew that if we did it very transparently, very slowly and very predictably that it would have a minimum impact in terms of price. And I will get to that in a minute.

But what we also realized was that this country faces many threats in the world, and that our national security is very much at risk if we had no fallback position. If we did not fill this reserve, in our judgment, to its full capacity we would be taking a risk that if something happened, if the supply of oil were disrupted I do not think any of us on either side of the aisle would be able to explain very easily to constituents who were at either at that point waiting in gasoline lines or paying huge, huge amounts of money for black market gas or something of that sort. And we think it is important.

We do not know what might happen in the major oil supplying parts of the world, but we need in an era of terror, in the wake of 9/11, to fill this reserve. And that is why we are doing it, for national security reasons.

But we also had the Energy Information Administration do an analysis of what the impact on price is. And here's the thing I just want to emphasize. Everyday in this world we produce 82 million barrels of oil. We are filling the reserve at about 120,000 barrels a day, a tiny percentage.

The EIA analyzed this very vigorously and concluded that the impact if we ceased to fill it would be about as high as 2 cents and perhaps less than .01 per gallon. And we feel that in the interest of national security that that is a tradeoff that is worth having. And that is why we are doing it and why we do not think the impact is as some has suggested.

Mr. STUPAK. So it would go back to a security issue then?

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

Mr. ABRAHAM. Yes, it is totally to maintain a reserve if a disruption, a significant disruption in supply occurred in the world America will have a 700 million barrel reserve to fall back on in the event that something happens somewhere to disrupt. And we have obviously seen that happen.

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

I might pass on to you, you are giving information. Let me give you just a little information about how to answer that question about doing away with the Department of Energy.

Several years ago a group of us Texans went west trying to nominate Lyndon Johnson instead of Jack Kennedy. And Mr. Rayburn gave us an answer that Kennedy was absolutely too young to be President. Three months later after Kennedy was nominated, Mr. Rayburn was making a speech for him and was asked about that. And he said "Do not be stupid. He is 90 days older now."

All right. The Chair recognizes Mr. Shimkus.

Mr. SHIMKUS. Thank you, Mr. Chairman.

And I know that we have been sitting through this. I just want to make sure that the Secretary knows that there are obviously some folks who believe in the standard market design and the Energy Bill and making sure that we have an expanded transmission grid that can move power across our country. And so in regards to my friend from Georgia, those of us who think that the FERC has to move in a manner.

The Strategic Petroleum Reserve, I was not going to talk on that, but being a Reservist active in the military that is to run our war machines. And a perfect example of what is going on now. We are totally over reliant on imported oil. What happens if the importa-

tion stops? How do we—without an Energy Bill and with our marginal oil wells running dry with no access to Federal lands, without ANWR where in the world are we going to get the fuel to run the Abrams tanks, the Bradley fighting vehicles and our fighters? And so that is why we cannot use the SPR for market manipulation. We have to use it for the strategic aspects of the defense of this country.

And know Chairman Barton, we have been over this numerous times and everybody wants to dip into it. But it is there for national security——

Mr. STUPAK. Would you yield on that point?

Mr. SHIMKUS. No. Because I only 5 minutes so I want to keep moving.

Mr. STUPAK. Just quickly. If it is for the war machine, as we all think, is there another war that we are fighting——

Chairman BARTON. The gentleman from Illinois has the time.

Mr. SHIMKUS. Thank you.

It was reported that there was cheering in the OPEC board room when the Senate killed ANWR and Clinton also vetoed it in 1995. Killing ANWR should be viewed as a 1 billion barrel per day additional crude oil to the United States.

High prices are a simple result of supply and demand. If you want to stop the cheering in the OPEC board rooms, do you not think, Mr. Secretary, that we would: (1) Want to open up our country to exploration in ANWR and do you not think we really want to pass an energy bill?

Mr. ABRAHAM. Yes, I do. Congressman Upton actually said it very well a few minutes ago when he talked about the consequence of us not taking actions. And the signal that I think is sent when that happens is a strong signal. I think it is interpreted that we are not willing to do things that we have to do to be more on the right track in terms of energy. And whether it is the ANWR or it is the comprehensive bill itself, I think it gives other people a sense that we are not going to prepare ourselves.

And so, obviously, for a variety of reasons that deal with the substance of that bill, I think it needs to be passed. And, obviously, this bill does not include ANWR, but we have made that case many, many times. People, some discount how important it is. But, again, as Chairman Barton I think indicated, we are talking about a million barrels a day potentially after it is up and fully developed. We are talking about today OPEC reducing production, if they actually do it, of a million barrels a day as something we find undesirable. We are talking about ANWR, that is a million barrels a day as well.

Mr. STUPAK. Thank you, Mr. Secretary.

And the last thing I want to mention is, and we have talked numerous times and I want to do it also publicly, we have met with the Assistant Secretary for Fossil Mr. Maddox. FutureGen is a huge provision. It sends all the right schedules based upon the debate we just were talking about; getting clean burning fuels and being able to have our own supply of energy resources.

So with that, there is going to be really a handful of States that are really going to be competitive. I would like your assurances

that we are going to make a real scientific geological research on really working with the consortium on deciding of FutureGen.

Mr. ABRAHAM. Well, we will. And, obviously, the consortium will play a pretty key role in the citing issue as well, as you know. I mean, this is the way the process works. As I said, there is no really more exciting in my judgment clean coal project than that one, and we are looking forward to moving it ahead.

Mr. STUPAK. Thank you.

I yield back, Mr. Chairman.

Chairman BARTON. Thank the gentleman.

The gentleman from Texas, Mr. Green is recognized.

Mr. GREEN. Thank you, Mr. Chairman.

And, again, thank you for your patience, Mr. Secretary. And let me just say on my side of the aisle, I find it amazing that we are blaming OPEC for lowering their allowable, but yet we are buying back leases in California. Even in the Great Lakes, Canada produces natural gas but we do not produce it on the U.S. waters. We cannot even build windmills in Massachusetts and add on the eastern Gulf of Mexico that has some very productive area that we are taking off the shelf.

So all these people complaining about OPEC maybe ought to look in our back yard and see how we can deal with it in our domestic product. That is typical from a Texas, I admit. And let me bring something else up that you may hear unusual from a Texan, is the high natural gas prices.

For years we loved them. But in all honesty, we have a problem in our country because our success with natural gas. It is cleaner burning, not only for heating our homes and cooling our homes, but also with the prices for the chemical industry. And our major problem in the chemical manufacturing base is our consumers—and also our consumers gas furnaces.

Our energy legislation would help, but frankly I wanted the Energy Bill to do much more for domestic production.

Let me ask about the one idea is the drilling technologies. And we had some things in the Energy Bill to help us not put as many holes in the ground and yet find as much product. And yet I see the administration in their request for funding for DOE cut oil and gas programs overall by 10 percent in the 2005 budget, and particularly important the petroleum exploration and the production of research program was cut by about 84 percent in the administration's proposal.

I want to see what we can again because, again, I believe we ought to—if you want to fight OPEC, then let us produce energy locally instead of having it be imported, rather it be oil now or natural gas in the future.

Mr. ABRAHAM. Well, first of all, I share your view. There is different opinion on a lot of these issues. And I am not here today to try to persuade people on another side of some of these debates that they are wrong. That debate will continue and we will have that at another time. But when you do, there are a lot of factors out there. And when you constrain your ability to produce at home, whether it is gas or oil, it obviously has an impact. When you have a set of rules and regulations in place that have effectively discouraged the development of a new refinery in this country for 30

years, that impacts on price, it impacts on our ability to—especially when we have so many different fuel types. And that is a factor, too.

I think your points are very well taken.

I will just comment on the oil and gas budget, if I could. One of the things which does take place within the administration is an annual evaluation of the effectiveness of the various research and develop programs within each department.

For 2 years in a row the R&D program for oil and gas has received an ineffective evaluation by Department of Management and Budget. And let me say that there are—we have a variety of grades, including adequate and—although we have superior, but this is the one area really in my Department that just has not received those grades, of any minimal level of effectiveness.

I am not sure I say that totally share that view, but that is the grade that they have received. So we are in the process of trying to retool and get these programs into a category where they would be easier for us to come to Congress and the American people and say that we want more support. Because it is kind of hard. I feel uncomfortable asking for budget for programs that receive those ratings that is higher than I did last year. It just would be hard, in my judgment, to make a case for that.

Mr. GREEN. Well, Mr. Secretary, I am almost out. I have 1 minute left.

And I agree, but I want to make sure because we spend a lot on research in our country. And even though I want a program to be effective, but I also want to make sure we continue to do that research so we can get more bang out of our buck. And Department of Energy has a purpose for that, but for the research and again with the decreasing supply.

Mr. ABRAHAM. I agree.

Mr. GREEN. Let in my last 40 seconds talk about the filling of the SPR. I have concern about that. One, with the higher price we are paying for filling the SPR. My goal for many years was to try and use the SPR when the oil was $10 a barrel and so we could take care of some our producers who are very low end producers, our shipper wells, to keep them in business because they were shut in those wells at $10 a barrel. And, granted, it is created for national security. But on the other hand, we need to—hopefully we would fill it when the prices are low and then use it when the prices are high.

Mr. ABRAHAM. Well, I appreciate it. I know others in this committee share that view.

Just to clarify, Mr. Chairman, for the record that this reserve is a national security reserve to make it possible if there is a disruption in supply to this country to give the people in America access to oil. It is not to fuel a war machine. It is not to fight a war. It is to protect the American consumers.

And, again, if we lived in a world that was trouble free, it would certainly be the right thing to do to weigh—and in fact, the Department has in the pre-9/11 period been very, I think, effective at trying to buy at the right times. But the President, and we all have made a decision, that the national security requirements of having this filled dictated moving ahead.

We did cease deliveries for a while last year when there was a disruption when Venezuela had their strike. But we do believe having the reserve filled is critical at a timeframe that we have set.

And I would also note I think in the Energy Bill Congress passed that the Congress established a 1 billion rather than 700 million barrel capacity as an authorization. And that may, obviously, if an Energy Bill passes be something for us to consider at that point.

Chairman BARTON. The gentleman's time has expired.

Before I recognize the gentlelady from New Mexico, I want to make the Secretary perfectly understand that as chairman of this committee I do not support using the Strategic Petroleum Reserve to manipulate prices. That it is not its purpose. I totally support the President and your position that it is a Strategic Petroleum Reserve. And under the law we do not have severe supply disruption that effects the national security interest of the United States of America so we should not be releasing oil from the Reserve.

I have been consistent in that policy. I was consistent in berating the Clinton Administration when they did release some of the oil, a small amount, I think 8 million barrels in the year 2000.

I think you are hearing from a majority on both sides of the aisle today, though, that the practice of continuing to fill the Reserve with royalty and kind, while certainly you are not buying it, you are only accepting oil, that oil could be sold and those proceeds go to the general revenue, or for what other purpose the President and the Congress would agree. That would have a moderating, albeit perhaps minimum moderating influence on prices.

So the debate is not about taking oil from the Reserve. The debate is about whether we should continue to fill it as has been pointed out repeatedly. Mr. Green just said when prices are low, buy and fill it up. When prices are high, take the royalty as cash and if nothing else, reduce the deficit.

But we support the President's decision not to.

Mr. ABRAHAM. Well, again, the value of reducing the deficit is not one we discount or find of low priority. But in a world where we are virtually all the time these days, we see evidence of terror, we see concerns about stability in oil producing parts of the world. It is our view that the national security priorities here outweigh the revenue gaining opportunities at this time.

Chairman BARTON. I understand.

Mr. ABRAHAM. And I know others have different views. But all I can say is this: If something did happen and that reserve is not filled, and we need it, I think all of us are going to feel that we should have done it. And that is our goal.

Chairman BARTON. And we have the authorization to expand the Reserve to 1 billion barrels because of Mr. Green and Mr. Barton and Mr. Hall and I think everybody on this committee on both sides of the aisle. So we are totally with you on that.

Ms. Wilson?

Ms. WILSON. Thank you, Mr. Chairman. Like others on this committee, I support a balanced long term energy plan for this country that reduces our reliance on foreign supply and that increases conservation and protects the land that we love.

I do find occasionally this morning that I felt like I was not in the United States, but in wonderland. Because you, Mr. Secretary,

were being criticized for not jawboning your counterparts half way around the world, I do not think that begging is a substitute for an energy policy. And my colleague from Massachusetts would not even have to make a long distance call to jawbone some of his colleagues in the U.S. Senate so that we would not have to go hat in hand to OPEC to provide for our energy needs. It is amazing to me that we have 27 United States Senators writing to the President of the United States who oppose an energy policy and are holding it up with a filibuster saying you have to do more to have OPEC turn on the spigot. Well, let us change our policies so that we do not have to be over a barrel with OPEC.

I wanted to ask you, Mr. Secretary, some questions about natural gas in this country. As you know, 10 percent of the natural gas used in American comes from the State of New Mexico. And I was talking to a head of an exploration company recently. He made a comment that was probably sadly true. He has exploration all over the United States, but also overseas. And he said that when they assess political risk for explorations the top area of political risk is actually on United States Federal lands. They would much rather explore overseas because there is lower political risk even in countries that we would all think are largely unstable.

This has a huge impact on our economy and on jobs potentially moving overseas to be closer to sources of natural gas to make fertilizer or packing materials, or glass or textiles or chemicals or pharmacueticals. I worry very much about the cost of natural gas being driven up by lack of access to Federal lands.

I wanted to ask you what are you doing, both yourself and with your colleagues on the Cabinet, to ease access to Federal lands and what do we as a Congress need to do to make sure that we have adequate supplies of natural gas? All of us are encouraging natural gas use, but not easing access to the supplies.

Mr. ABRAHAM. Well, first of all, you have identified one of the challenges. And I referenced it before when I said that we have with regard to natural gas simultaneously regulated ourselves in the direction of greater demand and at the same time, we have through everything through land use planning issues, roadless areas, BLM wilderness issues, Endangered Species Act; a variety of things that have had an impact on where we can produce. And these are debates tha are probably going to continue here on the Hill for a long time, but we ought to be cognizant of the implications. And that is why we are trying to diversify the sources of energy, even as we are also trying to make it possible for more natural gas production here.

One of the things we have been working on is to try to expedite the permitting process. That is not in our Department, obviously. It is over in Interior, and I know that they have been making progress in terms of trying to make the permit process as comprehensive as it is supposed to be, but conducted in a timeframe that allows for people to make the decision in terms of moving forward and investing in these kinds of project. So that is, I know, a priority of theirs. I am sure they have other things that they are engaged in in this area, and maybe for the record I will seek some input from them to address this as well.

Ms. WILSON. Thank you.

The other question I had concerned your budget and the advanced fuel cycle initiative. Of course, this is the initiative that looks at nuclear fuel cycles, both intermediate and long-term, that will reduce the amount of storage we need for spent fuel, as well as helping to reduce the potential for proliferation. And you reduced it pretty significantly in your budget and I wondered why?

Mr. ABRAHAM. Well, it does not reflect a lack of interest in this area. We did, however, because in putting this budget together we had a lot of tough choices to make, put more focus on the generation 4 nuclear reactor program, because we thought that that had at this time an area where we needed to increase our funding, to try to move in the direction of working with our international partners on the development of what we see as the next step in terms of nuclear energy in this country.

One of the things that we are interested in is developing a new fourth generation design for reactors that would be melt down proof and safer and more proliferation resistent. And so we sort of shifted some monies in that direction from some other programs.

We think that the advance fuel cycle program is important. We will continue to advocate it, and that is why we launched it in the first place but that is really the choice that we made.

Ms. WILSON. Thank you, Mr. Chairman.

Chairman BARTON. Thank you. The gentlelady's time has expired.

The gentlelady from Missouri, Ms. McCarthy is recognized.

Ms. MCCARTHY. Thank you very much, Mr. Chairman Mr. Secretary, I wanted to acknowledge your statement concerning your pride in DOE employees working in facilities around the country. And thank you for visiting my DOE Kansas City plant run by Honeywell. I share your pride in the 2800 hard working men and women in the plant and the good work that they do for the country.

Mr. Secretary, the Kyoto Protocol was negotiated by more than 160 nations in December 1997, and I was there as part of a bipartisan congressional delegation.

I wondered, I've been closely involved in this issue since my time in the Missouri legislature, and I could not help but notice that there is little mention of global warming issues in your testimony or your budget. The request of 1.2 percent increase in efficiency in renewables and 1.2 percent increase in funding for science and technology does not suggest any priority for homeland security matters, if nothing else, making us more energy independent. So I wondered if you would share with us what the administration and you, what steps you are taking in order to wean us from the traditional fuels on which we rely internationally and more on our indigenous resources that will give us some homeland security for the future?

Mr. ABRAHAM. Well, let me talk generally about our view on these issues that relate to green gas emissions and how we have tried to address them.

First and foremost, as you know, the President established a very robust objective in terms of carbon intensity reduction over the next 10 years starting in 2002 for the goal of reducing our carbon intensity—or increasing the intensity, improving the carbon intensity by 18 percent. That is a very ambitious goal.

Ms. MCCARTHY. Is that part of the 1.2 percent increase in efficiency in renewables in the budget or——

Mr. ABRAHAM. No, no, no. That is the amount of carbon produced by each——

Ms. MCCARTHY. I know that, but I am looking at a budget. I am wondering where in the budget that falls? Is it in the science and technology 1.2 percent——

Mr. ABRAHAM. Well, that is the standard. How we achieve it is included in a variety of things in the budget. Let me talk about them.

Ms. MCCARTHY. Thank you, sir. Appreciate that.

Mr. ABRAHAM. The hydrogen research program, which I talked about at great length earlier, is designed to try to transition us from the use of internal combustion engines as the operating system for motor vehicles to——

Ms. MCCARTHY. Yes. And, Mr. Secretary, there is some concern in the scientific community about how much energy it takes to produce the hydrogen relief. And so that is a concern.

Mr. ABRAHAM. The well to wheels differential in terms of greenhouse gas omissions is about a 60 percent increase if we used as a feed stock, natural gas. We intend to use other feed stocks as well. And the efficiency is a 50 percent well to wheels improvement in efficiency. And that is if we use natural gas.

If you look at our budget, the largest share of our hydrogen production budget for research as to what would be the best sources, actually using renewable energy——

Ms. MCCARTHY. Other countries seem to have done the research for us in many of these areas on renewables. So I guess I will go back to my question: The request is a mere 1.2 percent increase for efficiency in renewables and a mere 1.2 percent increase for science and technology. You are requesting a 12.5 percent increase in funding to modernize privately owned and operated electricity delivery systems for more reliability. I am not arguing that point. The grid does need modernization, but it is privately owned. I just wonder if you would speak to——

Mr. ABRAHAM. Not all privately owned, but——

Ms. MCCARTHY. I wonder if you would speak to how we can become more secure as a Nation on indigenous energies.

Mr. ABRAHAM. In this budget from the standpoint of climate issues we are proposing over the next 5 years a $1.7 billion investment in hydrogen. We are investing $2 billion over 10 years in clean coal technology. We are investing $900 million plus or from the government side $620 million in the FutureGen program. All of which are designed to address these environmental and climate issues.

The cumulative package of climate science work in the Department of Commerce, in our Department and climate related R&D over just the next 5 years dwarfs what the rest of the world is doing combined.

And one of the things I can tell you I am very excited about is we have put together two international consortia: one on carbon sequestration, one on hydrogen where all the countries that you have referenced, those who are interested and many of whom who are

Kyoto signatories are joining us to stretch this research effort any further.

But I tell you what, I am very proud whenever we have these meetings because when I talk about what the United States research investment in GHG related technology is, everybody else says "Gee, I wish we were doing that much."

In my judgment, the progress is going to be—there are only two ways we are going to address effectively the issue of greenhouse gas emissions. We are either going to develop these technologies or we are going to see economics slump because the only choice you have got is to do less in your country or find a way to do what we want to do to build our economies in a way that does not emit these——

Ms. MCCARTHY. I know we are running out of time, Mr. Secretary.

I really appreciate your response and hope you will also consider carbon trading in that package in the future.

And, Mr. Chairman, I yield back.

Chairman BARTON. Thank you. Thank the gentlelady from Missouri.

The gentleman from Arizona, Mr. Shadegg, the distinguished Majority Whip is recognized for 5 minutes.

Mr SHADEGG. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. As I said in my opening statement, I appreciate your comprehensive energy policy, but because of the comments of some of my colleagues from Michigan and several other States focusing on the gasoline issue that confronts us right now, I would like to focus my question on the question of gasoline prices and gasoline supply.

In the Arizona Republic, my home paper, an interesting letter appeared yesterday. We have a gasoline price problem in Arizona right now. Gasoline prices in my District are about $1.95 a gallon. I drive two cars that take too much gas. But I thought this point was well taken. He wrote that in the fall of 1985 gasoline cost $1.19 a gallon. According to the American Institute for Economic Research costs of living calculator, a $1.19 in 1985 is equal to $2.05 in 2004. Basically his point is we may be unhappy with the gasoline prices right now, and I certainly am, but that in point of fact it has not gone up as much as under an inflation analysis as it should have.

Have you looked at that issue and is that your consensus?

Mr. ABRAHAM. Sure. And a large part of it is tax, as you know. Notwithstanding that on a inflation adjusted basis gasoline prices have done quite well compared to other commodities, including especially liquid commodities. We are concerned about these prices, as you are, which is why we are trying to look at short, mid and long term efforts. That is why we are working on an international basis to try to expand the trading opportunities we have to bring oil products here. Why we are looking in the mid term on things like ANWR. Why we are looking in the longer term on hydrogen. Because we want to get ourselves out of a situation which the dependence and the prices are, in fact, in any way spiking in fashion that hurts American taxpayers.

Mr SHADEGG. I want to turn next to this issue of the Strategic Petroleum Reserve. My colleague, the chairman of the committee, discusses articulately when you ought to be buying. But you have been beaten up today for the fact that you are buying and that the implication politically, at least, is that you ought not to be buying, you ought to be selling.

My information says that the Clinton Administration in 2000 sold 8 million barrels out of the Reserve to deal with a price issue. Do you happen to know how much that effected price?

Mr. ABRAHAM. Well, I think it depended. In the immediate wake of that, I think it was a total of 30 million either traded or sold. The immediate reaction was a drop of several dollars——

Mr. SHADEGG. No. My understanding is the overall price was .01 per gallon.

Mr. ABRAHAM. Well, I am not sure. I would have to check the data. But it corrected fairly quickly to a smaller amount.

But there is no question. I mean, if you took oil from the Reserve and released it, if your goal is price—is to manipulate price, you can do it to some extent. But that is not what the Reserve is for. And as I have tried to emphasize today, Mr. Chairman, we believe in the era against the challenges we have internationally that the supply of oil to this country might be disrupted at some point. And if it was, we need to have the maximum ability to respond.

Mr. SHADEGG. Well, I would simply like to point out that you can only effect it by one penny a gallon, that seems to me to be a pretty insignificant amount to tradeoff for strategic.

Mr. ABRAHAM. Right.

Mr. SHADEGG. I have got some other questions I want to get to before I run out of time.

It seems to me that you mentioned to it and my constituents are not very cognizant of it, but you mentioned the effect of increased demand by China on the oil produced in this world. I guess I would like to have you address that issue, and then I want to ask one more question if I might.

Mr. ABRAHAM. Right. There are a lot of factors that effect the price of gasoline and oil. I mean, we have talked today a lot about OPEC, obviously. But the demand in the world is going up. U.S. economy has been stronger, so just to put this in perspective, worldwide production today is 3 million barrels more per day than it was a year ago.

One of the fundamental disagreement we have I think with OPEC is that we see demand continuing to escalate and at a higher level then at least they have publicly indicated they view it to be. And China and Asia are a major part of that increase. It is not just in the United States. Their economy and really their society is evolving into one in which more and more motor vehicles and other uses of oil are occurring. And that is not going to change. So I think it will continue——

Mr. SHADEGG. One of my colleagues, Mr. Markey said that he viewed OPEC as tipping upside down the American consumer and shaking us, and I think extorting money from us was the essence of his comment. It seems to me that many people are focused on ANWR as the place where we are not producing oil now. But it seems to me an argument can be made that many other policies

of the United States where we preclude production in many other places; my colleague from New Mexico just talked about Federal lands. I guess I would like you to cite for me some of the places where we could be producing but we are simply not, both oil and natural gas.

Mr. ABRAHAM. Right. Well, obviously, there is restrictions on exploration off shore, as you know, that mostly effects gas, a little bit of oil. There are a lot of other things that go into this equation.

You know that three major States effected an MTBE ban that went into effect in January of this year, and that has obviously had an impact on price.

The complicated questions that relate to the rules and regulations for refinery expansion has kept I think a great deal of refinery capacity from being developed. The investments there have been held up. We have attempted to address it by clarifying these new source review rules, as you know. And that is hung up in court for maybe a long time, I do not know. But all of this combines.

And I realize, as I have said repeatedly, there is a lot of debate on these issues but every one of these is a part of the challenge. And if you are constraining either the refining ability, the production off shore, the production in ANWR; all of these things on one side of the equation while your economy and Nation grow, regardless of what is going on anywhere else in the world, it puts a strain on the market.

And today inventories, just to compare, for oil and gasoline, commercial inventories, are 16 million barrels higher that they were a year ago. And yet because of demand increases, the market is tighter. And we have to recognize that is a positive thing that we have a growing economy. But we have to meet these challenges. In the mid and long term, I think there are ways like I have described, hydrogen for example, that we think will be the alternative. But that does not, obviously, mean we have that available for tomorrow.

Chairman BARTON. The gentleman's time has expired.

Mr. SHADEGG. Thank you.

Chairman BARTON. The gentlelady from California, Ms. Capps recognized.

Ms. CAPPS. Thank you, Mr. Chairman.

Secretary Abraham, I would like to continue this conversation about gasoline prices, if we may.

On Tuesday, White House spokesman Scott McClellan talked about the President's Energy Bill which is pending before Congress, and he said "We would not be in this situation right now if Congress had acted on what the President had proposed 3 years ago."

For those of us who have worked on the Energy Bill, this is a baffling statement, and I want to ask you if you believe that gasoline prices would be lower if Congress had passed the Republican Energy Bill?

Mr. ABRAHAM. Well, his plan, the President's plan which you referred to which included a variety of components I think would have clearly made a different. And let me just—you know, there is the renewable fuels provision, the hydrogen provisions——

Ms. CAPPS. By now we would be seeing lower——

Mr. ABRAHAM. I am just talking about the components that will make a comment here.

Ms. CAPPS. Yes.

Mr. ABRAHAM. And then I want to culminate with one, the boutique fuels provisions that are in the bill I think are important. An ANWR, obviously, we have talked about. But as I said earlier, and Congressman Upton said it better than me, there really is I think a question of what the message is if you do not do these things. And the message we have sent, whether it was on the decisions that related to ANWR the 1990's or that related to the Energy Bill now, is a message that has I think directly impacted other countries' decisions in terms of what they have done. And I think it has had an impact on gasoline prices.

Ms. CAPPS. Well, let me just follow up by saying that the Department of Energy's Information Administration has published an analysis of the Energy Bill in February of this year, and I am sure you are aware of some of the findings. They found that this Republican Energy Bill would increase gasoline prices, not reduce them. In fact, California's prices would increase an additional 8 cents per gallon if this plan had been adopted. And I wonder if you have information that would suggest that this is incorrect?

Mr. ABRAHAM. The problems California confronts and is challenged by we have talked about a little bit already. You have unique constraints there that, you know——

Ms. CAPPS. But this report was about the Nation's gasoline prices.

Mr. ABRAHAM. As I have said, I believe if we had shown our seriousness of purpose in moving ahead and beginning to put our energy security on a track to be addressed, if we had done that in the right timeframe particularly if we had done it as early as the 1995 veto on ANWR, but even since 2001 that you would have an impact——

Ms. CAPPS. Do you think I could an answer to the question do—you think this is incorrect?

Mr. ABRAHAM. I do not think that that is the only thing that would matter because I believe the broader question of the message that we have sent has had a negative impact in terms of other decisions that affect the price.

Ms. CAPPS. But you are not disputing this?

Mr. ABRAHAM. I do not dispute the EIA analyses of anything.

Ms. CAPPS. Okay. All right.

Mr. ABRAHAM. They are our agency that we look to, and I have quoted them here today.

Ms. CAPPS. All right. I know you have.

If I could continue again about one thing I brought up in my opening remarks, and that is the suggestion about ways to reduce gasoline prices, and one that I would like to ask you to consider since I am a representative from California. Since the beginning of this year the U.S. EPA has provided relief to both New Hampshire and Arizona from the Clean Air Act oxygenate requirements. This is an important step that provides these States with flexibility that could reduce gasoline costs for their consumers. However, the Environmental Protection Agency has not yet granted California's request for similar relief. And I have a letter from Governor

Schwarzenegger which he has written to EPA asking for approval of this request, a bipartisan delegation has also requested it.

This is what he said: "Simply put, the Clean Air Act oxygen mandate slows environmental improvement, raises costs and is no longer required to ensure substantial and sustained ethanol use in California."

So my question to you with the last minute that I have is to obtain your assurance that you will bring this up with the President. California motorists, my constituents, are suffering due to the administration's neglect in this matter, and that could change today if you would take this issue to the President and urge him to focus on it and help California.

Mr. ABRAHAM. Well, let me say I am aware. I had occasion to be in California in February and I was immediately confronted with——

Ms. CAPPS. Highest gas prices in the Nation.

Mr. ABRAHAM. And that was before other prices in other regions had gone up, and I know obviously what that means.

I would be glad if you would make a copy of the letter available.

Ms. CAPPS. Be happy to do it.

Mr. ABRAHAM. Or whatever additional issues you would like me to convey on, I will be happy to do that. It is my understanding that EPA is seriously looking at this request, and I would be happy to go to the White House but also to EPA to pass along these concerns and discuss them with them.

Ms. CAPPS. Thank you very much.

Mr. ABRAHAM. Thank you.

Ms. CAPPS. I yield back.

Chairman BARTON. We thank the gentlelady from California.

The gentleman from California, Mr. Radanovich is recognized.

Mr. RADANOVICH. Thank you, Mr. Chairman. Appreciate the yielding of time.

And again, Mr. Secretary, welcome to the committee on the hearing.

And I want applaud the suggestion from my colleague from California on the 2 percent oxygenate waiver. I think that is important from California, but also do need to stress that in California, you know, because we want to keep our environment clean we have a special fuel that changes three times out of the year, a boutique fuel without the ability to produce things because we have not had a refinery in California for the last 25 years to produce the fuels. They are in short supply. And that is why I was out there a week ago and paid $2.39 a gallon for gas in my part of the State. So, you know, while we do need help from the administration, I do need to stress that California needs to increase not only its storage capacity, but its refining capacity in order to accommodate these boutique fuels at an economic price.

But if I may, Mr. Secretary, I would like to talk about two other things. One very briefly would be the issue of biomass, especially in the central valley part of the United States where there is the potential for the development of fuels from this product.

I am a little bit disappointed that the administration requests about $13 million less for biomass and biorefinery systems are indeed an issue. Can you explain the decrease?

Mr. ABRAHAM. Sure. Yes, in comparison to our request last year, it is actually an increase. One of the things that happened in the context of the biomass budget during the appropriations process was that substantial number of earmarked projects were included. And I am not going to make an editorial comment one way or another on earmarks. But those are not typically what we would put into our funding request to Congress. If you eliminate the earmarks, what you will see is a very substantial increase in terms of the budget we are proposing from the unearmarked appropriation from last time around.

We view biomass research as a very important part of our renewable energy portfolio which we are working on. And certainly intend to fight hard to keep that budget as strong as we can.

Mr. RADANOVICH. Okay. Thank you for that answer. Because, as you know, that the U.S. has required about 5 billion gallons extra of ethanol use over the next 8 years and in our system in California with storage and delivery mechanisms that's not available, so we do need alternate fuel research and funding to create the alternate fuels.

If I may, though, too bring up one another issue and that is maybe you can tell me a bit about your opinion on the energy savings performance contract program and how it works? Because I know that this is supported by the administration as an energy saving enterprise and through the cost cutting efforts of the Senate we are having a problem.

Mr. ABRAHAM. Well it is a program which we think is a very valuable part of our Department, and I think it is a very positive program. We endorse it.

The problem, as you probably know, is that the CBO as scored this a substantial scoring and, obviously, in the effort to try to get energy legislation moving ahead there is concern about its inclusion because it suddenly puts a pretty big price tag.

OMB does not score this. And so there is a disagreement between those two agencies. But the fact that it has not been reauthorized is of concern to us because we think it is a program which we should have in the future. And I look forward to working, assuming an Energy Bill begins to move ahead here, to look to people to see if there is any way we can address it.

Mr. RADANOVICH. Okay. The issue is not being able to account into the budget the saving aspects of this program, like the cost savings of it, is that not right?

Mr. ABRAHAM. Well, I think what my understanding is, yes, that is basically the issue is that there is now a scored cost for it which there had not been previously.

Mr. RADANOVICH. Yes. Does the administration believe that this program saves taxpayers dollars and provides savings?

Mr. ABRAHAM. Yes, and I have expressed that in a number of hearings because I think it has wide support both in our administration and here on both sides of the aisle.

Mr. RADANOVICH. Right. All right. Thank you, Mr. Secretary.

Chairman BARTON. The gentleman yield back the balance of his time.

We are going to recognize the gentleman from Maine, Mr. Allen for 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman.

And, Mr. Secretary, thank you for being with us today.

One of the reasons given for the rise in gasoline prices recently is that we have too many fuel blends in too many places.

Back in the 107th Congress we saw a reasonable proposal with three key aspects to address this problem: (1) repeal the 2 percent oxygenate requirement; (2) increase the use of ethanol, and; (3) ban MTBE nationwide.

Now, this Congress has taken a different approach. We removed the MTBE ban, we added a direct subsidy to MTBE manufacturers and we added a liability waiver for MTBE. And since, by all accounts, these additions are a part, a large part of the problem in moving the Energy Bill forward, and with that I would just call your attention to New England.

In New England every single Senator, Republican and Democrat, voted against the Energy Bill. Twenty of 22 Members of Congress from New England voted against the Energy Bill.

So the question, Mr. Secretary, is light of all this does this administration support removing this poison pill MTBE, these provisions, from the legislation in order to improve its chances of passage?

Mr. ABRAHAM. We have not endorsed that provision. We have not taken a position on it. I recognize there are two different—I mean, when we are trying to get a bill through there are a lot of issues. We do not always take a position on every one. We have not taken one on that either in the energy plan or in the statements of administration position in part because we recognize we are going to have to try to work with both sides to work this out. We realize it is obviously been a significant part of the challenge to getting an energy bill passed.

That said, we obviously do endorse the renewable fuels provisions that do in fact phaseout MTBE in the legislation.

Mr. ALLEN. Thank you.

Let me turn to a different subject. I worry sometimes about obsessions. Obsessions with missile defense or Iraq or tax cuts that seem to be to those who hold them, they make contrary information difficult to accept.

Let me talk about the robust nuclear earth penetrator. I do not know that anyone else has brought this up. But in your fiscal 2005 budget you have dramatically increased the amount of money running out through 2009, $485 million over those years. And the budget documents show this program moving into what are called 6.3 activities which are development, engineering, completed warhead design in fiscal 2008 and so called 6.4 activities production, engineering, design adopted for production, manufacturer system created. And those are the shorthand in 2009.

Mr. ABRAHAM. Right.

Mr. ALLEN. And a March 8 CRS report concluded that "The fiscal year 2005 request document seems to cast serious doubt on assertions that RNEP is only a study."

Now can we ask North Korea and other countries not to develop nuclear weapons when we are developing a new nuclear weapon ourselves, it certainly looks like that's what we are doing, and when there is I would argue a very unlikely this is weapon that

would ever used in the actual world? I understand a case can be made for one or two instances in which you might want to have it. But it is hard to imagine any President using a tactical nuclear weapon of this kind in the future. So why half a billion dollars to a program that is not likely to be used in the future?

Mr. ABRAHAM. Well, let me just start back with the nuclear posture view which Congress requested us to conduct. We conducted that and identified looking out what was thought were in the 21st century, the sorts of threats that would be confronted by the United States and what we thought needed to be done to address it. It called for a very significant number of changes in terms of the nuclear strategy as well as conventional weapon strategy, as well as other areas in the process.

One of the things which emerged from that inquiry and was part of the nuclear posture review was the concern about hard deeply buried targets as a possible issue in terms of our need for capabilities to address in the 21st century. And what happened was this: The conclusion was that there might be a variety of ways to address this. And so research is being conducted both in our Department as well as in the Defense Department, some on this approach, the use of a nuclear weapons and some on conventional weapons.

Mr. ALLEN. Mr. Secretary, my time is up. But would you agree this goes beyond merely studying the problem?

Mr. ABRAHAM. No. No, I would not. Let me tell you what we are doing. We are still doing the study. We were underfunded so the study is going to be—unless we are fully funded this year, we will not even finish the study in the timeframe we had.

We are required, however, to produce in our budgets on these defense programs out year funding and we concluded that it was appropriate so that there would be no misunderstandings or accusations later that we were suppressing information to indicate what the costs would be if a decision was made to go to a 6.3 timeframe or the 6.3 level activity, engineering activity. That cannot happen unless Congress approves it, No. 1.

No. 2, we have not even finished the study to determine whether or not the modification of either the 61 or the 83 would be appropriate as an effective device or the appropriate device. All of that will take place. There will be no movement to fund anything in the engineering phase without the appropriate action being taken that Congress has set up. But we are going to and wish to at least do the study to determine whether or not this is appropriate.

And in terms of—all I would just say is that that is our job and we also feel it is our job under the law to produce the out year numbers in the event a decision by Congress were made to go forward so that that information would be done.

Chairman BARTON. Okay. The gentleman's time has expired.

The gentleman from Indiana, Mr. Buyer is recognized for 5 minutes.

Mr. BUYER. Thank you.

Mr. Secretary, No. 1, I concur with your nuclear posture review.

No. 2, the development of our weapons systems are based on the threats, not only presently but that for which we depict over the horizon. When our enemies go deep with their manufacturing and the storage capacities of chemicals and biologicals and we know

where they are, it is foolish for us not to figure out to access them and to destroy them. That is foolish. Not only for the protection of our country, but that of our allies.

We know who those countries are, in particular Libya for example. No one should be surprised that Mr. Qaddafi, not only having watched what occurred in the Middle East and for the fact that this administration has taken the position to develop such a tactical nuclear device to go after these weapon systems is a wake up call to Qaddafi.

So No. 1, anyone that wants further information with regard to the threats across the horizon, should contact their CIA and get the briefing.

No. 2, I am going to ask this of you and I want you to think about it, and then I am going to tell you personal observation and experience. I would like for you to reflect, Mr. Secretary, on what your one, two, three is. When you look back and say all right what have been the positive contributions of the Department of Energy since you have held this position, I want to know what your one, two three is?

Now I want to relay to you a personal observation and experience. My observation is is that as a country coming out of the 1973 oil embargo, that was our wake up call. I think President Carter did very well in his efforts to create the department for which you supervise. The country got away from the blueprint that Mr. Carter tried to steer for a country.

During the post-Gulf War era our country being very narcissistic, which is part of our downside of our character, did not care about the recession in the Gulf States. In order to pay for infrastructure to run their own countries, they were chasing production all the way to $9 a barrel. You see, we did not care about that in our country. We got away from conservation. We went for the biggest, baddest unmanageable automobile to go down the road ad did not care about their plight.

Now for a personal experience. With regard to the issue of job owning. As a subcommittee chairman of the Armed Services Committee, I was tasked to then meet with OPEC. The former chairman, who is a University of Michigan graduate is who I met with. This is what happened.

I met with the gentleman to deliver a message in 1998, but this was the first time now that the Middle East States were able to get a hold of their economies. So what did they do? They decreased production. We had a huge spike in gasoline prices. The same furry that you hear today is what occurred in 1998. So I go and meet with them. And I said here's the message. The United States provided for the peace and security of this region of the world. If you want to bring back an equilibrium price for oil, we would be more than happy to bring you to balance, but let us do this over time incrementally.

Do you know what he said to me? He said to me this, I am going to paraphrase, but this is very close: He said Congressman, I could take every oil tanker in the world and send them to your shores, but you neither have the refinery capacity nor the storage capacity, nor the pipelines to get it to where you need. Nor do you do exploration and drilling domestically to care for your own country.

Now, I assume you, Mr. Secretary, I did not like that message coming from OPEC. But what he was saying was look in the mirror.

So your message to us that you want to engage and work with Congress for a national energy policy, I applaud your leadership. Because as a super power we need a broad based and balanced portfolio with regard to our sources. And so I want to compliment you.

Now let me turn and please tell me what are your top three successes as Secretary.

Mr. ABRAHAM. At the risk of having a variety of assistant secretaries unhappy because I will have neglected something in their area, let me do this in two categories.

On one side of our building our defense programs, I think we have accomplished two very important things. On the one hand, we have begun to rebuild both the infrastructure as well as restore the capabilities of our defense programs. We are making significant progress so that we can once again provide for the reliability, safety and security of our nuclear stockpile. And that meant refurbishing buildings that were breaking, it meant restoring capabilities that have been part of a lot of debates here on Capitol Hill ranging from the one we just had about RNEP to other important capabilities that we are looking at.

In addition on the defense side of the building I mentioned in my earlier comments, we have made, I think, quite important progress in terms of accelerating and expanding our nuclear nonproliferation programs with Russia and have expanded that beyond Russia, the former Soviet Union states as well as the rest of the international community especially as it relates to radiological devices.

On the other side of the building the energy science, environmental side, I am very pleased with the progress we have made on the technology R&D. I have mentioned today at great length the hydrogen program and the FutureGen program and others that I think are going to be transformational technologies, changing the way we produce and use energy in the 21st century. And I am pleased that we are making good progress to take our program for cleaning up these weaponsites from one that is 70 years in duration to one that will be shorter so that the communities involved will have their nuclear waste remediation program done in the lifetime of people there today so those communities can move on in a positive fashion.

So I think those are the ones that come to mind. Others I will remember and submit for the record——

Chairman BARTON. Thank you.

The gentleman's time has expired.

The gentleman from New York, Mr. Engel recognized for 5 minutes.

Mr. ENGEL. Thank you, Mr. Chairman.

And welcome, Mr. Secretary. Usually having served in the Senate you can appreciate this. Usually when witnesses come they have to endure 3 minutes of opening statements from everyone and we cut it down by two-thirds for you.

Mr. ABRAHAM. I appreciate it very much.

Mr. ENGEL. It is really good. I knew you would.

Obviously, everyone's frustration is the fact that gasoline prices are going up sky high. OPEC made a decision to cut the production and all the newspapers and radio stations are all reporting that that means gas prices are going to go up even more. There is really anger out there on the streets. I am not telling you something, obviously, that you do not already know. But it is frustrating that we seem to be accepting this and not fighting back harder.

I heard that the President was going to appeal to Kuwait and the UAE to see if we can reverse it. You know, we have other countries there such as Saudi Arabia which purports to be a great ally of the United States, but I think just sticks to us every chance it gets.

We were told that one of the benefits of the invasion into Iraq would be that ultimately we would have more oil flowing. Iraq is far, far away from anything like that.

I joined by colleague, as I mentioned in my opening statement, Mr. Goodlatte of dozens of other House members in both parties sending the White House a letter urging that the government put a temporary hold on the purchase of more oil for the Strategic Petroleum Reserve, and that has not been done.

All these things sort of come together where perhaps in itself would not effect oil prices, but put together perhaps we could at least get the feeling that we are fighting back and we are pushing this back.

I would like your comments on anything I said. And I want to just also add that I have an article here which I would like to ask the chairman for unanimous consent to put into the record.

Chairman BARTON. Without objection.

Mr. ENGEL. Which says crude oil plunges on Senate Strategic Petroleum Reserve vote. And it says that New York crude oil futures fell after the U.S. Senate voted to sell oil intended for the Nation's Strategic Petroleum Reserve making more crude available to the Nation's refiners.

Is that not their way that we could help to push down the price by using the Strategic Petroleum Reserve?

Mr. ABRAHAM. Well, let me say this, first of all I do not mean to be flip, but prices of oil actually fell yesterday after the OPEC announcement. And this marketplace is one I do not pretend to understand fully, but I know lots of different factors come into play.

I will talk about the Reserve again. I mentioned it a few minutes ago, but I think it is important to reiterate where we are coming from here. Because this is a very legitimate question.

We made a decision after 9/11 that the Reserve should be filled to its full capacity, and I was immediately in the wake of 9/11, I was hearing from people on both sides of the aisle, both political parties, lots of different—people strongly urging us to do that. And when we made the decision, the President directed me to fill this Reserve and he said figure out a way to do this that has the most minimal impact on the price of oil. We could have gone out and begun buying, literally buying oil and filling the Reserve as has sometimes been done. We did not do that. Instead, we decided to use—to transfer the oil that is owed us as part of the royalty payments that people pay for using Federal lands or offshore areas and slowly filling it at a rate 120 thousand barrels a day. It is

going to take 3 years to put the 150 million barrels into the Reserve.

Our Energy Information Administration has done a very detailed analysis of the impact on price. And they say if we were to cease the fill, if we were to defer the fill, it would have as much as 1 or even 2 cents per gallon impact maximum. And just to put that in perspective, when we did defer filling, that was pretty much the impact.

But the question that we consistently have to address is is the national security value of doing this sufficiently important for us to keep doing it. And we have answered that yes, because in our judgment if there were a significant supply disruption in the world, if suddenly something happened somewhere, the American people do not need to be put in a position where we are not fully prepared to deal with it. And the best we can be is to have the full Reserve in place.

And so that is the argument that we have made. And I think the national security issues here outweigh everything else, given the fact that the EIA estimate on price is that it would be, as I said, 1 to 2 cents maximum.

Chairman BARTON. The gentleman's——

Mr. ENGEL. Mr. Chairman, I know my time is running out. But I just would like to commend the Secretary. If I could just have 10 seconds more for sponsoring the American Jewish Congress U.S. Department of Energy Conference on Energy and Dependence for Democracies that took place in Jerusalem, Israel last August. I think expanded cooperation with Israel on development of new energy technologies could provide substantial benefits to our own energy sector. So I wanted to throw that in.

Thank you, Mr. Chairman.

Mr. ABRAHAM. And thank you. We thought that was a valuable conference.

Chairman BARTON. We thank you.

Mr. Secretary, I am going to have to leave to give a speech. And I am going to turn the gavel over to Mr. Hall. But I want you to provide for the record any analysis that your Department has about the effect of the MTBE ban in the States that have implemented that ban on prices of gasoline in those States. You have mentioned in response to questions higher costs for gasoline in New York, Connecticut and California which possibly could be partly because of the ban of MTBE in those States.

So, if you could provide that for the record, I would appreciate that.

[The following was received for the record:]

To date, 18 States have passed legislation to ban the use of methyl tertiary butyl ether (MTBE) in gasoline.[1] California, New York, and Connecticut are most affected by the MTBE ban because of the amount of reformulated gasoline (RFG) used in those States that would need to substitute other gasoline blending components or additives for the MTBE. The Energy Information Administration (EIA) provided an analysis on the California gasoline price in 2003,[2] which included an assessment of

[1] California, Colorado, Connecticut, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Michigan, Minnesota, Missouri, Nebraska, New York, Ohio, South Dakota, Washington, and Wisconsin.

[2] EIA, *2003 California Gasoline Price Study—Final Report,* November 2003. http://www.eia.doe.gov/pub/oil_gas/petroleum/analysis_publications/caprice/caprice.pdf

the MTBE ban and other factors contributing to the 2003 gasoline price hikes in California. EIA also prepared a study last fall on the preparation for meeting the MTBE bans in New York and Connecticut.[3] Neither study projected the price impacts on gasoline solely from the MTBE bans in those States because of the complexity of many other related issues. EIA's monthly updates of the Short-Term Energy Outlook (STEO)[4] indicated that the high gasoline prices nationwide since last winter have been mainly the result of a combination of 1) high world oil prices, 2) historically low gasoline inventories, 3) strong gasoline demand due to a recovering economy, and 4) more stringent low sulfur requirements for gasoline. At the national level, EIA provided in a recent study the price impacts of the proposed nationwide MTBE ban in the Conference Energy Bill (CEB)[5] The study estimated that the net impact of a nationwide MTBE ban in 2015 would increase the average price by 1.8 cents per gallon for all gasoline and 5.4 cents per gallon for the RFG, on top of the current 18-State MTBE bans. In addition, the termination of the ethanol tax credit in 2011 would also add another 1.2 cents per gallon for all gasoline and 2.7 cents per gallon for the RFG by 2015.

Mr. ABRAHAM. We will be glad to look into it. I mentioned just that those things all have happened in this last couple of months, and there are many factors in play.

Chairman BARTON. I am going to turn——

Mr. SHIMKUS. Mr. Chairman? Mr. Chairman, would you consider the benefits of ethanol as keeping prices down in that analysis?

Chairman BARTON. You can ask him for that if you wish. And, as you know, I support the compromise.

Mr. SHIMKUS. We are a great team, Mr. Chairman. Thank you.

Chairman BARTON. So, we do appreciate your appearance today. And, again, I want to compliment you that you have—no I know there are other people. I am just going to leave. And before I go I want to compliment you on your openness and accessibility to the committee. It is appreciated.

Mr. ABRAHAM. Thank you, sir.

Chairman BARTON. I am going to turn the gavel over to Mr. Hall.

I recognize Mr. Ferguson for 5 minutes.

Mr. FERGUSON. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for being here and for sitting through a lengthy questioning. We appreciate your appearance, and certainly appreciate your leadership and the President and the administration's leadership on energy issues. It is not shocking, I guess, that politics sometimes seeps its way into the discussion and debate on these issues. You have been involved in politics for longer than I have been, so I am sure you understand and know how that works.

We have heard some suggestions today by some that the energy policies of the Bush Administration have been unsuccessful. I would, of course, suggest that many of the energies polices of the Bush Administration have never made it into law. They have never actually had an opportunity to be implemented because of opposition by some on this committee, others in the House, many of our friends on the other side of the Capitol in the Senate, including Senator Kerry whose of course making—trying to score political points on these issues as well.

---

[3] EIA, *Preparation for Meeting New York and Connecticut MTBE Bans, October 2003. http://www.eia.doe-gov/pub/oil_gas/petroleum/analysis_publications/mtbebans/mtbebans.pdf*

[4] EIA, *Short-Term Energy Outlook—April 2004.* http://www.eia.doe.gov/steo

[5] EIA, *Summary Impacts of Modeled Provisions of the 2003 Conference Energy Bill,* February 2004. http://www.eia.doe.gov/oiaf/servicerpt/pceb/pdf/sroiaf(2004)02.pdf

And my friend from New York just said a couple of minutes ago that he suggested that you and the Energy Department and the administration are not fighting back hard enough against some of those who are, perhaps he feels not treating us fairly or in terms of defending American consumers and those in this country who may be being harmed by high oil prices or energy prices or efficiency or whatever else. I would suggest that those who are fighting against, maybe those who we have been fighting against are in this country.

There are those in the Congress and those who have worked so hard to prevent an Energy Bill from passing, who have worked to prevent the energy policies of this administration from being implemented. Those are, unfortunately, the folks who end up fighting against as we are trying to work for the American consumer and others in this country.

Mr. Secretary, I would just ask you to reflect if you would for a couple of minutes on, you know, there is a great deal of various recommendations as you know that you put together at the President's request back in 2001 that were incorporated in the various energy policies and legislative initiatives that have passed the Congress, that have passed this House and this committee. I am interested in particular in electricity. Obviously this began—it is not too long ago that we had rolling blackouts in California, we had a major blackout in the northeast in my area of the country last year. How our electricity infrastructure in this country would benefit from the proposals contained within the energy legislation which you had supported last year? And second, on of course the oil situation that we face now with gas prices.

Clearly we know that raising gas taxes is not a part of the equation of helping to afford gas prices at the pump. We heard lots of examples today of high gas prices, some have even supported raising gas taxes by .50 a gallon which to me seems exactly the wrong direction that we ought to be going in this country.

If you would just reflect for a couple of minutes on how simply passing the Energy Bill which has been stymied in the Congress, how would it impact these two important areas?

Mr. ABRAHAM. Well, first let me just say I think that the best way to fight back is the term that was last used, is for Congress to pass an Energy Bill for us to demonstrate our resolve in addressing our energy security challenges. And I think, among other things, the world would recognize that we are going to do the right things that we need to do.

I will tell you, there is no question in my mind that demonstrating that we are going to build vehicles that run on hydrogen will send a pretty strong signal to the rest of world including countries that are producers.

And just to address the two things you mentioned specifically. First, we do not support an increase in gasoline taxes. The administration I think very clearly does not support that proposal.

I think the provisions, a variety of provisions on electricity that are contained in the Energy Bills are important.

Congressman Dingell earlier made an excellent, I think, discussion about the reliability provisions. We need to have enforceable reliability standards in place so that we can keep the folks who are

involved in the use of the electricity grid operating in a high level of conduct and be able to enforce anyone who departs from that. And I do not want to imply a lot of people are, but obviously we did have the blackout study.

We also need to maintain diversity in terms of the electricity production side of the equation.

I mentioned earlier my concerns about natural gas, demand going up, price accordingly. We saw today in the papers an indication that just alone is beginning to shift attention back to coal. We need to diversities of all these fuels to produce electricity.

We also need to recognize that the transmission grid needs to work, and not just a reliable fashion but with the most modern technology.

And I am excited about a lot of the provisions in our energy budget this year that would address some of these issues. We have got some great work going on in our transmission and distribution division on super conductivity, on provisions that would allow us to engage in research to both increase the soft as well as the hardware components efficiency and intelligence so that we can modernize the grid.

Mr. Chairman, thank you.

Mr. FERGUSON. My time is up.

Thank you, Mr. Secretary, for your leadership.

Thank you, Mr. Chairman.

Mr. HALL [presiding]. To Secretary, you can filibuster your playing schedule if you want to.

The Chair is going to recognize the gentleman from Florida for 5 minutes or less.

Mr. STUPAK. Or less? All right. Thank you, Mr. Chairman.

Well, when you come down to almost the last speaker, Mr. Secretary, everything has been said. But I notice on the first page of your testimony that you are leading the pack with management improvement. And I think perhaps you have had an opportunity to talk about, but your agency is over $24 billion a year from the staff information we have. And while the cost of energy is going up, it appears the cost of your Department is going up, too. Now, obviously, you can make the argument for homeland security and research and could go on and on. But there has been some prodigious increases in the Department of Energy, and we have seen that. This is a department that we did not even have before President Jimmy Carter.

In looking through the different increases, you are asking for a 4.5 percent increase overall, but in the area of corporate management you are asking for a 4.6 percent increase. In the inspector general area you are asking for a 5.8 percent increase.

I guess what I would like to hear from you is why you need such large increases? We had inflation at 1.8 percent. Surely with the Department doing over $24 billion a year if you are asking for large increases in certain areas, I think it would be important that you justify those areas.

Now, I know in other areas, you have environment, you have an 9.5 percent increase. You have also a 12.5 percent in electric transmission and distribution. Now, perhaps, that is one that we could all agree upon. Maybe the environment, I do not know. But with

corporate management, I assume this is something that could really be more efficient. So I see almost a 6 percent—almost 5 percent increase of these. I thought I would give you an opportunity to explain it.

Mr. ABRAHAM. Well, thank you. I am glad to finish on that topic.

Part of it is, I think, just the difference between—you know, we have been consistently seeking certain levels and Congress topically does not give us what we want in this area, but we have resubmitted at approximately the same levels that we have been asking for previously. And we fully expect during the process of this budget that we will see some adjustment in our requests and what Congress wants.

On the other hand, we also have found that there are some of these areas, and inspector general is one and probably one of the few Cabinet agencies maybe that does not mind the work. In fact works—very much appreciates the work of the inspector general. We do not feel we should be underfunding that independent analysis that we receive that helped us refine our programs better.

We have also in some instances with regard to corporate management been able to consolidate work in the management level at the top.

Mr. STUPAK. Well, would that not mean your request would be lower if you have consolidated?

Mr. ABRAHAM. But what I mean is that where we have been able to take work that was being spread out across the field and reduce the total cost of management by improving the quality of the work and the work being done at the Department itself.

Mr. STUPAK. Are any of your departments underfunded? In other words, are you asking for money that is just the cost of living or are they increasing?

Mr. ABRAHAM. No. I mean, some of our programs, as I was castigated about earlier, have been significantly reduced in funding from the levels Congress has suggested.

Mr. STUPAK. Okay.

Mr. ABRAHAM. One that we talked about earlier this morning was oil and gas research where because the evaluations of those programs was that they were ineffective, we have come in with a much lower budget than the previously enacted level.

But we do have some things. Just to put something in perspective, Congressman, in several of the program areas, Yucca Mountain being a principal example, are ones where we are at the point where we are moving from a lot of research and design work to actually beginning the——

Mr. STUPAK. The implementation and that requires more money?

Mr. ABRAHAM. [continuing] full implementation. And the same is true in the environmental management area where we have programs where we are trying to accelerate. And let me just give you a sense of how we are actually going to save money.

Mr. STUPAK. Good.

Mr. ABRAHAM. Because we believe that in the environmental management area when we accelerate the cleanup, when we reduce the risk and shorten the timeframe as I hope we will do over which we will be cleaning up our various sites, the maintenance, security and overhead costs reflect about half of the long term cost of these

programs. By shortening the timeframe of the cleanup by 35 years, we will dramatically reduce those out year costs that were associated with simply maintaining a site.

Mr. STUPAK. Okay. I am going to just ask, give you just a general comment in conclusion. With the Energy Bill sort of in limbo in the Senate, has your Department thought about as a strategic move what a scaled down energy bill that you would consider at all? Are there some components that you and your staff—I know you do not want to talk about it because you want the Energy Bill.

Mr. ABRAHAM. No, no.

Mr. STUPAK. And we want the Energy Bill.

Mr. ABRAHAM. Right.

Mr. STUPAK. And our Chairman spent so many hearings doing it. But is it a possibility? You know, it is better to get something than nothing. Is there some kind of scaled down——

Mr. ABRAHAM. Well, I mean we are pretty much on record as wishing to see the tax provision scaled down substantially.

Mr. STUPAK. Okay.

Mr. ABRAHAM. We believe that the energy plan the President developed called for about a $7 to $8 billion tax component. So the number that is in this bill is much larger than we would endorse. That would be the main area, I would think, that we would focus on. There may be others as well. But that is one where we very publicly have expressed——

Mr. STUPAK. Okay. And my time has expired.

Thank you, Mr. Chairman.

Mr. HALL. Mr. Secretary, we thank you.

In closing, I have a question but I am not going to ask you to answer it, but I am going to put it in the record. It is in 1992 the Congress passed legislation intended to lessen our dependence on foreign oil. And as you know, section 502 of that legislation established goals that to my knowledge the goals are still in effect, but we are no where near meeting the goals.

And based on the information available on the Energy Information Administration website I think that for the most recent year for which data is available, non-petroleum fuels made up less than 3 percent of the total module fuel consumption in the country with additives to gasoline compromising most of that amount.

I would like to ask some questions about the value of substituting non-petroleum fuels for gasoline and diesel and what we can do to get on track toward meeting those goals, and whether or not a 30 percent decrease in demand for gasoline to fuel light duty motor vehicles increase or decrease skyrocketing gasoline prices; that would be part of your answer to some of the other questions that have been asked. And one way to reduce it is the suggestion that the use of gasoline and diesel is through natural gas vehicles. Being from Texas, I think natural gas out to be the fuel of the future.

And you know, Garland, independent school district, has used natural gas for their school buses for probably 20 years with no problems and a savings of 15 to 18 to 20 percent.

So those are things. And on the NGV cost, natural gas vehicles carry a higher cost because of limited production. And if we could

get them in use, I think we could see high fuel use fleets moving to NGVs.

So those are some of the questions that we have here. And in light of all this, my question is what is the Department doing to promote the use of natural gas vehicles in fleets around the country and, more importantly, the age old question why are you not doing more?

And with that, I really want to thank you.

Mr. SHIMKUS. No, Mr. Chairman. I did not mean to speak, but that is why you wait until the last second is to just to make sure that the——

Mr. HALL. I am through.

Mr. SHIMKUS. The reason why I mentioned to Chairman Barton was that it is our understanding that gasoline price increases in areas like New York and Connecticut which are now using ethanol blended RFG have been lower than in other even conventional gasoline markets. And that is why it really ties into what Chairman Hall said and Chairman Barton on this analysis. Because in California's debate, if they displace their reformulated fuel 6 percent, they are really going to have a huge escalation of gasoline prices. And that should be part of the data. That is why we need an energy bill.

And I want to make sure that the ag guys always have a seat at the table at the final debate.

So thank you. Mr. Chairman.

Mr. HALL. Yes. In closing, we want you to look at the budget request for 2005. There is nothing for NGV related R&D. We want you to look at that and maybe make some requests. We have usually given more than had been requested.

With that, I really want to thank you on behalf of the committee both Democrats and Republicans. You have been very resourceful. I have been in and out of here like everybody else has, but the time I have been here you have handled your job very well. A great member of the Cabinet. Fine Secretary. And a good friend. We appreciate you.

Mr. ABRAHAM. Thank you, Mr. Chairman.

Mr. HALL. With that, we are adjourned.

[Whereupon, at 12:38 p.m., the committee was adjourned.]

[Additional material submitted for the record follows:]

RESPONSE FOR THE RECORD OF HON. SPENCER ABRAHAM, SECRETARY, U.S. DEPARTMENT OF ENERGY

QUESTION FROM REPRESENTATIVE COX

Elimination of Weapons Grade Plutonium

Question 1. Mr. Secretary, I have been informed that the Department of Energy (DOE) has assumed responsibility from the Department of Defense for shutting down three plutonium-producing reactors in Russia. As I understand it, Phase I construction contracts for baseline development were signed last year with Washington Group International and Raytheon Technical Services for the Seversk and Zheleznogorski projects, respectively. The project's budget is $500 million, but I have been told that early cost estimates still under review are expected to be $1 billion. What is your Department considering to keep this project on track? Concurrent funding of both projects? International funding? Or perhaps increased U.S. government funding? Are you talking to both contractors about increasing efficiencies and reducing costs, and seeking other financial sources to help finish this projects in the timeframe of 2008-2011?

Answer 1. In December 2002, the Elimination of Weapons Grade Plutonium Production (EWGPP) Program reached its first Critical Decision (CD-0), Justification of Mission Need. The cost estimate used at this point was $466 million (a mid-point of the $370-$550 million cost range). This preliminary, unvalidated estimate came with the program when it was transferred from the Department of Defense in FY 2002. The preliminary estimate was based on an unvalidated Russian study conducted in 2000/2001 and was never escalated to account for a number of external factors such as: It did not include: (1) Russian inflation; (2) escalation to construction mid-point; (3) the costs of U.S. and Russian integrating contractors; and (4) devaluation of the U.S. dollar.

In December 2003, we completed the first top-to-bottom assessment of the program cost and schedule. We are working with the Russians, both U.S. contractors, and a team of independent fossil fuel plant experts to assess the validity of the top-to-bottom review and to find ways to reduce costs. We have made progress on all fronts. The team of experts is reviewing the estimates and will issue a report shortly, a list of cost-reduction options is being evaluated, and the Government of Switzerland will host a conference on international participation in the fall.

The program is reviewing the preliminary Russian designs for the planned fossil fuel replacement plants and validating cost estimates for the projects. As more of the engineering design work is completed, refined overall cost and schedule will be developed for the replacement fossil fuel plants. Detailed designs and cost-reduction evaluations will be completed by the end of December 2004, at which time firm cost estimates will be provided to the Congress.

QUESTIONS FROM REPRESENTATIVE HALL

Question 1. Would a thirty percent decrease in demand for gasoline to fuel light duty motor vehicles increase or decrease skyrocketing gasoline prices?

Answer 1. There are three major price components to be considered in assessing the impact of a hypothetical 30 percent decrease in gasoline demand on gasoline prices: the cost of crude oil, refining margins, and gasoline taxes. Timing considerations are also critical, as outlined below.

Were U.S. gasoline demand to instantly fall by 30 percent, or roughly 2.7 million barrels per day, there would be significant excess refining capacity. Refining margins would be expected to fall, tending to lower gasoline prices. Depending on decisions made by major petroleum exporting countries regarding their production levels, there could also be a reduction in crude oil prices, which would also tend to lower gasoline prices. However, state and Federal revenues from existing gasoline taxes would also fall by 30 percent, reducing funding for highway construction and other activities financed with these revenues. Potential adjustments in tax rates to address this shortfall would tend to raise gasoline prices.

Perhaps a more realistic scenario is one in which the 30-percent reduction in demand occurred gradually, rather than instantly. In this case, refiners and producers would probably be reluctant to make investments to meet today's level of demand given the expectation of sharp reductions in future demand that would turn any new capacity investments into excess capacity. In such a scenario, the immediate effect of an expected 30 percent decrease in demand would be to raise, rather than reduce, gasoline prices.

Over time, the transitional effects of a gradual 30-percent reduction gasoline demand would come to be dominated by longer-run impacts. Given projected growth in gasoline demand, the 30 percent reduction translates into 3 to 4 million barrels per day lower gasoline demand between 2010 and 2025. Almost all of this reduction would come from import reductions. Unless oil-exporting countries adjust their production to keep oil product prices steady, world petroleum prices would be expected to decline, which would reduce gasoline prices. Refining capacity should equilibrate to the new demand conditions, so there is no reason to expect the lower demand level to affect the refining margin component of prices. Impacts on the tax component of prices would depend on policy decisions regarding how to address the lower level of tax revenue resulting from the lower level of gasoline demand.

Question 2a. In light of all this, my question is: what is the Department doing to promote the use of natural gas vehicles in fleets around the country and, more importantly, why isn't it doing more?

Answer 2a. The Department promotes the use of alternative fuels, including natural gas, through its Clean Cities program. Approximately 80 coalitions are working to accelerate the deployment of various types of alternative fuel vehicles and alternative fuel infrastructure. Many of these coalitions embrace natural gas as their fuel of choice.

Because natural gas requires a greater financial and technical investment than other fuels to ensure success, a significant portion of the Clean Cities resources has been dedicated to this fuel. Each year, the Clean Cities program awards roughly half its budget in grants to coalition stakeholders through the State Energy Program (SEP) Special Project Grants for alternative fuel projects. Approximately 65% of the SEP special project money in FY 2002, and 75% in FY 2003, went to natural gas projects. In addition, over half of the Clean Cities technical assistance projects were designed to solve natural gas issues.

The President and the Department are committed to the development of a hydrogen economy. We have chosen to focus available funding on the research and development of hydrogen fuel cell vehicles and infrastructure. The Department believes that the Nation's transportation system of the future will run on clean, safe hydrogen fuel and has aligned its resources according to that vision. The level of funding requested to promote today's alternative fuels, including natural gas, is therefore appropriate relative to our national energy priorities, the mission of this Department, and the level of expected public benefits, which is an important consideration within the Administration's R&D investment criteria.

Question 3. Mr. Secretary, I believe the replacement fuels program I mentioned at the outset is largely a voluntary effort coordinated by DOE through its Clean Cities program. If I am not mistaken, I think that the grants you just mentioned are provided through that program. Yet, as important as it is for this country to lessen its dependence on foreign oil, and that can only be accomplished by reducing the use of gasoline and diesel in motor vehicles, it seems to me that the amount of money you have requested for the Clean Cities program is way too little. In fact, hasn't the pattern been over the past few years for you to request less and less money for this program and Congress to keep adding money back because of its importance.

Answer 3. The Department's request for the Clean Cities budget has been fairly consistent over the past few years. The Clean Cities program uses about half its budget to operate its core program, while the remaining funding is awarded to coalition stakeholders in the form of grants for alternative fuel hardware projects. This is a formula that appears to be working. The program receives more State Energy Program special project grant applications than any other program and continues to receive applications for Clean Cities designation from new coalitions. This pattern indicates that we are effectively leveraging our resources and devoting the right amount of funding to this activity. In addition to requiring significant cost sharing from our grant recipients, we are also investigating partnership opportunities with the Federal Highway Administration and the Environmental Protection Agency to enable us to leverage funding to an even greater extent.

Question 4.

Another question I have is with respect to the Department's R&D efforts with respect to non-petroleum vehicles. We know all about the hydrogen vehicle program, but let's talk a little about your efforts with respect to natural gas vehicles. According to the Natural Gas Vehicle Coalition the NGV industry worked with DOE to identify a multi-year program of R&D critical to increasing platforms, further improving emissions, increasing driving range and so forth. This program identified more than 30 million of research needed per year. But, I look at your budget request for "05 and there is nothing for NGV related R&D. Last year you requested only about $800,000, and like the Clean Cities program, the Congress gave you more than you requested because of the importance of this work. I think we're trying to send a message here and you're not listening. I do not agree with the statement in your budget analysis that there is no further need for NGV related research. I do believe that we could find the money that is needed with your budget to fund both Clean Cities and NGV related R&D at levels consistent with our need to meet the goals I talked about earlier in the Energy Policy Act of 1992. Do you agree?

Answer 4. The Department of Energy has funded research and development on natural gas engines, fueling systems, and fueling infrastructure technologies since 1989. The goal of these activities was to partner with industry to develop pre-commercial technologies with realistic market potential. The Department completed all its basic component research activities on light-duty natural gas cars in the year 2000. We plan to complete our vehicle integration work for medium-duty natural gas trucks in Fiscal Year 2004.

Numerous engines and vehicle platforms were developed as part of these efforts. Today, several major engine, truck, and bus manufacturers offer natural gas powered vehicles as part of their commercially-available product lines. Since these vehicles are notably some of the cleanest and best performing on the road today, further investment by the Department is not likely to advance the state of this technology in any significant manner.

QUESTIONS FROM REPRESENTATIVE WHITFIELD

Question 1. The Administration has requested $13.1 million for the former worker medical screening program, but the designated amount for Paducah and the other gaseous diffusion sites is not specified. Can you tell me the amount the Department has reserved for the medical screening program at the gaseous diffusion plants and if that amount covers the cost of the early lung cancer detection program specifically established by law for workers at the GDPs?

Answer 1. Included in the administration's FY "05 health budget is $13.1 million to support the Former Worker Medical Screening Program.

1) The budget allocates $4 million to fund PACE International Union and Queens College to complete the medical screening program for GDP production workers at the 3 GDPs in FY 2005. This amount covers the cost of the early lung cancer detection program.
2) An additional $700,000 is allocated to fund the University of Cincinnati to continue medical screening for GDP construction workers from Portsmouth and Paducah.

Question 2. In a lead story in yesterday's Louisville Courier Journal the headline reads "Just One Sick Plant Worker Gets Aid." The story was referencing the status of DOE's implementation of the energy worker compensation program for workers who became ill as a result of exposure to toxic substances. I know your Department has asked for another $33 million to expedite the processing of the 22,000 pending claims, and I do support your proposed changes to the program with regard to using a one rather than three-doctor review of cases, as well as increased compensation for doctors participating in the program. However, I still believe that even if the Department can begin to process claims in a timely manner, at then end of the day, as many as 50 percent of exposed workers who the Department has deemed worthy of getting state compensation benefits cannot get those benefits because of the "no willing payor" problem. Would you care to comment on that?

Answer 2. The Department understands the concerns regarding the so-called "willing payer" issue and is addressing these concerns through multiple efforts. However, it should be noted that under the EEOICPA Part D program, DOE does not make any determination of whether a worker is "worthy" of getting State compensation benefits, as your question implies. Rather, DOE and its Part D Physician Panels determine whether, under standards set forth in DOE's regulations and without regard to any particular State's workers compensation program requirements, a contractor worker has an illness that arose from exposure to a toxic substance at a DOE facility.

Your question raises three basic issues: one, the relatively few EEOICPA Part D applicants who have received State workers compensation benefits as a result of the Part D program; two, the number of Part D applicants who can reasonably be expected to have a "willing payer" of State benefits; and three, the ability of a Part D applicant without a "willing payer" to receive appropriate State workers compensation. We understand that, to date, four Part D applicants have received State workers compensation awards as a result of the Part D program. In the past three months, the Department has issued positive Physician Panel findings to over 100 applicants; the panels are producing approximately 10 positive panel findings per week. As these applicants seek State workers compensation and as we increase the number and rate at which we process Part D applications, we expect a dramatic increase in State workers compensation awards made as a result of the Part D program. The Department is aggressively working to identify "willing payers" for Part D applicants. Of course, applicants without "willing payers" are not precluded from filing for and receiving State workers compensation benefits. These applicants are simply in the same situation as all other applicants for State workers compensation who are not part of the EEIOCPA Part D program.

In the cases where DOE is not able to issue a "do not contest" order and/or is not able to reimburse the contractor, this does not necessarily result in an applicant being precluded from receiving State workers compensation benefits. In fact, the applicant is simply in a standard State workers compensation proceeding, but does not have the benefit of a "willing payer."

The Department plans to closely monitor the "willing payer" situation. It will be many months before a statistically significant number of Part D cases will be completed through the States' workers compensation processes and before it will be possible to draw reasoned conclusions about the "willing payer" issue and the benefits provided by law. At that time, a preliminary assessment can be done as to both the number of Part D applicants without a "willing payer," and the impact the lack of a "willing payer" has had on applicants who received positive Physician Panel determinations.

Department of Energy
Washington, DC 20585

April 26, 2004

The Honorable John D. Dingell
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Dingell:

On April 1, 2004, Spencer Abraham, Secretary of Energy, testified regarding the FY 2005 budget.

In response to your March 10, 2004 letter, enclosed are the answers to seven questions that you submitted for inclusion in the hearing record.

If we can be of further assistance, please have your staff contact our Congressional Hearing Coordinator, Lillian Owen, at (202) 586-2031.

Sincerely,

Rick A. Dearborn
Assistant Secretary
Congressional and Intergovernmental Affairs

Enclosures

QUESTION FROM CONGRESSMAN DINGELL
Office of Civilian Radioactive Waste Management

Yucca Mountain

Q1. Please provide the legislative proposal. Does the proposal affect future ratepayer contributions to the Nuclear Waste Fund, and if so, why? Does it affect and restore to its intended use any or all of the approximately $14 billion balance in the Fund, based on past ratepayer contributions- and if not, why not?

A1. The proposed legislation submitted by the Department to Congress on February 27, 2004, is attached. The proposed legislation would authorize reclassification of fees paid by utilities into the Nuclear Waste Fund as offsetting discretionary collections, in an amount equal to annual appropriations for nuclear waste disposal. It will have no impact on the future ratepayer contributions into the Nuclear Waste Fund. This proposal reclassifies the fees paid by ratepayers into the fund but does not address the current balance. However, we have not given up on the $14 billion corpus of the Fund but do not need to tap the corpus at this time. Annual revenues together with the annual defense waste disposal fee will provide sufficient funding to license and construct the repository and put the necessary transportation infrastructure in place. The corpus, which cannot be spent for other purposes, will continue to generate interest and thus guarantee the availability of additional funds for appropriation at a later date when we need them.

The Secretary of Energy
Washington, DC 20585
February 27, 2004

The Honorable Joe Barton
Chairman, Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Department of Energy is hereby submitting proposed legislation to authorize the reclassification of fees paid into the Nuclear Waste Fund as offsetting collections, in an amount equal to appropriations for nuclear waste disposal.

Now that Congress and the President have approved Yucca Mountain as the repository site and repository licensing work is well underway, the Department must begin work on critical first steps toward infrastructure acquisition, transportation system development, and site readiness if the Nation is to have an operational repository in 2010. The Department intends to submit its license application to the Nuclear Regulatory Commission by the end of 2004 and defend it in a rigorous licensing proceeding. The convergence of all these necessary, time-critical activities will require a significantly higher and more stable level of funding, now and through the construction period; historical appropriations levels will not be sufficient to meet these needs. A mechanism must be put in place this year to allow the nuclear waste program to have ready access to the Nuclear Waste Fund without being constrained by funding pressures from other programs.

By offsetting the fees that electricity consumers pay into the Nuclear Waste Fund, the proposed legislation would both assure consumers that their fees are being used for their intended purpose and enable Congress to meet the challenge of financing the repository's construction. This is a technical change that reasserts a key principle established in the Nuclear Waste Policy Act, a principle with longstanding bipartisan support – that those who receive the benefit of nuclear-generated electricity pay for waste disposal. The federal government, in exchange for fee payments, will implement a permanent solution for management of the waste. The federal government is contractually required to perform the service for which the disposal fees are paid.

If sufficient appropriations from the Nuclear Waste Fund are not available, the Nation will not have an operational repository in 2010. Delays could mean additional costs of nearly a billion dollars per year for commercial utilities and federal defense nuclear waste sites to continue to provide temporary storage. The country will be forced to spend billions of dollars, without solving the problem. Nuclear waste will remain at sites near communities and water supplies throughout the country, and we will not have finished the job of cleaning up the Cold War legacy at defense sites.

Printed on recycled paper

The proposed legislation will ensure funding for the timely development of the Yucca Mountain repository in response to compelling national interests. In addition, the Department supports removal of the exemption from apportionment of appropriations from the Nuclear Waste Fund. This proposal will ensure that funding for the repository is subject to the same financial controls as other funds provided by Congress and will help ensure the most effective and economical use of these funds.

In parallel with these legislative changes, the Department is instituting numerous far-reaching management measures, such as a Capital Asset Plan and earned-value management system for the program, and is undertaking an annual comprehensive independent external financial, cost, schedule, and technical audit of the program. These measures will help ensure that nuclear waste fees are expended for their intended purpose and in a way that merits the confidence of Congress and the public. The Department will provide to the Congress, annually beginning in 2004, a copy of the Department's Capital Asset Plan for the program, and will provide the Congress with the independent external audit of the program beginning in 2005.

The Office of Management and Budget has advised the Department that enactment of this proposal is in accord with the program of the President.

Sincerely,

Spencer Abraham

Enclosure

cc: The Honorable John Dingell
Ranking Member

A BILL

To reclassify fees paid into the Nuclear Waste Fund as offsetting collections, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. NUCLEAR WASTE FUND MANAGEMENT.

Beginning on October 1, 2004, and continuing through the end of the fiscal year when construction is complete for surface facilities for the fully operating repository as described in the license application, fees collected by the Secretary of Energy and deposited into the Nuclear Waste Fund under the Nuclear Waste Policy Act of 1982 (42 U.S.C. 10101 et seq.) shall be credited to the Nuclear Waste Fund as offsetting collections in amounts not to exceed the amounts annually appropriated during that period from the Nuclear Waste Fund.

SECTION 2. APPORTIONMENT CONTROLS. - Section 302 (e) (4) of the Nuclear Waste Policy Act of 1982, as amended, is hereby rescinded.

QUESTION FROM CONGRESSMAN DINGELL
Office of Civilian Radioactive Waste Management

Yucca Mountain

Q2. Please explain reasons the Administration has proposed legislation to change the process for funding the repository program, including different circumstances that would obtain if (a) the proposal is enacted and (b) if it is not enacted? For example, what if any impact would enactment of, or failure to enact, this proposal have on the deficit?

A2. Now that Congress and the President have approved Yucca Mountain as the repository site and repository licensing work is well underway, the Department must begin work on critical first steps toward infrastructure acquisition, transportation system development, and site readiness if the Nation is to have an operational repository by 2010. The Department intends to submit its license application to the Nuclear Regulatory Commission by the end of 2004 and defend it in licensing proceeding.

The convergence of all these necessary, time-critical activities will require a significantly higher and more stable level of funding, now and through the construction period; historical appropriations levels will not be sufficient to meet these needs. If Congress does not enact legislation, and funding pressures forces our FY05 appropriation below our requested level of $880 million, we will not be able to accomplish the activities in FY05 necessary to keep on track to meet the 2010 date. A mechanism must be put in place this year (FY 2005) to allow the nuclear waste program to have ready access to the Nuclear Waste Fund without being constrained by funding pressures from other programs. The administration has proposed what we believe is a workable solution to the problem. We recognize there may be other workable solutions, and are open to working with Congress on other solutions it may wish to propose. The Administration's estimate of the deficit for each year from 2005 to 2009 was taken into account when crafting the proposal. It is not realistic to speculate on the impact that this proposal alone, rather than in combination with all of the other proposals in the Budget, would have on the deficit. This proposal was included in the President's Budget because reclassifying the fees will ensure that the money collected to pay for Yucca Mountain is spent on Yucca Mountain. If the President's Budget had simply included additional money for Yucca Mountain, it could not have been assured that the dollars would have been spent on Yucca Mountain and not used for some other purpose, as they have been in the past.

Q3: Does the legislative proposal provide disbursements from the Fund would remain subject to appropriations?

A3: Under this proposal, the Program would continue to be subject to the annual appropriations process and Congressional oversight. This proposal will simply allow the Appropriations Committees to provide funding sufficient for the Program needs without having to take funding from other DOE programs.

Q4. Please provide an updated version of the table labeled "Summary of Funding Profile" included in your April 28, 2003, letter to me.

A4. Below is the updated table as of March 2004.

SUMMARY OF FUNDING PROFILE FOR CURRENT PROGRAM AS OF 3-2004
Planning Estimates in Million of Year of Expenditure Dollars

Fiscal Year	Yucca MTN Project	Transportation	Program Mgmt	Total Program Funding Needs	Needed Aggregate Appropriation	CBO Defense Contribution	CBO NWF Baseline	Total CBO Baseline	Unfunded Defense Catchup	Unfunded NWF	Total Unfunded
2004	404	64	109	577	577	-388	-189	-577	0	0	0
2005	559	186	135	880	880	-392	-192	-584	261	-557	-296
2006	598	383	181	1,162	1,162	-397	-195	-592	-11	-559	-570
2007	573	344	186	1,103	1,103	-404	-199	-603	58	-558	-500
2008	1,050	402	193	1,645	1,645	-412	-204	-616	-465	-564	-1,029
2009	1,247	193	203	1,643	1,643	-420	-208	-628	-454	-561	-1,015
2010	1,105	217	215	1,537	1,537	-428	-213	-641	-339	-557	-896
TOTAL	5,536	1,789	1,222	8,547	8,547	-2,841	-1,400	-4,241	-950	-3,356	-4,306

OMB Baseline	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
	577	880	1,162	1,103	1,645	1,644	1,537

Yucca Mountain Nuclear Waste Repository Program

Q5. How is the Department planning to handle payment of any damages awarded in the pending lawsuits by utilities against the Department for failure to begin accepting waste? Please provide the department's current estimates of such damages. Would such damages be paid from the Nuclear Waste Fund, the Judgment Fund or some other source?

A5. The parties' estimates of the total cumulative liability in these cases vary greatly. If DOE prevails on some key disputed issues, we believe that the total damages payable to all utilities as a result of the delay in beginning to accept spent nuclear fuel is likely to be in the range of between $2 billion and $3 billion. However, if several recent adverse trial court rulings accurately reflect how those issues will ultimately be resolved, the estimated damages are likely to increase significantly. Whether damages in these cases would be paid from the Judgment Fund is not within the Department's authority to determine. The Department provided the Justice Department its formal analysis of this question some three years ago [on November 27, 2000], but has not been advised of any formal determination of this issue. However, in Alabama Power v. U.S. Department of Energy, 307 F.3d 1300 (11th Cir. 2002), the court of appeals held that DOE is not authorized to spend, through utility-specific fee reductions, Nuclear Waste Fund monies on settlements designed to compensate a utility for the on-site storage costs it incurs as a result of DOE's partial breach of the Standard Contract. This decision suggests that the Nuclear Waste Fund would not be a legally appropriate source for paying damages for breach of the contract obligation to begin accepting utility contract-holders' spent fuel in 1998.

QUESTION FROM CONGRESSMAN DINGELL
ADMINISTRATION SUPPORT FOR H.R.6 CONFERENCE REPORT

Q1. The Administration's April 10, 2003, Statement of Administration Policy on H.R. 6 indicates support for comprehensive energy legislation with "tax incentives" in the range of $8 billion. As you know, the CBO scored the conference report for H.R. 6 at approximately $31 billion in total, of which approximately $25 billion were tax related. Does the Administration support enactment of this conference report?

A1. As was noted by Secretary Abraham in his September 10, 2003, letter to Conference Chairman Pete Domenici, the Administration was pleased that a majority of the provisions of the President's National Energy Policy were included in either the House or Senate versions of H.R.6. The President's FY 2005 budget included tax incentives totaling $7.2 billion over 10 years. These were dedicated to alternative and renewable fuels, conservation, energy efficiency, and emissions-free energy. Maintaining fiscal discipline remains crucial to returning the budget to balance. The tax provisions in the final bill should reflect the President's priorities of environmental protection and energy conservation and maintain the needed fiscal discipline by not exceeding the President's budget request.

QUESTION FROM CONGRESSMAN DINGELL
ADMINISTRATION SUPPORT FOR S. 2095
DOMENICI "SLIMMED DOWN" BILL

Q2a. On February 12, 2004, Senator Domenici introduced S. 2095, a bill which the Senate Committee on Energy and Natural Resources majority estimates costs of approximately $14 billion. Recent press reports indicated that you have said that the cost of S. 2095, a "slimmed down" energy bill, may still be too high. Does the Administration support S. 2095? Why or why not?

A2a. Senators Domenici and Grassley should be commended for recognizing that the cost of the energy bill needs to come down quite a bit to be acceptable to the President. They have worked hard and made some tough decisions. But, at $14 billion, the new bill is still nearly twice the cost of what the President proposed in his 2005 Budget. The President has been very clear, in numerous speeches and again in his State of the Union address, that he wants energy legislation enacted. We urge the House and Senate to work out their differences and to send a fiscally responsible bill to the President's desk.

QUESTION FROM CONGRESSMAN DINGELL
ADMINISTRATION SUPPORT FOR ENERGY BILL COST

Q2b. Specifically, would the Administration support any comprehensive energy legislation that costs as much as the estimate for S. 2095? If not, what level of spending does the Administration currently support?

A2b. The President proposed a set of specific, fiscally responsible, tax provisions in last year's budget. This 2005 budget re-proposes these same provisions, and adds two more provisions that the Administration supported during last year's consideration of the energy bill. The total cost of these provisions over ten years is just over $7 billion.

QUESTION FROM CONGRESSMAN DINGELL
ADMINISTRATION PROPOSED TAX INCENTIVES

Q2c. A February 27, 2004 article in Greensheets Express states the following:

"Abraham said the Senate should limit tax breaks for the energy industry to the $7 to $8 billion over 10 years that was included in President Bush's national energy policy unveiled in May 2001. Abraham wouldn't say which programs should be cut. "We're frankly more interested in the cost', he said."

If $7 to $8 billion is still the amount of tax breaks the Administration supports, could you please provide a list of Administration priorities for how such an amount should be allocated amongst various tax incentive proposals?

A2c. The President's FY2005 Budget provides a number of specific tax incentives for priorities which are consistent with the President's National Energy Policy. The tax incentives are estimated to cost $7.2 billion and are as follows:

- Extend and modify the tax credit for producing electricity from certain sources
- Provide tax credit for residential solar energy systems
- Modify treatment of nuclear decommissioning funds
- Provide tax credit for purchase of certain hybrid and fuel cell vehicles
- Provide tax credit for energy produced from landfill gas
- Provide tax credit for combined heat and power property
- Extend excise tax exemption (credit) for ethanol
- Permit electric utilities to defer gain from sales of electric transmission property (New for 2005)
- Modify tax treatment of certain income of electric cooperatives (New for 2005)

ADDITIONAL RESPONSE FOR THE RECORD OF HON. SPENCER ABRAHAM, SECRETARY, U.S. DEPARTMENT OF ENERGY

QUESTIONS FROM REPRESENTATIVE MARKEY

Contacts with OPEC Oil Ministers

Question 1. Exactly how many of the OPEC oil ministers did you personally contact between the OPEC meeting in Algeria in February and the March 31, 2004, OPEC meeting to "jawbone" them to reverse themselves and increase, not decrease production? Who were they?

Answer 1. Since taking office, this Administration has maintained an ongoing campaign of diplomacy with oil producers. We have consistently urged producers to ensure that oil supply is sufficient to promote global economic growth. That means ample supply at reasonable prices. We do not discuss the specifics of these conversations, but a staple of our message to producers has been our admonition to let the free market be the referee on issues of supply, demand and price, and we have strongly encouraged them to heed the market's signals.

Oil Prices

Question 2. The April 1, 2004, *Wall Street Journal* reports that OPEC's decision to cut production breaks the cartel's "years-old efforts to maintain price stability and raises the prospect of greater volatility for consumers of oil and gasoline." The Journal goes on to report that:

> "In 2000, OPEC informally promised to keep oil prices within a band of $22 to $28 for a basket of crude oil varieties. In return, major consuming countries indicated they wouldn't use strategic stockpiles of oil amid a supply crunch before OPEC had a chance to balance markets—But the OPEC basket is at more than $31 a barrel now, and has been consistently above $28 a barrel for the past 83 days."

In light of the fact that OPEC appears to have abandoned price stability as a goal and instead seems bent on price gouging us, why aren't you willing to take off the gloves and turn on the spigot of the Strategic Petroleum Reserve to send OPEC a message that if they won't stabilize supplies and prices, we will?

Answer 2. The Energy Policy and Conservation Act, enacted in 1975, established the Strategic Petroleum Reserve as a national security asset and authorized the Department to sell its oil if the President makes a finding that a "severe energy supply interruption" exists. Despite persistently high prices, no supply disruption has occurred to justify such a Presidential finding. The Act envisions that markets will balance the supply and demand of oil, and does not contemplate the drawdown and sale of oil from the SPR for the sole purpose of affecting the market price. If traditional exporters choose not to accommodate demand growth at moderate prices, the markets will elicit greater efficiency and more production from non-traditional sources, to the long-term detriment of the traditional exporters. It is the Administration's policy not to tap the Strategic Petroleum Reserve to suppress prices as long as supplies are adequate, which they are at this time. Furthermore, in these very uncertain times, we believe that our Nation's national security will be best served by having a full Strategic Petroleum Reserve in order to provide the maximum protection for the United States.

Impacts of National Energy Policy on Energy Consumption and Production

Question 3. According to your Department's own Energy Information Administration, passage of the energy bill conference report would have a "negligible" impact on energy consumption and production and on America's reliance on energy imports. At the same time, EIA reports that if the Republican energy bill is enacted into law "By 2015, however, the price increases [in gasoline] resulting from the bill accelerate, with "an increase of 3.0 cents per gallon in the average gasoline price and 8.1 cents per gallon in the average RFG price, relative to the Reference Case." Can you please explain why a bill that your own Department says is going to increase gas prices by 3 to 8 cents a gallon is the solution to rising gasoline prices?

Answer 3. The transportation sector accounts for nearly 30 percent of total U.S. energy consumption, and transportation costs have been rising, particularly as the economy improves. Although the recent fuel price spikes concern the public and the Administration, it is important to note that such increases have occurred many times in the past. For instance, during 2000, fuel prices rose by 30 to 40 cents a gallon from 1999 prices.

With regard to EIA's analysis, the Department believes that the gasoline price differential of the energy bill reflected in the EIA analyses does not accurately portray what is likely to happen. EIA's base case analysis includes MTBE bans for only 17 States, while the Department believes that MTBE will essentially be banned for all

gasoline after these State bans go into effect. Including this one assumption in EIA's base case would change the results of the energy bill analysis substantially. If one were to also include the likely extension of the ethanol tax credit (or some incentive similar in effect), one would effectively eliminate the entire gasoline price differential between the two cases. Additionally, the EIA analysis does not consider regional or local price volatility that may occur during transitions from MTBE due to State actions.

The Administration believes that the passage of comprehensive energy legislation, coupled with the implementation of the recommendations of the President's National Energy Policy (NEP) by the Executive Branch, will provide balanced long-term measures to address the domestic energy situation. We are pleased that many NEP recommendations requiring Congressional action are included in energy legislation currently pending in Congress. For instance, provisions promoting greater energy efficiency and increased emphasis on energy technologies are included in pending comprehensive energy bills. Implementation of such approaches would help make transportation fuels more affordable.

Unfortunately, some NEP recommendations, such as opening a small portion of Alaska's coastal plain to environmentally responsible oil and gas exploration and development, are not included in pending bills, such as the H.R. 6 Conference Report. Hampering our ability to responsibly develop America's domestic energy resources will only contribute to our continued reliance on insecure foreign sources of energy and contribute to price volatility.

The Administration continues to urge Congress to finish the job of passing comprehensive energy legislation, which, together with ongoing administrative implementation of NEP recommendations, would improve the Nation's energy and economic security.

Nuclear Nonproliferation

According to the DOE budget documents, the Advanced Fuel Cycle Initiative "develops technologies that would enable the reduction of spent fuel volume and the recovery of spent nuclear fuel's valuable energy." In other words—nuclear reprocessing. On February 11, 2004, President Bush announced new measures to counter the spread of weapons of mass destruction, stating, "The world must create a safe, orderly system to field civilian nuclear plants without adding to the danger of weapons proliferation. The world's leading nuclear exporters should ensure that states have reliable access at reasonable cost to fuel for civilian reactors, so long as those states renounce enrichment and reprocessing. Enrichment and reprocessing are not necessary for nations seeking to harness nuclear energy for peaceful purposes.

Question 1. Don't you think that telling other countries that they shouldn't reprocess while requesting $46 million to develop new reprocessing technologies is just like preaching temperance from a barstool?

Answer 1. The Department's Advanced Fuel Cycle Initiative (AFCI) is conducting research on advanced, proliferation-resistant spent fuel treatment technologies that have the potential for extracting the valuable energy remaining in spent fuel and reducing the long-term burden on future repositories. The AFCI program is working to eliminate the proliferation risks associated with traditional nuclear fuel cycle approaches by developing alternative technologies that preclude the separation of attractive fissile materials. The spent nuclear fuel treatment technologies being developed by the AFCI program are also focused on the safe separation of specific elements from the spent fuel to reduce the volume and heat content of material requiring geologic disposal. The AFCI program is also investigating the development of new fuels manufactured from selected transuranic elements for use in existing commercial reactors and future Generation IV reactors.

The assumption that AFCI advances reprocessing is incorrect. AFCI is designed to reduce proliferation risks associated with traditional nuclear fuel cycle approaches, including spent fuel reprocessing, by developing alternative technologies that do not involve the separation of fissile material in forms usable in a nuclear weapon. AFCI, therefore, is entirely consistent with the President's approach, which aims to prevent the spread of sensitive nuclear facilities and technologies to an ever wider group of states.

Question 2. While the DOE weapons activities request is 5.4% or $335 million higher that the FY2004 appropriation, the nuclear nonproliferation budget is only 1.1% or $15 million higher than FY2004. Programs to help secure Russian navy nuclear weapons and Russian RADON nuclear waste sites, among others, are drastically cut. Does this budget mean that the Administration thinks building new U.S. nuclear weapons is a higher priority that keeping nuclear weapons out of the hands of dangerous regimes?

Answer 2. The Administration is committed to nonproliferation and to ensuring the continued safety, security, and reliability of the nation's nuclear deterrent.

The FY 2005 Request for the Office of Defense Nuclear Nonproliferation is $1.35 billion. Although this reflects only a 1% increase over FY 2004, funding for these programs has increased by over 60% since FY 2001. In a constrained budget environment, a 1% increase represents the Administration's commitment to our nonproliferation programs. In addition, the G-8 Global Partnership Against the *Spread of Weapons and Materials of Mass Destruction* is helping further nonproliferation. G-8 nations and the European Commission (EC) are engaging in nonproliferation programs with Russia and other former Soviet states at the same time that the United States is. To date, other G-7 nations and the EC have pledged about $7 billion toward their $10 billion goal to match the U.S. pledge of $10 billion. Most countries have already designated substantial portions of their pledges for specific programs and have launched new activities. Proliferation is a global problem and the global community is stepping up to the challenge.

Presently, there are no requirements from the Department of Defense for the National Nuclear Security Administration to manufacture any new nuclear weapons. In fact, no new nuclear weapons have been produced and added to the nation's nuclear weapons stockpile since 1989. Funds from the Administration's FY2005 budget request will be used to ensure the continued safety, security, and reliability of the nation's nuclear deterrent through the stockpile stewardship program and without the reliance on underground testing.

Robust Nuclear Earth Penetrator (RNEP)

Question 3. The budget request includes $485 million for the Robust Nuclear Earth Penetrator bunker buster weapon over the next five years. This program was originally sold to Congress as a $45 million, 3 year study, not a new nuclear weapons development program. Why is DOE now projecting it to be more than ten times as expensive and extending to the end of the decade if it does not intend to go far beyond a study and undertake actual weapons development?

Answer 3. In accordance with the National Nuclear Security Administration Act as currently amended, NNSA submitted a five-year program of estimated expenditures and proposed appropriations. Only the proposed budget for FY 2005 was a request. Estimated expenditures for RNEP for FY 2006 and beyond were to preserve options for the President and Congress in case the decisions were made to proceed to engineering development and beyond. Proceeding beyond the study stage would be wholly contingent on many factors, particularly including Department of Defense requirements and Congressional approval. As currently planned, the study will be completed in FY 2006. A new appropriation proposal will be submitted for FY 2006, including new estimated expenditures for FY 2007-2010, to Congress with the FY 2006 President's budget request.

Bunker Buster Program

Question 4. In May 2003, DOD Secretary Donald Rumsfeld said that the bunker buster program "is a study. It is nothing more and nothing less. And it is not pursuing, and it is not developing, it is not building, it is not manufacturing, it is not deploying, and it is not using." Is this your view? If so, why does the DOE budget request include a subsystem test and full system test in FY 2005 and a completion of 100% of engineering development (Phase 6.3) by FY 2009?

Answer 4. The only requested activity and the only approved activity is the feasibility, design definition, and cost study (Phase 6.2/2A). In order for NNSA to estimate out year expenditures, as directed by Congress in PL 106-65, we must attempt to predict the future for a five-year program. One part of that program that would be a considerable expense could be development of the RNEP program if the Administration proposed and Congress approved moving beyond the study stage. We considered it both prudent and responsible to include those estimated expenditures in out year projections. Along with those estimated expenditures, we are required to describe what we expect to accomplish with those funds.

Full System Test

Question 5. The "subsystem test" and "full system test" that are planned for FY 2005 sound like development, not just research. Aren't these tests really "engineering development" activities? What specifically is NNSA planning to do for bunker busting testing and prototyping in FY 2005?

Answer 5. The subsystem tests and full system tests that are part of the feasibility study are sled track tests to assess the feasibility of the candidate nuclear explosive packages and associated components to withstand carefully controlled deceleration environments. The full system test will incorporate mock up nuclear components in a full size penetrator body but without a functioning guidance and control

kit. These tests are a normal part of the feasibility study and are necessary research for a complete and meaningful study as requested by the Nuclear Weapons Council. Engineering development tests would be conducted in more realistic impact conditions with functioning guidance and impact controls. There are no plans to build any prototypes or conduct any prototype testing during the feasibility, design definition, and cost study.

Warheads

Question 6. According to the DOE budget documents, the full system test for FY 2005 is for "the proposed design". But I'm told there are two warheads being considered for the bunker buster, the B-83 and the B-61. Does this singular "proposed design" mean that NNSA plans to pick one of these two warheads in FY 2005? If so, which one, and on which basis?

Answer 6. There is currently no decision to down select before the completion of the feasibility study in FY 2006. The proposed design to be tested in FY 2005 is to be based on the B83. A similar test with the proposed design for the B61 is planned for early FY 2006.

Question on Fuel Cells

Question 1. Mr. Secretary, in previous testimony you've said that "Distributed power systems, such as fuel cells, also can contribute to the overall reliability of electricity supplies in the United States **and help strengthen the security of our energy infrastructure.**" It is my understanding, however, that the DOE budget for FY2004 for stationary fuel cells in the Office of Fossil Energy was $44.5 million, a reduction of $16.5 million from an enacted level of $61 million. The budget request for FY2005 for stationary fuel cells is $23 million, a cut of $43 million from the enacted level of $68.6 million. How can you "help strengthen the security of our energy infrastructure" by decreasing the Fossil Energy fuel cell program by 66%?

Answer 1. The reduced funding in the 2005 budget request primarily reflects completion of development on near-term fuel cells (molten carbonate and tubular solid oxide fuel cells). These fuel cells have reached the level of maturity where industry on its own can take the final step towards commercialization. Completion of this work results in a reduction of $23.6 million from the 2004 enacted level.

The FY 2005 budget request for fuel cells focuses on providing adequate funding for the Solid State Energy Conversion Alliance Program (SECA), which is funded at about the same funding level we requested in FY 2004, which is a reduction of [$12 million?] from the 2004 enacted level.

Question 2. Why hasn't the Administration lived up to its goal of "moving stationary fuel cells fairly quickly" by increasing the funding for stationary fuel cells within the Fossil Energy Program?

Answer 2. The Administration is committed to its goal of developing clean, low-cost, reliable fuel cells that will be available for stationary power applications beginning in 2010, and will ultimately provide electric power for virtually all markets, through the Solid State Energy Conservation Alliance (SECA) Program. Currently, six Industrial Teams are aggressively pursuing different promising approaches to meet the SECA goal of $400/kW. Additionally, over 40 research and development projects that support the SECA industry teams are in place. Current progress is excellent, and increased funding would not significantly accelerate commercial deployment.

Questions regarding Wackenhut Corporation

You may be aware of the recently reported problems with Wackenhut at Oak Ridge National Laboratory (ORNL) revealed by your Inspector General (IG) in January, and your IG's March report on modifications to the core training curriculum at department sites guarded by Wackenhut. I have looked more deeply into these problems and discovered a long record of important security lapses at both nuclear power and nuclear weapons-related sites:

- Security officers worked to the point of fatigue;
- Training deficiencies;
- Security lapses;
- Failed procedures;
- Retaliation against employees who voice their safety concerns.

These problems have one thing in common: Wackenhut was the contractor. I would be glad to provide you with the full record.

Question 1. Have these problems been brought to your attention? What are you doing to address them? If you are not taking any actions to resolve these problems, why not?

Answer 1. While NNSA is aware that some aspects of the identified problems exist at our sites, we are not aware of any which have significantly impacted the implementation of our contracts with Wackenhut. Our prime contracts with Wackenhut at the Y-12 Plant at Oak Ridge and the Nevada Test Site include a semi-annual performance evaluation cycle by the respective NNSA Site Offices, and also undergo a comprehensive inspection by the Department of Energy Office of Independent Oversight and Performance Assurance. The semi-annual performance evaluation cycles allow NNSA to focus Wackenhut's attention on immediate issues or areas of particular interest. Performance elements such as those raised in this question are included in the defined performance objectives. Our Y-12 Site Office issued its most recent performance evaluation report on its Wackenhut contractor, WSI-OR, in March 2004. While procedural inadequacies led to misconceptions about performance testing, as documented in a DOE/IG report, there was no indication of wide-spread or programmatic deficiencies in this area. NNSA is also preparing to re-compete its Wackenhut contracts as the contracts terminate in the near future, providing an opportunity for NNSA to challenge prospective bidders to propose, and be held accountable for delivering, improved performance.

Question 2. Has the Department undertaken or do you plan to undertake a review of Wackenhut's track record as a contractor, if not, why not?

Answer 2. The DOE conducts continuous surveillance of contractor performance. Contractor performance evaluations are formally made on the anniversary date of contract award based upon performance criteria established in each contract. The results of the IG investigations have been factored into these evaluations for Wackenhut in each of the associated contractor performance evaluations. To date, the DOE assessment of Wackenhut's performance does not support the barring of Wackenhut from bidding on future protective force contracts.

Question 3. Are you aware that Wackenhut's Danish parent company is merging with the British parent company of Argenbright (now called Cogniss), which was barred from by the U.S. Government for a substantial period of time from doing security work due to its poor security and vetting practices? Argenbright provided security at the Washington Dulles and Newark International Airports on September 11, 2001 when terrorist hijackers got past security screeners to board planes that crashed into the Pentagon and Western Pennsylvania. Do you plan to review the impact of this merger? If not, why not? If this merger does take place, will you allow former Argenbright managers to have a role in administering security at DOE nuclear sites?

Answer 3. NNSA is aware of the merger described in this question. Let me assure you that NNSA will review all Foreign Ownership, Control or Influence (FOCI) documentation to ensure restrictions on foreign parent activities, to include visitation to DOE/NNSA sites, are modified such that representatives of Argenbright (Cogniss) have been adequately isolated from the WSI activities. This will ensure that the Wackenhut contractors at our sites will continue to act as independent companies with "proxy boards" in place to ensure that only the tie to the parent corporation is the distribution of revenue.

Question 4. Alutiq LLC was recently awarded the security contract at Idaho National Engineering and Environmental Laboratory. Why was the contract for such a sensitive site awarded to a company with limited previous experience as a security provider? Is it DOE policy to award security contracts for such sensitive sites non-competitively? If not, why was this contract awarded non-competitively? Are you aware that Wackenhut may be added as a subcontractor to this contract on a non-competitive basis? Is it DOE policy to allow such subcontracts to be awarded non-competitively? If not, then what will you do to ensure that Alutiq competes the subcontract?

Answer 4. No contract has been awarded; however, the U.S. Department of Energy is committed to increasing the contracting opportunities awarded to small and disadvantaged businesses. The Small Business Act specifically allows for qualified small businesses to be awarded contracts non-competitively and we believe this to be an important element in our overall strategy in increasing business opportunities for small businesses in the United States. However, contracting for security expertise must be accomplished with great care. Thus, while DOE had previously indicated an intention to explore a sole source contract in the context of a small business set aside, I have discussed this issue with the Idaho delegation and I have directed my senior managers to review this matter. I expect to have their recommendation on how to proceed in the near future.

Question 5. Are you aware of three current civil cases filed in U.S. District Court for the Eastern District of Tennessee emanating from Wackenhut Services' Oak Ridge contract and alleging employment discrimination (O'Neal, et al v. Wackenhut Services, et al; Campbell v. Wackenhut Services; Sheard, et al v. Lockheed Martin,

et al)? Has your department conducted an investigation of the allegations raised in these cases? If so, what were the results of the investigation? If not, why not? Has Wackenhut requested reimbursement for the legal fees and/or settlement charges incurred in these? If so, for how much, and has the Department granted its request?

Answer 5. DOE is aware of the three named lawsuits filed against Wackenhut in Federal District Court for the Eastern District of Tennessee. Litigation costs are being reimbursed pursuant to two contracts with DOE (one contract with the NNSA Y-12 Site Office and the other with the Oak Ridge Operations Office). The two Wackenhut contracts are Time & Material contracts governed by the allowable cost provisions of the FAR. The Wackenhut legal costs are reimbursed if the Contracting Officer agrees that they are reasonable in amount in relation to the activities required deal with the proceedings and underlying cause of action so long as the costs are not unallowable under FAR 31.205-47. Neither the FAR nor the contracts require or authorize DOE to "investigate" allegations made in complaints. The total cost reimbursed to date for the three cases is $57,960.49 under the DOE ORO contract and $394,910.76 under the NNSA Y-12 Site Office contract.

Question 6. For the past 5 years, please list all legal disputes or administrative complaints brought against Wackenhut related to its work as a DOE contractor. For each such case, please list the date, DOE site involved, the nature of the case (including the name of the complainant and type of complaint), the resolution (where applicable) and date thereof, the amount of legal fees and/or settlement charges requested by Wackenhut for reimbursement, and the amount of legal fees and/or settlement charges reimbursed by DOE.

Answer 6. Except for *Sheard, O'Neal,* and *Campbell,* DOE ORO and NNSA YSO are not aware of any legal disputes or administrative complaints brought against Wackenhut related to its work as a DOE contractor.

DOE Science

Question 1. The Science strategic goal budget, including basic science research, suffers an overall decrease of 2%, or 2.2% without the use of prior year balances. Compared to the 4.4% increase in funding for the nuclear weapons budget and the 4.6% increase in the Corporate Management budget, it appears that the Department is shifting its priorities away from world-class scientific research. Does the Department remain committed to U.S. basic science research? If so, why do the budget priorities not reflect this commitment?

Answer 1. All budgets require difficult prioritization decisions to meet many competing needs in the Department. The Office of Science budget request reflects the Administration's continuing commitment to basic research in the Department. When FY 2004 one time congressionally-directed projects are set aside, the FY 2005 Office of Science budget increases $72,311,000 or 2.2% to ensure its continuing leadership in physical science research and its unique research in genomics, climate change, and supercomputing.

Question 2. Under the Basic Science program, funding supporting the Climate Change Science Program (CCSP) receives only a 0.6% increase, less than the rate of inflation. Does this effective cut in funding reflect a pre-conceived belief on the Administration's part that Climate Change is not occurring and does not need to be scientifically investigated? If not, what is the reason for the cuts?

Answer 2. The Administration places a high priority on the basic science needed to understand climate change. The Department continues to be among the top four largest supporters of the Nation's fundamental climate change research. Given the overall need for fiscal responsibility, difficult choices were made to keep climate change research funding level.

The President's request maintains climate research on track to accomplish the long term objective—deliver improved climate data and models for policy makers to determine safe levels of greenhouse gases for the Earth system and, by 2013, substantially reduce differences between observed temperature and model simulations at subcontinental scales using several decades of recent data.

Question 3. Funding for High Energy Physics increases only 0.5%, also less than the rate of inflation. Does this effective cut represent a weakening of the Department's commitment to fundamental physical science research?

Answer 3. The Administration recognizes that the physical sciences underpin advancements in all areas of research and maintains its commitment to physical science research. Construction of the "Neutrinos at the Main Injector" project at Fermilab is scheduled to be complete in FY 2005, and funding for this project declines, per the planned profile, from $12,426,000 to $751,000, freeing up $11,675,000 for High Energy Physics research and operations of user facilities. Thus, non-construction funding in High Energy Physics increases by 2.1% over the FY 2004 appropriation, providing strong support for operations and improvements at the

Tevatron at Fermilab and for our continuing commitment to the Large Hadron Collider project.

Question 4. Advanced Scientific Computing Research funding receives a 1.0% increase, still less than the rate of inflation. According to industry experts, the fastest supercomputer in the world is currently at the Earth Simulator Center in Japan, which is between 2 and 3 times the fastest American supercomputer. Does this effective cut in funding for advanced computing mean that the Department is comfortable with the U.S. not having the premier computing facilities in the world?

Answer 4. The goal of the Office of Science is leadership in computational science, not simply the largest possible computer. We are moving aggressively to improve the computational hardware capabilities we can provide our scientists. With the solicitation we initiated in February and the budget we submitted for FY 2005, we should have world-class capability in early 2006. However, leadership in computational science depends on many factors, including raw hardware performance, sophistication of software and algorithms, and the scientific quality of the models themselves. For example, our Scientific Discovery through Advanced Computing effort has increased the speed of some important applications by factors of 3 to 10. The investments in computing hardware complement and build on these software investments. Nevertheless, it is important to note that these computer investments are made to advance science; and scientific progress, not teraflops, is the metric with which we should concern ourselves.

QUESTIONS FROM REPRESENTATIVE GORDON

Medical Screening for Nuclear Workers at the X-10 and Y-12 Facilities

The Department of Energy has operated a medical screening program for current and former workers who are at risk of occupational diseases from exposure to toxic substances such as radiation, mercury, and solvents at approximately 12 nuclear weapons sites over the past 6 years. The great thing about this DOE program is that it is helping people who were put in harm's way while they worked under ultrahazardous conditions building weapons for the nation's arsenal.

I understand Doe plans to start a medical screening program for the production workers at the Y-12 and X-10 facilities in Oak Ridge. I am pleased that DOE has taken this long overdue step. Workers at this site are particularly at risk from lung cancer due to inhaling so many lung carcinogens.

However, I have an unresolved concern. Mr. Secretary, workers in Oak Ridge at the K-25 facility, in Portsmouth, Ohio in the district of my friend Representative Ted Strickland, and in Paducah, Kentucky in the district of my friend representative Ed Whitfield all have the benefit of an enhanced lung screening program that is saving dozens of lives by detecting lung cancer at its earliest stages when tumors can be removed before they spread. The workers at Y-12 and X-10 will not have this life-saving technology made available to them, and this is a matter that they have brought to my attention and the attention of others in the Tennessee delegation.

Question 1. Since these workers are at an increased risk of lung cancer, based on health studies at these facilities, do you agree that it is an important priority to assure that workers at Y-12 and X-10 have state-of-the-art early lung cancer screening as part of the DOE's program?

Answer 1. As a component of its medical screening program for employees of the Gaseous Diffusion Plants, DOE has offered an additional pilot effort: the use of the spiral CT scan to check for early signs of lung cancer.

DOE will not be prepared to make a determination on the use of the spiral CT scan for Y-12 and X-10 employees until a thorough external review has been completed on the costs and benefits of this screening tool in the Gaseous Diffusion Plant employees. The PACE International Union and Queens College have not yet provided an analysis of CT scan findings in this population that could be shared with an expert external review group.

DOE's concerns about the use of the spiral CT scan for this purpose are based on the fact that it has not been endorsed by any clinical screening standards setting bodies as an appropriate lung cancer screening tool. A nation-wide National Institutes of Health study designated to answer this question is currently underway.

Question 2. I understand that DOE has allocated approximately $1.4 million for FY "05 for the conventional medical screening programs for Y-12 and X-10. I also understand that the added cost of early lung cancer screening is approximately $1.8 million. DOE has set aside $13.1 million in its budget for the medical screening programs. Could you commit to allocating an added $1.7 million out of that account to make sure these workers are taken care of?

Answer 2. DOE has allocated approximately $700,000 in the FY "05 Health budget for the conventional medical screening programs for Y-12 and X-10. If a decision

were made to proceed with the spiral CT scan following review of its use as a screening tool, DOE would take appropriate action to ensure that additional resources were made available.

QUESTIONS FROM REPRESENTATIVE ESHOO

Impacts of National Energy Policy on Energy Production and Dependence

Question 1. On March 31, 2004, the White House issued a statement calling on Congress "to pass a comprehensive national energy policy that will reduce our dependence on foreign sources of energy." The Department of Energy's Energy Information Administration (EIA) has reported that the Administration-backed Energy Policy Act will have "negligible" effect on domestic production and on our dependence on imported fuel. EIA has also said that the bill's ethanol mandate could add as much as 8 cents to the cost of each gallon of gasoline. Based on EIA's analysis, how will passing this bill reduce our dependence on imported fuel and reduce consumers' costs?

Answer 1. The transportation sector accounts for nearly 30 percent of total U.S. energy consumption, and transportation costs have been rising, particularly as the economy improves. Although the recent fuel price spikes concern the public and the Administration, it is important to note that such increases have occurred many times in the past. For instance, during 2000, fuel prices rose by 30 to 40 cents a gallon from 1999 prices.

With regard to EIA's analysis, the Department believes that the gasoline price differential of the energy bill reflected in the EIA analyses does not accurately portray what is likely to happen. EIA's base case analysis includes MTBE bans for only 17 States, while the Department believes that MTBE will essentially be banned for all gasoline after these State bans go into effect. Including this one assumption in EIA's base case would change the results of the energy bill analysis substantially. If one were to also include the likely extension of the ethanol tax credit (or some incentive similar in effect), one would effectively eliminate the entire gasoline price differential between the two cases. Additionally, the EIA analysis does not consider regional or local price volatility that may occur during transitions from MTBE due to State actions.

The Administration believes that the passage of comprehensive energy legislation, coupled with the implementation of the recommendations of the President's National Energy Policy (NEP) by the Executive Branch, will provide balanced long-term measures to address the domestic energy situation. We are pleased that many NEP recommendations requiring Congressional action are included in energy legislation currently pending in Congress. For instance, provisions promoting greater energy efficiency and increased emphasis on energy technologies are included in pending comprehensive energy bills. Implementation of such approaches would help make transportation fuels more affordable.

Unfortunately, some NEP recommendations, such as opening a small portion of Alaska's coastal plain to environmentally responsible oil and gas exploration and development, are not included in pending bills, such as the H.R. 6 Conference Report. Hampering our ability to responsibly develop America's domestic energy resources will only contribute to our continued reliance on insecure foreign sources of energy and contribute to price volatility.

The Administration continues to urge Congress to finish the job of passing comprehensive energy legislation, which, together with ongoing administrative implementation of NEP recommendations, would improve the Nation's energy and economic security.

MTBE "Safe Harbor" Provision

Question 2. The main reason that the Conference Report on the Energy Policy Act is being filibustered by a bipartisan group of Senators is the inclusion of a "safe harbor" provision that exempts the producers of MTBE from liability. Does the Administration support the MTBE "safe harbor" provision?

Answer 2. The Administration has not stated a position on this issue. Whether the comprehensive energy bill should contain an MTBE "safe harbor" provision and, if so, what that provision should say are issues on which the House and the Senate are going to have to work together to reach a compromise. The MTBE liability issue arose during Congressional consideration of the comprehensive energy legislation, and was not part of the President's National Energy Policy.

Administration Position on SUV Tax Loophole for Small Businesses

Question 3. The 2003 tax cuts expanded a tax loophole that allows businesses to claim a tax deduction for the purchase of SUVs weighing more than 6000 pounds. Under the 2003 tax law, the deduction was increased from $25,000 to $100,000. The

deduction for all other passenger vehicles is currently just over $10,000. The Joint Committee on Taxation estimates that between 2003 and 2012 the SUV subsidy will cost taxpayers $1.26 billion. Does the Administration support retaining the subsidy? Would it support treating large SUVs the same way other passenger vehicles are treated under the tax code?

Answer 3. The Administration supports the higher allowable dollar limit on expensing of small business investment costs, as enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003. In its FY 2005 Budget, the Administration proposed making the new small business expensing limit permanent in order to encourage small business investments and to support tax simplification. The expensing of large SUVs under this provision is a consequence of the inapplicability of the special limits imposed on depreciation and expensing deductions for passenger automobiles. This has been a longstanding issue that predates the latest expansion of the small business expensing limit. The Administration is willing to work with the Congress to arrive at a workable and fair policy in this area.

Office of Science

Question 4. Investment in basic science at the Department of Energy has stagnated and, in fact, declined in the face of inflation over the past several years. As a result, the U.S. is at risk of losing its leadership role in the areas of physical, biological and environmental science. Will the Administration commit itself to substantially increasing funding for the Department of Energy Office of Science?

Answer 4. The Administration recognizes the importance of basic science at the Department and in other agencies. The needs of the Office of Science have been balanced among many other competing needs within the Department. I appreciate your support for these important programs, as funding for basic science is one of my personal priorities. I outlined an aggressive path to ensure America's continued leadership in the physical sciences when I announced the *Facilities for the Future of Science: A Twenty-Year Outlook* last November. As you know, however, many meritorious programs are competing for funding in a highly constrained budget environment, so I cannot prejudge the end result of this process. As budgets are developed, it is up to the Administration and the Congress to determine where and how available resources will be allocated.

QUESTIONS FROM REPRESENTATIVE WYNN

Question 1. The FY 05 budget contains funding for the hydrogen programs to reach key milestones in the hydrogen fuel initiative. What sort of funding obstacles could stand in the way of reaching those milestones.

Answer 1. Three funding obstacles could stand in the way of reaching key milestones for the hydrogen fuel initiative:

1. Earmarks, especially where the recipient is identified, hurt our ability to competitively award research funding to organizations/persons with the best ideas and capability. Approximately half of the FY 2004 Hydrogen Technology funding in the Energy and Water Development appropriation is for Congressionally-directed projects, which eliminated the Department's ability to fund any new research projects to overcome technical and economic barriers related to hydrogen storage, production, delivery, infrastructure, and safety. Because of these earmarks, funding of three competitive solicitations in hydrogen production and delivery, storage, and infrastructure has been delayed until FY 2005 (subject to congressional appropriations). This slips most of our interim milestones approximately one year, but it is too early in the program to slip the 2015 commercialization decision. However, additional earmarks in the FY 2005 appropriation will cause further milestone delays and potential slippage of the 2015 decision.
2. An appropriation significantly below the FY 2005 request of $227 million would have the same effect as described above. Additional slips in key milestones will occur and the 2015 commercialization decision may be delayed.
3. A Continuing Resolution (CR) would prevent the Department from ramping up research toward key milestones as planned. The Department's FY 2005 request for the Hydrogen Fuel Initiative of $227 million represents an increase of $68 million to expand research and development activities to meet technical targets for the 2015 commercialization decision. A CR at the start of FY 2005 would likely require us to operate at steady-state, i.e. at the FY 2004 appropriation level of $159 million.

Question 2. Key barriers in the area of hydrogen storage and production need to be used crossed before a hydrogen economy is a reality. What steps is the Department of Energy taking to ensure that colleges and universities train capable engineers and scientists who can help us cross those barriers?

Answer 2. In the very near future, the Office of Energy Efficiency and Renewable Energy will announce awards under two high priority solicitations for hydrogen technology research and development. Approximately 30-40 projects (more than half of the total awarded) will be awarded to universities through the "Grand Challenge" Solicitation for Hydrogen Storage. The Hydrogen Production and Delivery research solicitation also included a special category developed specifically for universities. Funds awarded under both of these solicitations will support graduate student research and post-doctoral research fellowships.

In conjunction with the State Technology Advancement Collaborative, DOE has awarded funds to universities to create hydrogen technology learning centers. The 2004 projects involve three university partnerships—

(1) University of California at Davis, Rochester Institute of Technology, San Diego Miramar College, and the Florida Solar Energy Center;
(2) University of Maryland and Virginia Polytechnic Institute; and
(3) North Carolina A&T State University, University of South Carolina, University of Georgia, and University of Florida.

Each team is expanding its hydrogen and fuel cell activities and developing course materials for their university students, as well as creating a "center" in which members of the local community, from school children to business executives, can learn more about the hydrogen vision and fuel cell technology.

In addition, this year the Department partnered with the National Hydrogen Association and ChevronTexaco to hold the first annual hydrogen fueling station design contest for universities. Student teams developed the technical specifications; conducted safety, economic, and environmental analyses; and created an education and marketing plan for a hydrogen fueling station. Seventeen teams from the United States and Canada submitted entries. The winning teams will be announced at the 15th Annual Hydrogen Conference and Expo in Los Angeles on April 27. The contest engages students from a variety of disciplines—engineering, architecture, business, and marketing—in the hydrogen economy. It also provides opportunities for students to have direct contact with the hydrogen industry, as well as for industry to experience students' creativity.

DOE also manages the Graduate Automotive Technology Education (GATE) Program for universities. A new solicitation is expected this year, with funds to be awarded in fiscal year 2005, to support curriculum development and graduate student research. The GATE Program supports fellowships and curriculum in a broad range of advanced automotive technologies that will reduce the dependence of the Nation's personal transportation system on foreign oil and minimize harmful vehicle emissions. We anticipate that hydrogen and fuel cells will be a major area of interest.

Question 3. Mr. Secretary, I am quite concerned about the lapse in authority for the Energy Savings Performance Contract Program, a program that encourages the public and private sectors to work together to make federal facilities more energy efficient. The project has not been included in the latest version of the Energy bill due to Congressional Budget Office's score of the program. It is my understanding, however, that the program has no budgetary impact. Does the Administration "score" this program? Why or why not?

Answer 3. The Administration strongly supports enactment, as soon as possible, of legislation to extend the authority for Federal agencies to enter into Energy Savings Performance Contracts (ESPCs). We believe the legislation itself extending ESPC authority should be considered budget neutral. The energy efficient technologies installed with ESPCs are paid for completely by private companies who then recoup their investment and profit through the government's energy bill savings resulting from the use of these technologies. The Office of Management and Budget classifies all budget authority and outlays for ESPCs as absorbing discretionary resources.

Question 4. In Maryland, the average gasoline price is at a record high of $1.73 per gallon for regular unleaded. Analysts predict that prices will continue to increase over the next several months.

Last year, I proposed an amendment to the energy bill to boost funding [by $5 billion] for hydrogen fuel cells research and development and demonstration projects to make hydrogen fuel cells cars a reality by 2010. However, the amendment was rejected because my friends on the other side of the aisle rejected the amendment at too costly. Is the Administration prepared to endorse my plan to wean U.S. drivers off gasoline and into an era of hydrogen-powered cars?

Answer 4. The Department worked with industry, academia, and other stakeholders devoting an entire year to developing a hydrogen roadmap—a realistic plan to overcome the barriers and identify the paths forward to a hydrogen economy. The Department studied the problems and examined several strategies, including a more

aggressive plan with an earlier commercialization date. Our analysis showed that the more aggressive path would be much more costly, and also more risky, because it would not allow adequate time for the necessary research, development and demonstration learning cycles.

Our planning indicates that a 2015 commercialization date, assuming our budget requests are fully funded and unencumbered by earmarks, is an ambitious but achievable target. If, after early investments and a review of our progress, we conclude that it is possible to accelerate our efforts—we will. We will seek the funds needed to do so, but only after we can ensure that additional resources will be spent responsibly, and that we maintain a high probability of success. In the interim, promoting hybrid vehicles and other fuel-efficient cars is an excellent strategy to reduce U.S. demand for foreign oil, and to develop the electric-drive technologies that will eventually also be needed for fuel cell vehicles to be successful in the future.

Refining Capacity

Question 5. Currently, oil refineries are running at about 95 percent, or near capacity. If there is a disruption in the country's refining production, prices are likely to rise significantly. What is the Administration doing to increase refining capacity so that we can avert price spikes?

Answer 5. The President's National Energy Policy contains a number of recommendations to address refinery capacity, and supply and price of transportation fuels for our economy. For example, the Administration has proposed and finalized rules to make the New Source Review program work more efficiently and effectively. These revisions have been challenged in the courts, however, and the effective date for some of the revisions has been stayed. We believe that reforming the NSR program is important because it will provide greater certainty for the investment needed to modernize and improve the efficiency of our refining system.

Price spikes are typically caused by supply disruptions. In the case of any supply disruption, the Administration will assess the situation and act, as warranted by the situation and consistent with DOE's legal authorities, to alleviate any restrictions on supply.

QUESTION FROM REPRESENTATIVE GREEN

Deliveries to the Strategic Petroleum Reserve

Question. Since last summer DOE has nearly tripled the rate at which the SPR is filled: from 60,000 barrels per day in June, 2003 to 170,000 in March 2004. Over this period, oil prices have risen and stayed at near record highs.

Major combat operations in Iraq ceased on May 1st, 2003, before SPR shipments dramatically increased, so it would seem that the urgency to fill the SPR would have lessened, rather than increased since then.

Since OPEC's member states are notorious for cheating on their production quotas, we should not give them too much credit for being able to adjust their production to accommodate SPR shipments.

Right now we have an immediate problem on our hands of extremely high gasoline prices, in large part because of high oil prices. I'm also concerned with releasing oil from the SPR to manage price, but I think that Administration should reduce deliveries, and put that oil into the market to take the pressure off.

How does the Administration explain DOE's policy of increasing the SPR fill rate to 170,000 plus barrels per day when crude prices remain at near record highs?

Is the option of ceasing or significantly reducing deliveries totally off the table for this Administration?

Answer. The SPR is being filled primarily by the transfer of royalty oil from Federal offshore leases in the Gulf of Mexico. The rate of transfer is determined through agreements reached with the Department of the Interior (DOI), which administers Federal offshore leases and the collection of royalty payments. After November 2001, when the President directed that the SPR be filled to its 700 million barrel capacity, the Department of Energy (DOE) and DOI negotiated an initial fill rate of 60,000 barrels per day for a period of one year, with an eye on increasing the volumes of royalty transfer oil in subsequent contract periods as DOI identified additional candidate leases to include in the program. The volumes increased to about 100,000 barrels per day, and then to about 115,000 barrels per day. For the period April 1, through September 30, 2004, the rate is expected to be about 105,000 barrels per day. The daily figure referred to in the question is the actual volume being delivered to the SPR and is a combination of new transfers from the Department of the Interior to Energy plus shipments that had been deferred during 1999, 2000 and 2001. As of May 2004, all oil owed to DOE due to previous deferrals will have

been received, and deliveries will reflect only the current contracted volumes of about 105,000 barrels per day.

Although we are concerned about the Nation's economy, we believe that filling the SPR at these rates has only minimal impact on the market price of oil, especially when compared with world production of 80 million barrels of oil per day. We also believe that in a world where we continually see acts of terror aimed at disrupting the world's oil industry, the national security priorities of filling the SPR take precedence. We are filling at a modest rate and in a deliberate and transparent manner that serves to maintain stability in markets, especially when compared with the speculation which would be created if the Department of Energy were entering and exiting the market in reaction to changing conditions. It is our intention to continue filling the Reserve at a moderate rate until it reaches an inventory of 700 million barrels in 2005.

QUESTION FROM REPRESENTATIVE STRICKLAND

Question. According to press reports and the GAO's testimony in the Senate at the end of March, it appears that DOE's performance is lagging the Department of Labor (DOL) in implementing the Energy Employees Compensation Program. Specifically, DOE has spent approximately $74 million on its responsibilities under this compensation program and only one claim to date has been paid out of 23,000 filed. Moreover, DOE has processed fewer than 2% of the claims it has received through the physicians' panels who evaluate causation.

By contrast, the DOL has paid out $800 million in benefits and medical care and has processed over 95% of the claims within its area of responsibility under a separate title of EEOICPA—Subtitle B dealing with radiation-related cancers, beryllium disease and silicosis.

Last year DOE told this Committee (March 5 hearing) it would speed claims processing, in part, by developing site profiles of toxic exposure at these nuclear sites and use these generic assessments to expedite processing.

At the March 30, 2004, Senate Energy Committee hearing, it is my understanding that the Under Secretary of Energy stated that DOE had decided not to perform site profiles for speeding claims processing because it does not make sense from a cost-benefit perspective. Thus, last year's path forward has been discarded and a new path forward has been proposed. In the meantime, paltry progress has been made on the DOE's caseload, and the commitments made last year before this Committee to move 100 claims per week through the DOE's physicians' panels have not been honored. Indeed, DOE has only moved approximately 400 claims through its doctors' panels in the past 3 ° years since the law was enacted. And, it still remains that many claims will never be paid because DOE lacks a willing payer.

Given the difficulties faced by the DOE, and the earnest desire of many members to transfer this program to DOL so help can be provided to sick nuclear workers, please advise why DOE opposes the transfer of this entire program to the Labor Department.

Answer. The Department opposes the transfer to DOL, because the problems we have experienced in the Part D program will not be solved by moving to it to DOL. DOE must still perform the field data collection, which requires the most time and can be the most costly part of case development. Further, under the current statutory requirements, the most significant bottleneck—the Physician Panel process—will not be improved by moving the program to DOL. In fact, unless other changes are made to the law, a transfer to DOL would, at a minimum, halt case production for several months. A transfer to DOL also would not address the issues raised regarding "willing payer" as these issues are created by the statutory language and the contractual relationships between DOE and its contractors.

While the Department had a slow start, DOE has substantially improved its process, and has demonstrated the ability to successfully ramp up its processes. Physician Panel determinations have increased nine-fold (3 to 28) over the last six months and case processing up to the Physician Panels has increased over threefold (35 to 115).

The Department has instituted a series of reforms to improve its performance, highlights of which include:

- the revisions to DOE's regulations which were issued as an Interim Final Rule on March 17, 2004. The revisions are expected to double the productivity of the Physicians Panel process;
- a reprioritization of work on Part D applications so as to expedite the processing of the greatest number of cases and move to the front of the queue those applicants we believe are most likely to receive the greatest benefit from the Part D program;

- an aggressive, and multi-agency coordinated set of initiatives to recruit physicians;
- proposed legislative changes to amend the EEOICPA statute to eliminate the pay cap on physicians serving on Physician Panels and expand hiring authority for them; and
- Additional budget: Congress approved $23.3 million of the requested $33.3 million appropriations transfer. These funds will provide for additional contractor support, staff and other resources needed to increase the rate of case processing and Panel determinations.

For several reasons, we believe it is potentially misleading to compare the $74 million in appropriations to the number of cases processed through the panels to date and the number of cases for which the applicants have received monetary compensation through the State workers compensation system. First, it is important to understand that Part D does not authorize the Department of Energy to directly pay claims. Rather, under Part D of the EEOICPA statute, State workers' compensation processes determine final compensation and DOE simply provides assistance to applicants in that process. Second, since the beginning of the program in FY 2001 through March 31, 2004, DOE has expended $58.3 million for the program. Besides start up activities such as developing Rules, procedures, and electronic databases, the DOE program has also:

- Processed over 40,000 employment verifications for DOL's Part B Program;
- Researched and provided to NIOSH over 17,000 radiation exposure records, again for the Part B program;
- Initiated work on over 15,000 Part D applications;
- Prepared for Physician Panel review over 3,500 Part D cases, essentially completing all DOE work for these cases; and
- Totally completed over 2400 Part D cases with final results sent to applicants.

Finally, with respect to site profiles, at the March 30, 2004, Senate Energy and Natural Resources hearing on EEOICPA, the Under Secretary stated the rationale for this decision:

> ...the term site profile is not clearly defined, but for the advocates of that, I would say we have not yet engaged in a site profiling program. Our sites have much information available, historical information, as to what contaminants existed in what buildings. We have not yet found there to be a cost benefit in our opinion of conducting site profiles for the applicants that we're looking at, because it would require diversion of substantial resources from the problem that we've highlighted here [acquiring the resources to eliminate the backlog] into that activity, and we don't want to do that until we're sure that there's going to be some payoff to the workers for doing that.

As the Under Secretary stated, there is no clear agreement about what constitutes a "site profile" for the Part D program given the extreme breadth of illnesses and potential agents. The Department's analysis raises several questions and issues with regards to site profiles for Part D. Data is unlikely to exist that would significantly improve the site data currently provided to the Physician Panels. Significant technical hurdles exist in determining the data required for future determinations and packaging this data to be useful in a majority of the cases the Physician Panels review. In addition to the data and technical hurdles, the latest estimate for the cost is $20 million or nearly half of the Part D FY05 proposed budget. This cost would not only divert resources from providing our applicants with determinations but would also lead to a significant delay in eliminating the backlog. In general, job-exposure matrices can be exceptionally difficult, labor intensive, and expensive, if they are scientifically feasible at all.

QUESTIONS FROM REPRESENTATIVE DOYLE

Question 1. As a co-chair of the Distributed Generation Caucus I have seen the tremendous advances in technologies ranging from stationary fuel cells to hydrogen fuels and other sustainable and pollution free advances that we will be able to obtain in the near future. In your budget you slash funding for critical base programs such as DOE's core R&D programs. Why do you put such focus on unproven and undeveloped technologies of the future at a primary cost to the continued development of technologies that will not only help us in the short term, but will bridge the technological gap to attaining your long term goals?

Answer 1. In the case of distributed generation technologies, our FY 2005 request has actually increased over the FY 2004 request. This is also true for our total renewable energy portfolio. The Office of Energy Efficiency and Renewable Energy (EERE) funds a diverse portfolio of research and development (R&D) programs that are designed to address the Nation's short-, mid-, and long-term energy needs.

Our longer-term research focuses on high-risk, high-reward activities because of insufficient private investment in these areas. The large potential public benefits of these technologies, including energy security and economic growth, warrant Federal investment. The Department's investment in hydrogen and fuel cell R&D stands out as an example of the Federal government's resolve to advance high-risk technologies that have the potential to transform our energy and transportation infrastructure and provide security, environment and health benefits for future generations.

Clean Coal, in relation to FutureGen and R&D cut

Question 2. Given the administration's often stated goal of using clean coal as one of the core pillars that will lead to national energy self-sufficiency, I find it hard to believe that central programs to develop this resource have been cut by over 42% in your current budget with even more funds being diverted to fund the conceptual FutureGen program. Can you explain to me the benefit of slashing proven clean coal programs, which have made notable strides in recent years, in favor of FutureGen, a new, unproven and certainly untested concept?

Answer 2. The coal research funding request for FY 2005 is a balanced approach that is expected to yield the most benefits, both near term and long term. DOE's coal research program integrates the base research and clean coal power initiative (CCPI) (of which FutureGen is a part) on a technology roadmap that leads us to an affordable, zero emission coal energy option. The budget request provides for critical research and demonstration of such research (when sufficiently mature) in the CCPI projects. The Administration's request also provides for a second round of CCPI projects aimed at nearerterm commercial deployment. At the same time the funding request provides for critical supporting research efforts to reduce risks and costs for achieving the goals for FutureGen

FutureGen

Question 3. As I talk to my colleagues, members of industry, and my constituents, I have found that one central issue continues to arise in regard to FutureGen. Simply put, it is a concept and goal without a clear plan that will lead to that goal being achieved. Can you tell me when we can expect to see a clear and comprehensive plan for the FutureGen program that takes in account not only the future funding needs but the specific means by which you hope to achieve its technological goals? How will we get to and what is the overall projected cost of this concept?

Answer 3. The FutureGen program plan was submitted to Congress on March 4, 2004. This report presents a clear and comprehensive plan for the FutureGen program, describing both the funding needs and the technical approach to meet the FutureGen objectives. Specific technical performance parameters and goals are detailed in the plan. The report describes the Department's intended path forward in a joint government-industry FutureGen partnership, although the details of such a partnership and the resultant path forward are subject to negotiation with a qualifying industry consortium.

As detailed in the plan, the overall projected cost for the FutureGen project is $950 million. DOE expects to contribute $500 million directly to the FutureGen project, and $120 million will be funded through its Carbon Sequestration research and development program. DOE will use its best efforts to achieve or exceed a minimum 80/20 cost share for the $120 million R&D from partners outside the consortium. International contributions to the FutureGen project are expected to be $80 million. As stated in the FutureGen report to Congress, DOE expects its industrial consortium partners to contribute $250 million in cost sharing to fund the FutureGen project.

FutureGen #2

Question 4. Since it was first proposed, FutureGen has received what I would describe as a mixed and skeptical response from the same industries who will need to become active partners if the program will even have a chance to get off the ground, let alone meet its stated goals. What specific actions can we expect to see in the near term, other than diverting funds from core R&D programs, which will help the program achieve its long-term objectives?

Answer 4. FutureGen was announced as a Presidential initiative on February 27, 2003. Since then, FutureGen has received strong support from states, industry, the international community, and several environmental groups. In response to DOE's Request for Information in April of 2003 on the FutureGen initiative, a consortium representing a broad cross section of the coal industry, comprised of companies that generate over one-fifth of the coal -based electricity and produce over one-third of the coal in the U.S., indicated an interest and willingness to partner with the government in this initiative. Congress appropriated $9 million for FutureGen in FY 2004. A FutureGen program plan was submitted to Congress on March 4, 2004, and

presents the milestones, schedules and funding requirements to achieve the long-term objectives for FutureGen. In FY 2004, DOE plans to start the NEPA process, enter into negotiations with the industry consortium, and proceed with the development of site selection criteria and process, and start preliminary design for FutureGen.

Gas Hydrates

Question 5. Over the past decade, the US market for natural gas has grown tremendously due in large part to policies that Congress and the last two administrations have promoted. One aspect of this national demand is LNG, liquefied natural gas, whose imports are expected to constitute an increasing proportion of our total natural gas supply. Furthermore, if we can locate only 1% of gas hydrates we would more than double America's intake of natural gas. Can you explain to me why the Administration has under-funded a program like gas hydrates whose potential is almost endless? And, do you foresee that programs such as this one will continue to be under-funded despite the incredible potential they could achieve?

Answer 5. The FY 2005 budget request for hydrates is adequate and supports a portfolio of R&D projects consistent with the program's goals and the Administration's R&D Investment Criteria. Although the FY 2005 Hydrates budget request is below the FY 2004 appropriation, the requested $6 million is above both the FY 2003 and FY 2004 requested levels. . In FY 2004 and FY 2005, the Hydrates program will focus on ongoing joint projects in assessing the potential resources in the Gulf of Mexico and in Alaska.

QUESTION FROM REPRESENTATIVE GONZALEZ

Natural Gas

Question. In view of the importance of natural gas for providing affordable, clean, domestic energy for traditional heating and electric power applications, and the most realistic source for hydrogen as we move toward a hydrogen economy, why does the department's FY 2005 budget request reduce the Natural Gas Technologies budget for FY 05 to $26 million, $17 million below its $43 million FY 04 appropriation, cuts the Gas Hydrates Program by $3.4 million below the FY 04 level of $9.4 million, and provides no funding for the Natural Gas Infrastructure program ?

Answer. The Administration's FY 2005 budget request for natural gas research is at the same level as the FY 2004 request. In addition, the natural gas exploration and production budget request and the gas hydrates budget request are above the level in the FY 2004 request. The Department believes that this is the appropriate level based on the priority placed on addressing the growing demand for clean energy with a portfolio of research in Clean Coal, LNG, Clear Skies, renewables, conservation and more.

Additionally, the natural gas program budget reflects the Program Assessment Rating Tool (PART) scores, which rated this program as ineffective for the past two years, although the scores improved from FY 2004 to FY 2005. However, the Department is committed to improving performance and is taking active steps to improve project planning and measuring effectiveness. We are in the process of an oil and gas strategic planning initiative and are working with external groups to improve our benefits measures.

○