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CURRENT ENERGY LEGISLATION

HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY

OF THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

ON

S. 645 **S. 838**
S. 1089 **S. 1203**
H.R. 85 **H.R. 1126**

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CURRENT ENERGY LEGISLATION

TUESDAY, MAY 22, 2007

U.S. SENATE,
SUBCOMMITTEE ON ENERGY,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:34 p.m., in room SD–366, Dirksen Senate Office Building, Hon. Jon Tester presiding.

OPENING STATEMENT OF HON. JON TESTER, U.S. SENATOR FROM MONTANA

Senator TESTER. The hearing will come to order. I want to wish everyone a good afternoon and thank you for being here today.

We're here to hear half a dozen energy bills dealing with issues that will enhance our domestic energy programs from coal, renewable fuels, and natural gas supply; to reauthorize appropriations to help our steel and aluminum industries remain competitive; to help them focus on reduction of greenhouse gas emissions; to promote international collaboration with Israel in renewable and alternative energy programs; and to enhance technology transfer for increasing energy efficiency in the housing and construction sector.

We have two distinguished witnesses here with us today. I want to thank you both for being here. With that, Senator Murkowski, if you have any opening statements we would love to hear them.

STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

Senator MURKOWSKI. Thank you, Senator Tester. Appreciate that. Appreciate the hearing this afternoon. I would like to take the opportunity to welcome to the committee Drue Pearce. Drue is the former president of the Alaska State Senate, the former Alaska representative at the Interior Department, and now the coordinator for the Alaska Gas Pipeline Coordinator's Office.

She's here to testify on a bill that Senator Stevens and I have introduced, to make a few technical corrections in the operations of the office—this office intended to get our gas line project built to move Alaska's huge supplies of North Slope natural gas to markets in the lower 48.

It was back in 2004 that here in the Congress we approved two measures in $18 billion loan guarantee, as well as expedited permitting and a streamlined court review in the project, a second incentive that provided two tax incentives for accelerated depreciation tax deductions for the cost of the gas conditioning plant.

After the Federal incentives passed here in the Congress, the State then moved forward several years back to move towards negotiations with leaseholders of Prudhoe Bay for the oil and gas reserves, intending to reach an agreement.

That was not successful, and this year, with a new governor in place, the process was restarted. The Alaska legislature just this last week approved the Alaska Gas Inducement Act. We look forward to good, positive movement as a result of that legislation, but we recognized that it was going to be necessary to have an Office of Federal Coordinators.

The office has reached an agreement on how we'll oversee the 15 Federal agencies that will play a role in getting the pipeline built. It's transferred money to get the office running. It has a $2 million-plus appropriations request to fully fund the operations in this next year.

But we also recognize that there are some minor improvements that are needed in the '04 Act to get this office quickly up and running to assist the State and get this gas line built so that we can get Alaska's gas to the lower 48.

The changes are a waiver to personnel rules so the coordinator can quickly hire the expertise when it becomes clearer exactly what type of project will be proposed by the successful pipeline applicant; a provision to allow the office to assess fees for reviewing the plans, issuing the permits, and overseeing construction of the project; and a clarification on the traditional review provisions that are all pretty minor but very important that they pass quickly, given the State's timeframe for action by fall.

I do appreciate the prompt hearing on the bill by the chairman. We recognize the need for more domestic natural gas. We anticipate that there may be some tweaks to this bill that this hearing might uncover, but I would like to think that we can move through them very quickly, and I appreciate the opportunity to get this issue underway. Thanks, Mr. Chairman.

Senator TESTER. Yes, thank you, Senator Murkowski. We'll now hear from the witnesses. I want to thank you both for being here. As I said before, Senator Murkowski did a more than adequate job of introducing you, Ms. Pearce.

We also have with us here David Hill, General Counsel of the U.S. Department of Energy, and he's here to provide testimony.

Ms. Pearce, since you are testifying on one bill and Mr. Hill's on the other five, I think you should just rock and fire and have at it.

STATEMENT OF DRUE PEARCE, FEDERAL COORDINATOR, OFFICE OF THE FEDERAL COORDINATOR, ALASKA NATURAL GAS TRANSPORTATION PROJECTS, DEPARTMENT OF THE INTERIOR

Ms. PEARCE. Thank you, Mr. Chairman and members for this opportunity to speak for the subcommittee, and I want to thank you, Senator Murkowski, for your interest both in my agency, and your firm commitment to construction of the pipeline to commercialize Alaska's North Slope gas.

Today, I am presenting the administration's preliminary views on the bill. We believe there are several technical corrections that

should be made. We have made those available to the committee and we look forward to working with you to address those concerns.

Marketizing our vast Alaskan North Slope natural gas resources, estimated at at least 200 TCF, is an important step in ensuring the Nation's energy demands are met. This isn't an Alaska project, Mr. Chairman; it's a North American project, with benefits flowing to consumers and industrial customers in the lower 48, as well as to our Canadian energy allies.

The State of Alaska did take an important step last week in helping to move this enormous project forward. The legislature enacted Governor Palin's Alaska Gas Line Inducement Act, better known as the GIA, providing inducements for the construction of a pipeline. The Governor plans to have an RFP on the street July 1 and will license the project in the first quarter of 2008.

The Office of the Federal Coordinator has a variety of responsibilities, including coordination of the Federal regulatory process to eliminate delays in what is expected to be a $25 billion-plus project. We will closely coordinate with the State of Alaska. We also are responsible for coordination with Canada.

I am meeting for the third time with Minister Jim Prentice, Canada's Minister of Indian Affairs Northern Development, as well as Chair of the Cabinet Committee on Energy Security, this week during his trip to the District of Columbia.

Our office is small, presently staffed only by me, the Federal coordinator. I have supplemented the office during startup with personnel details from the Department of the Interior. The OFC will remain a small office, with as few as five or six professionals, pending selection of a project by the State of Alaska.

Once a project is selected, it's crucial that we be able to quickly hire personnel from the limited pool of individuals with the qualifications necessary to efficiently carry out the functions of the OFC. Our staff will be concentrated in Washington and Alaska.

The amendment provides the OFC authority to appoint and terminate personnel without regard to provisions of the law governing appointments in the competitive service. The OFC is a temporary agency. We sense that 1 year after construction of a project our staffing levels and employee skill needs will vary depending upon the project phase.

The personnel authorities embodied in the bill are used for small agencies, especially those with fixed lifespans like ours. The cost reimbursement authorities are there because given the regulatory nature of our role, it's appropriate to assess costs to the project proponent for our services.

This approach has been adopted by the Federal Government for other projects, such as the first model reimbursement authority used by the Department of the Interior when the Trans-Alaska Pipelines right-of-way grant was renewed just 4 years ago.

The reimbursement will reduce the cost of constructing this important energy link to the Federal taxpayer.

The Office of the Federal Coordinator is open for business and excited about the prospect for the future of a natural gas pipeline to deliver clean natural gas to North American markets. We plan to have an important role in ensuring a timely, safe, and environ-

mentally friendly project gets built in an efficient and effective manner.

I appreciate the committee's interest in streamlining the agency's operations and look forward to working with you on the technical changes to the bill that we have brought forward. Thank you very much for your time today, and I'd be happy to answer any questions.

[The prepared statement of Ms. Pearce follows:]

PREPARED STATEMENT OF DRUE PEARCE, FEDERAL COORDINATOR, OFFICE OF THE FEDERAL COORDINATOR FOR ALASKA NATURAL GAS TRANSPORTATION PROJECTS

Thank you Mr. Chairman and Committee Members for this opportunity to speak before the Subcommittee. The Legislation before the Committee has not gone through the Administration's formal interagency policy review process, and therefore I will be presenting the Administration's preliminary views on the bill. However, there are several aspects of the bill that will need technical correction or modification to conform to policies that apply more generally elsewhere in the government and we look forward to working with Committee to address those concerns.

For over thirty years there have been sustained efforts to bring Alaska natural gas to the marketplace both in Alaska and the 48 contiguous states. This effort is more important than ever to help assure adequate natural gas supplies for the United States as the country develops a comprehensive energy solution to take this great country through the century. Technology and conservation will be an ever important part of managing our energy needs. However, in the interim, certainty of supply is critical. Marketizing the vast Alaskan North Slope natural gas resources is an important step in assuring energy demand is met.

Recently, the State of Alaska has taken an important step in helping to secure a pipeline to transport natural gas to the American people. The State legislature enacted Governor Palin's legislation, the Alaska Gasline Inducement Act (AGIA), providing inducements, including financial contributions, for construction of the pipeline. This is an important complement to the inducements provided by the United States in ANGPA and previously in the Alaska Natural Gas Transportation Act of 1976 (ANGTA).

Despite the fact that efforts have been underway for thirty years to encourage private sector construction of a pipeline project from Alaska through Canada into upper Midwestern markets, timely permitting still remains critical to the success of any project of this magnitude. Estimates now place the cost of one potential project, a nearly 3,000 mile pipeline, at $30 Billion. Regulatory delays or excessive litigation can spell certain doom in the effort to bring this vast natural gas reserve to domestic markets. First gas will not even be shipped until ten years at the earliest after the initial private investment. Congress recognized these concerns and took several steps to facilitate the permitting process including expedited and streamlined judicial review in the United States Circuit Court of Appeals for the District of Columbia, required timelines for FERC's issuance of the certificate of public convenience and establishment of the Office of the Federal Coordinator.

The Office of the Federal Coordinator has a variety of responsibilities, including coordination of federal participation with the expectation that the federal regulatory process will be streamlined and delay eliminated and, in coordination with the state of Alaska, responsibility for monitoring and oversight of construction. The OFC also is vested with authority for implementation of ANGTA authorities, for which a right of way has been issued and is subject to renewal/expiration in 2010. Other federal agencies also have roles. It is anticipated that no fewer than 18 federal agencies will participate in the decision process. For instance, the Department of Energy is responsible for federal loan guarantee implementation and the Federal Energy Regulatory Commission is responsible for pipeline (National Environmental Protection Act (NEPA) compliance and issuance of the certificate of public convenience.

The OFC currently is a small office permanently staffed only by the Federal Coordinator. The Federal Coordinator has supplemented OFC staff resources by personnel details from the Department of the Interior. The OFC plans to remain a small office, with as few as five or six professionals pending selection of a project by the state of Alaska. The composition of the team necessary for proper functioning of the OFC is highly dependent on the nature of the project selected by the state of Alaska. Upon project selection, it is crucial that the OFC be able to quickly hire personnel from the limited pool of individuals with the qualifications necessary to

efficiently carry out the functions of the OFC. OFC staff will be concentrated in Washington D.C. and Alaska.

PERSONNEL AUTHORITIES

This amendment provides the OFC authority to appoint and terminate personnel without regard to the provisions of Title 5 of the United States Code governing appointments in the competitive service. The OFC is a temporary agency which sunsets one year after construction of a project. The staffing levels and employee skill sets will vary depending upon the project phases. For instance, the skill sets needed during the permitting phase differ substantially from those necessary during the construction phase. The office will maintain staffing at a core level pending identification of a specific project for construction by the state of Alaska. Not until a project is identified will it be prudent to more fully staff the OFC. Project staff for a pipeline only project may be very different from a project composed of a pipeline and liquefaction facilities. In addition, there is a limited field of qualified applicants available to assist the OFC given the specialized nature of the potential projects and the OFC role. These limitations combined with the need for timely efforts by the OFC make it useful to be able to hire and terminate certain staff outside the regular federal hiring process in order to remain responsive to project demands. The bill would address those concerns with a blanket exemption from standard personnel hiring procedures that apply to most other Federal agencies. While this type of exemption would be advantageous for hiring of certain highly-qualified staff, and is sometimes granted to agencies to fill positions with special skills, it is rare for an exemption to extend to an entire organization.

This authority is sometimes used for small agencies, especially those with limited roles or fixed life spans. For instance, other agencies with this authority include the Denali Commission and the Vietnam Memorial Commission.

This amendment also gives the OFC authority to obtain the temporary or intermittent services of experts or consultants pursuant to already existing authority contained in 5 U.S.C. § 3109(b). This authority allows for the hire of necessary staff resources on a temporary or intermittent basis to deal with short term staffing, particularly with regard to technical matters and short term needs. It is anticipated that a variety of technical and professional services will be required on a temporary or intermittent basis given the specialized nature of the project to be constructed and the OFC functions.

Personnel hired pursuant to this authority may be compensated at a rate not to exceed the maximum rate of basic pay authorized for senior-level positions under 5 U.S.C. § 5376.

COST REIMBURSEMENT AUTHORITIES

Given the regulatory coordination, monitoring and oversight role of the OFC, it is appropriate to assess costs to the project proponent for these services. This same approach has been adopted by the federal government for other projects, such as with the Federal Land Policy and Management Act of 1976 (FLPMA, 43 U.S.C. § 1734). Cost reimbursement authority would provide supplemental funds to offset the cost to the federal government of the OFC and reduce costs to the federal taxpayer.

We understand that the intention of the amendment is to grant the OFC discretion to establish or change reasonable filing and service fees, charges and commissions and to allow the OFC to require deposits of payments and provide refunds in the same manner as currently is authorized for the Secretary of the Interior under FLPMA.

We have concerns, however, that the language as drafted would not provide such parallel authority to the OFC but would, in fact, result in stripping the similar authority granted to the Secretary of the Interior in FLPMA. We have developed amended language that will address this issue and will provide it to the Committee. Because we do not want to disrupt the Department of the Interior's land management program under FLPMA, this issue must be addressed.

CLOSING

This concludes my remarks on the proposed amendments to ANGPA. To summarize, the Administration has not completed its full review of the bill and looks forward to further discussions with you and your staff. The preceding comments represent the Administration's preliminary views on the bill. The Office of the Federal Coordinator is open for business and is excited about the prospects for the future of a natural gas pipeline to deliver clean natural gas to domestic markets from Alaska reserves. The Alaska state legislature has taken a big step in assisting by pas-

sage of Governor Palin's Alaska Gasline Inducement Act. We anticipate that the Governor will select a project in early 2008. The Office of the Federal Coordinator will play an important role in assuring a timely, safe and environmentally friendly project. Thank you for your interest in this project so important to our Nation's energy infrastructure.

Senator TESTER. I think what we'll do is hold off on questions until after Mr. Hill makes his presentation. I'd like to welcome Senator Thomas to the committee.

Mr. Hill.

STATEMENT OF DAVID HILL, GENERAL COUNSEL, DEPARTMENT OF ENERGY

Mr. HILL. Mr. Chairman, Senator Murkowski, members of the committee, thank you for inviting me to testify today. My name is David Hill, and I am the General Counsel of the United States Department of Energy. I am pleased to be able to present comments on five bills before the committee today and ask that my full written statement be included in the record. I will only briefly summarize that statement here.

First, as to S. 645, we support this bill. It will ensure that low-sulfur coals are fully able to participate in the Clean Coal Power Initiative. We believe that the change in this bill is in the best interests of this Nation's energy policy.

Second, as to S. 838, we do not support that bill as currently written. The department agrees that it is important for us to cooperate with Israel on energy security and energy supply matters, and that doing so will advance the energy security of both nations.

However, we believe that existing bilateral arrangements already work well. We also believe that any bilateral work should not be solely funded by the United States Government, and that the amount of funding authorized by this bill should not be taken from other important work of DOE's Office of Energy Efficiency and Renewable Energy.

Third, as to S. 1203, that bill would authorize an additional assistant secretary position at the Department of Energy. DOE currently is authorized to have seven assistant secretaries and we believe that number is sufficient; however, the department does not oppose increasing the authorized number of assistant secretaries at the Department of Energy if Congress sees fit to do so.

Fourth, H.R. 85 would amend section 917 of the Energy Policy Act of 2005, which established advanced energy efficiency technology transfer centers. The Department recently issued a funding opportunity announcement under section 917, and applications under that announcement are due on July 3, 2007.

We believe that H.R. 85 is unnecessary because section 917 of the 2005 Energy Policy Act already allows extension services to participate and the center is authorized by that section.

We also are already engaged in a number of activities, such as work with a number of industrial assessment centers that coordinate the demonstration and application of advanced energy methods and technologies.

Finally, H.R. 1126 would reauthorize and modify the Steel and Aluminum Energy Conservation and Technology Competitiveness Act of 1988. We generally support the change in direction of the

Act to focus on technologies that would renounce greenhouse gas emissions.

However, the bill maintains an industry-specific focus that we believe is not the best way to advance industrial energy efficiency. Instead, DOE is focusing its efforts on process energy efficiency improvements that can bring crosscutting benefits across various industries, including steel and aluminum, among other industries.

Thank you, Mr. Chairman. At this time, I would be glad to answer any questions the committee may have.

[The prepared statement of Mr. Hill follows:]

PREPARED STATEMENT OF DAVID R. HILL, GENERAL COUNSEL, DEPARTMENT OF ENERGY

Chairman Dorgan, Senator Murkowski, and members of the Committee, my name is David Hill, and I am the General Counsel of the U.S. Department of Energy (Department or DOE). I want to thank you for the opportunity to appear today and offer preliminary comments on five energy-related bills that Congress is considering. The bills before the Committee today each make valuable contributions to our national discussion on energy security, but in some cases could benefit from further review, discussion and modification. The Department looks forward to working with the Committee to resolve these issues. I would like to discuss elements of each bill, as well as present some of the DOE activities that are already underway in the areas addressed by the bills.

S. 645

S. 645 modifies the technical criteria in the Energy Policy Act of 2005 for the Clean Coal Power Initiative. The Department supports the proposed change because it would reduce a bias in the current requirement that favors a particular coal type, while still maintaining a stringent sulfur dioxide emission standard for the R&D program. The practical effect of the change will be to allow slightly less strict SO_2 requirements for power plants burning low sulfur coals. Nevertheless, even with the proposed change, the SO_2 emission requirement for these lower sulfur coal-fueled power plants would remain as stringent, or more stringent, than the allowable emissions rate for higher sulfur coals.

S. 838

S. 838 addresses U.S.-Israeli cooperation on research, development, and commercialization of alternate energy, improved energy efficiency and renewable sources. The Department has serious concerns with this legislation as drafted. While cooperation with Israel to encourage cooperation on alternative and renewable energy sources could be beneficial, we believe that the bill should stress the need for true bilateral cooperative and interactive research, rather than research funded solely by the U.S. Government. In that regard, the Department already collaborates on a number of issues, and DOE has an umbrella agreement with the Israeli Ministry of National Infrastructures. We believe that existing bilateral arrangements serve both countries well, and we oppose the creation of additional burdensome organizational requirements, such as S. 838's Section 4 International Energy Advisory Board provisions.

An Israeli initiative centered on energy security, environmental stewardship, and global climate change, similar to the President's Advanced Energy Initiative, would benefit Israel by helping ensure adequate and reliable supplies of energy for that country. The Department could assist Israel in developing that plan and in fact, DOE's Office of Energy Efficiency and Renewable Energy (EERE) already has engaged in initial discussions with our Israeli counterparts on these issues.

Finally, S. 838 could have a significant adverse financial impact on EERE's budget. The bill would authorize $20 million annually for seven years for the projects authorized by this bill. We do not support taking this amount of funding away from other important EERE programs. In comparison, EERE's budget for the Asia Pacific Partnership, which encompasses six countries, including India and China, the two fastest growing economies and largest emitters of carbon, has a total annual budget of $7.5 million. Allocating $20 million out of currently authorized funding for a single country would shift scarce resources away from the Department's efforts to develop and commercialize advanced technologies that lessen our dependence on oil

and provide for energy security. The goals of S. 838, as well as efforts to assist Israel in developing its own national energy action plan, can be achieved with substantially less funding.

I do note that the bill authorizes DOE to accept contributions from private sources to carry out that Act. This could mitigate the need for appropriations to carry out this Act although some modifications would be necessary to make the bill workable.

Again, I stress that the Department values its current collaboration with Israel, and seeks to build upon this already productive relationship. We believe, however, that the time for action is now, for both the United States and Israel. Putting action plans into place that are focused on alternative sources of energy is a goal that our nations can and must share, and we would urge the Committee to adopt legislation that supports that goal.

S. 1203

S. 1203 expands the authorized number of Assistant Secretaries at the Department of Energy from seven to eight. The Department believes it already has a sufficient number of authorized assistant secretaries, but we do not oppose Congress increasing the number if it sees fit to do so. S. 1203 also would preserve the President's and Secretary of Energy's discretion to determine whether to appoint individuals to fill all of the authorized assistant secretary positions, to determine how best to manage the Department's mission, and to determine the portfolios for the assistant secretaries and other Departmental officials. At this time, the President and the Secretary have made no decision whether an individual would be nominated for the additional assistant secretary position should it be authorized, or what the responsibilities of any such official would be.

H.R. 85

Turning to H.R. 85, this bill targets the demonstration and commercial application of advanced energy methods and technologies, a goal that effectively summarizes what we as a Nation must do to successfully move innovative products and processes from the laboratory into everyday use. This bill amends Section 917 of the Energy Policy Act of 2005 (EPACT), which established "Advanced Energy Efficiency Technology Transfer Centers." EERE recently announced a solicitation under Section 917. It is our belief that extension services, which are added here, already can participate in the Centers. In addition, there are some technical issues which require further review and discussion, and we look forward to working with the Committee to resolve these minor concerns.

The Department also is addressing the challenge of successful technology transfer by, among other things, supporting a robust and widespread regional and local outreach effort to ensure the adoption and commercial application of industrial and building energy system technologies and practices. For example, in coordination with the Department's Golden Field Office, we are instituting a new method of project management, called Stage Gating that incorporates the demonstration of technologies in the last stage of Federal development as part of deployment/technology transfer for commercialization. Through our Industrial Technologies Program, EERE works through Congressionally established Industrial Assessment Centers to provide energy evaluations and to help deploy advanced energy methods and technologies to small- and medium-sized companies. Recently we have broadened this effort by establishing a Memorandum of Understanding (MOU) with the Manufacturing Extension Partnership (MEP) program of the Department of Commerce's National Institute of Science and Technology (NIST). The MEP program consists of 59 main centers across the Nation, and will significantly increase our ability to deploy advanced energy methods and technologies to thousands of manufacturing facilities and buildings.

EERE is currently establishing working relationships with the various types of centers I have mentioned to coordinate the demonstration and application of advanced energy methods and technologies. Key to this coordinated effort will be the integration of deployment activities with EERE's state partnerships. Any kind of regionally focused efforts would need state involvement to leverage state-sponsored energy programs.

Thus, given the activity level already underway with a broad range of centers, it would not seem that the establishment of the additional centers would be needed. There is much to work with to advance our technology transfer goals, and our focus at the Department is on the successful support, use, and coordination of our tools at hand.

H.R. 1126

H.R. 1126 would reauthorize and modify the Steel and Aluminum Energy Conservation and Technology Competitiveness Act of 1988. The Department generally supports the change in direction to develop technologies which reduce greenhouse gas emissions. However, while the bill does reauthorize provisions to encourage energy efficiency in these important industries, it also maintains an industry-specific focus that the Department believes is not the best way to advance industrial energy efficiency as a whole. DOE has restructured its Industrial Technologies Program to focus on process energy efficiency improvements that will bring more cross-cutting benefits and with wider application to a broader spectrum of manufacturing industries, including steel and aluminum.

Another concern is the reauthorization of recoupment schemes. Although well-intentioned and attractive on the surface, they can ultimately serve as a disincentive to industry, and have been difficult to execute in practice. Although the Department supports continued research and development that will contribute to reducing energy costs for these industries, the Department also wants to pursue initiatives that address newer, high energy growth industries and next generation manufacturing technologies.

Again, thank you for the opportunity to present the Department of Energy's comments on these bills. The Department looks forward to working with the Committee on these bills, and on the many other important energy matters facing our Nation. This concludes my prepared remarks. I would be happy to answer any questions the Committee may have.

Senator TESTER. Well, I appreciate both of your comments. Senator Murkowski, I'll let you lead off with questions.

Senator MURKOWSKI. Thank you. Ms. Pearce, the first question I think really is the obvious question. I know the answer, but I think for the record it is important that I ask and allow you to state clearly for the record why we need the Office of Pipeline Coordinator at this point in time.

As I mentioned in my comments, right now the State has not approved the pipeline builder. That builder—either the gas producers or an independent pipeline company—until they can show the ability to finance the cost of this project, we don't have anything actually underway.

So can you tell the committee some of the work that needs to be done at this point in time, at the Federal level, to be ready for the oversight of this enormous project?

Ms. PEARCE. Yes. Senator and Mr. Chairman, there are probably two primary areas that I'll discuss here very briefly.

The first is a gap analysis that needs to be done at the Federal level, including an analysis of whether or not all of the agreements are in place in the Federal agency to move expeditiously when FERC has an application before it, because Congress gave FERC a finite amount of time—18 months—to complete an EIS on an enormous project.

We can't wait until that application comes in the door before we ensure that the agencies are ready to move forward in a cooperative manner.

Perhaps more importantly, though, we have the responsibility to directly oversee the cooperative efforts with the State of Alaska and work closely with the newly created pipeline coordinator at the State level to set up probably associate offices and work together on the permitting.

The right-of-way, of course, was in the United States, across both State and Federal lands in somewhat of a patchwork method. So we'll be working directly with the Alaskans in doing that gap analysis.

Minister Prentice and I will be talking further tomorrow about setting up some immediate organizations and applicable relationships where they don't yet exist between the appropriate Canadian agencies, at both the Federal and provincial level, and State and Federal agencies. Obviously, we don't want a pipeline to come to the border between Alaska and Canada and suddenly change the stipulations and the rules for the pipelines. A lot of coordination is going to happen. We are already embarking upon that gap analysis.

In addition to that, we've already begun working with the State of Alaska, which has questions for our Federal agencies about some of the specifics of the Federal legislation that Congress passed in doing the enabling legislation.

As they move through drafting the RFP, which they plan to have on the streets on July 1, they will be working with the Department of Energy, the Department of the Treasury, with us, and with FERC on specifics of things like probably most importantly, the loan guaranty.

The State of Alaska's RFP and how it is worded can have an effect on the eventual cost to Federal taxpayers of the loan guaranty. So we need to begin coordinating those efforts today and not wait for an application to come in the door. We are already embarked upon doing those things.

Senator MURKOWSKI. Well, I appreciate that and recognize that with the extent of this project, we don't start at the last moment and assume that we're going to be on top of things.

I need you to project into the crystal ball just for a moment, based on the work that has been done to this point in time, if everything goes perfectly, how quickly could we see gas flowing to the United States?

Ms. PEARCE. The most optimistic estimate—and this is based on producers' estimates of the amounts of time that they would need if they're the eventual licensee for a pre-application process—the most optimistic first gas in the pipe would be 2017.

I think more realistically we're looking at 2018 as optimistic.

Senator MURKOWSKI. The sooner the better.

Ms. PEARCE. The sooner the better.

Senator MURKOWSKI. Mr. Hill, I have just one quick question for you, if I may, and this is as it relates to H.R. 1126. I understand that in the original Steel and Aluminum Conservation and Technology Competitive Act, the industry participants were granted an intellectual property special exemption that favored industry participants over university research partners in retaining the intellectual property.

If this bill is enacted, would the special exemption finding still apply, and does the department plan to review whether this special exemption is still warranted?

Mr. HILL. I have to admit, Senator, I don't know whether or not that particular finding would still apply to the reauthorization. I'd be glad to get back to you on that.

Senator MURKOWSKI. Could you do that?

Mr. HILL. I will do that.

Senator MURKOWSKI. I appreciate that. Thank you. Thank you, Mr. Chairman.

[The information follows:]

To implement the Steel and Aluminum Energy Conservation and Technology Competitiveness Act of 1988, the Department of Energy (DOE) required title to new inventions made by universities and DOE National Laboratories performing the research under each project under the program to be transferred to a holding company. The holding company was then required to provide royalty-free licenses to such new inventions to the industrial participants in each project. The industrial participants in each project were required to provide at least 20% direct cost sharing in the project and were obligated to repay the Government one and a half times the Federal expenditure in the project from the net proceeds from commercialization of the technologies developed in the project. If H.R. 1126 is enacted, the special exemption would no longer apply; however, DOE would undertake a new review to determine whether such a special intellectual property requirements are appropriate for the new program. The new review would involve consultation with industry, the university community, and the National Laboratories.

STATEMENT OF HON. CRAIG THOMAS, U.S. SENATOR FROM WYOMING

Senator THOMAS. Thank you, Mr. Chairman. Sorry I was late. I appreciate your having this hearing. I wanted to comment just a little bit on the amendment that I have here. As you know, we introduced this with ten original cosponsors, Chairman Bingaman and Ranking Member Domenici, and two more Senators have signed on since.

The remedy is a sulfur removal disadvantage of Western coal, contained in the Energy Policy Act of 2005. The administration and DOD both support the idea. The Clean Cool Power Initiative, CCPI, authorizes in section 404 of the Energy Policy an alternative sulfur dioxide removal measurement for certain coal classification projects.

It instructs the Secretary to establish milestones to be able to remove at least 99 percent of the sulfur dioxide. I'm simply saying this is there because low-sulfur coal in the West has such a smaller amount of sulfur, that to take 99 percent out of 5 percent is almost impossible.

So this alternative criteria sets up a different alternative, but it will achieve an emissions standard that's no less—and in some cases greater—than that which achieved with the 99 standard using the coals. This alternative is also consistent with the Internal Revenue Code. I think it's something that we could do and hurry along our development of energy. So Mr. Hill, I have introduced that this would alter the 220 coals to eliminate the disadvantage that occurs. Are there a number of other goals in this CCPI program?

Mr. HILL. Thank you, Senator Thomas. Yes. That provision of the Energy Policy Act of 2005 also establishes requirements, both for coal gasification facilities and for non-gasification facilities in terms of NO_X removal, mercury removal, and efficiency goals. Those are different, depending on whether or not it's a gasification project or some other kind of a coal——

Senator THOMAS. How is this program moving along?

Mr. HILL. It's actually moving along well. There are currently nine active projects, CCPI projects, that are out there. Three of those are operating, five are planned, and one is currently being negotiated. I anticipate that there will be another solicitation of another CCPI.

Senator THOMAS. Where are those located?

Mr. HILL. They're in a number of States, and I can run down the list if you'd like me to. The Great River Energy Project is in Underwood, North Dakota. The NewCo Project is in Baldwin, Illinois. The University of Kentucky Project is in Ghent, Kentucky. The Western Greenbrier Project is in Rainelle, West Virginia. The Toxicon Project is in Marquette, Michigan. The WMPI Project is in Gilberton, Pennsylvania. Those are all first-round CCPI projects.

Senator THOMAS. Good.

Mr. HILL. Then the second-round CCPI projects—the Mesaba Project is in Minnesota, the Pegasus Project is in Jewett, Texas, and the Southern Company Project will be in Orlando, Florida.

Senator THOMAS. I see. Thank you. Well, I appreciate your support and I hope that this would encourage more of the CCPI projects in the West where the coal is very abundant. So thank you, sir.

Mr. HILL. Thank you, sir.

Senator SMITH. Thank you, Mr. Chairman. Mr. Hill, thank you for being here, and Ms. Pearce. Dave, does the Department provide funding for existing bilateral agreements with Israel now?

Mr. HILL. Our Office of Policy and International Affairs currently works with—as well as our Office of Energy Efficiency and Renewable Energy—is currently working with Israel on a number of different projects.

I don't know that there are specific research, bilateral research, projects with Israel, but my understanding is that there are individuals from both of those offices that are working with individuals from Israel.

Senator SMITH. Do you think that Israel can offer assistance to us on renewable energy issues?

Mr. HILL. I think we benefit when we're working with other countries on matters of energy security, whether it's renewable energy projects, alternative energy, or things concerning energy security in general.

So I think we do. The United States always can gain when we are working, either on a bilateral or a multilateral basis, with other countries.

Senator SMITH. I take it your objection to S. 838 is just simply the level of funding. What level of funding do you think is necessary?

Mr. HILL. There are a couple of parts about it that we're concerned about, Senator Smith. One is research projects that are focused on a particular country. We think that while working on a bilateral basis can be useful, that research projects oftentimes—like with the Asia Pacific work that we're doing—should be focused on a number of different countries if we can.

I don't have a specific number in mind that I think would be useful if the Department or if the Congress decided to enact this bill into law, but we'd be glad to continue to work with your staff on that matter.

Senator SMITH. What are your thoughts on: we don't want to spend any more than this rate, but we do want to do what's appropriate? It's an ally, and obviously they're in an area of the world that has a lot of energy.

They don't, and they're looking for alternatives, and perhaps we can get something out of it. But I think we need to be involved in it.

Mr. HILL. They are a very important ally; you're right, Senator Smith. We are currently working with them on a number of matters and, of course, would welcome the opportunity to continue the opportunity to continue with Israel.

Senator SMITH. Great. Thank you.

Senator THOMAS. Mr. Hill, kind of following along those lines, we'll start out with what would you recommend we do if we want to encourage a partnership with Israel in energy fields, whether it's in business or research or academia? I think Senator Smith had some good points. So what do we do, if not this bill?

Mr. HILL. We currently do have arrangements in place where we can work with Israel, as well as with other countries. I do think that there are opportunities to expand our working relationship with Israel, even under existing frameworks.

I also think that in terms of working with Israel, one of the things that we already are currently working with, with that nation, are efforts that really focus on their ability, that are focused on advancing that nation's energy security.

I think whether or not any of those require additional legislative authorization—I'm not so sure they do—but we'd obviously be glad to discuss that further with the committee.

Senator THOMAS. Okay. With S. 645, it talks about relating sulfur dioxide emissions to Btus. It sounds like a good idea to me. Does this mean you'd be using that as a standard then, and not having two standards?

Mr. HILL. Well, the way the bill is currently drafted, it allows the standard either to be based on the percentage removal or on the emissions in pounds of SO_2 per million Btus. So it could be either of those.

Again, depending on the sulfur content of the coal itself, the actual emission rate will be higher or lower depending on which of those you pick and depending on what the sulfur content of the coal is.

What Senator Thomas was talking about, for example, in the lignite; with a 1 percent sulfur content, a 99 percent removal rate actually takes you down to below .03, and it's actually about a 0.029 emission rate. Yet, a 99 percent with a 5 percent sulfur content cumulous coal is actually at 0.08.

We think this amendment is a good thing because it would allow different coals of different sulfur contents to participate in the program.

Senator THOMAS. So you don't anticipate simplification by going with just one standard; you anticipate running double standards on this, depending on what you're dealing with or where you're dealing with it.

Mr. HILL. Yes, sir.

Senator THOMAS. That's fine. With H.R. 1126, it looks as if about 2000, with the Industries of the Future, the $65 million projected with the $9.2 million for 2008, is—I mean, it looks like you're trying to phase out the program. Is that accurate?

Mr. HILL. This is on H.R. 1126?

Senator THOMAS. Yes, The information I have is that it's Industry of the Future, the funding for this program is going from $65 million in 2000 to a proposed $9.2 million in 2008. For the Steel and Aluminum Programs, $21.8 million in 2000, Fiscal Year 2000 and 2008 is proposed to be about $3.3 million.

I'm just curious; isn't it a time where conservation tends to be the low-hanging fruit here? I'm just wondering what the thought process was on it.

Mr. HILL. The department really has focused its energy efficiency efforts and their transfer efforts on crosscutting through various industries. We currently have the solicitation out under section 917. Again, the purpose of that is to promote technology transfer and to get energy efficiency technologies and conservation into the marketplace.

Our efforts in terms of research, as well, are really focused on trying to—at crosscutting, not just with a specific industry focus on steel or aluminum or things like that in H.R. 1126, but more crosscutting.

Senator TESTER. So if I heard you right, you're saying the dollars are available in other programs? Is that what you said?

Mr. HILL. Well, our efforts in terms of the——

Senator TESTER. It's okay if you say no, because it just tells us where we're at.

Mr. HILL. Well, I don't——

Senator TESTER. Here's the issue I have. It's the U.S. competitiveness. I mean, energy is a huge factor when you talk about competitiveness in the world marketplace, and I'm just wondering if you think that's the right direction to go? It may be the right direction to go. I just find it curious in this point in time, where conservation efforts are the easiest thing to do.

Mr. HILL. We certainly think conservation efforts are very important. We think that the H.R. 1126 which focuses on the steel or aluminum industries—we think rather than focusing an authorization that is focused on those specific industries, that the program and our efforts are better focused on technologies that can have a broad crosscutting effect over various industries.

Senator TESTER. Okay, thank you. Further questions, anybody?

Senator Murkowski.

Senator MURKOWSKI. Just one, very quickly, and this is to follow up on S. 838, that Senator Smith spoke to. As I understand, the United States and Israel have had some very longstanding cooperative collaborative relationships in research through the Binational Industrial Research and Development Foundation, the Binational Science Foundation, yet you've indicated that at least from the Department of Energy's perspective, your preference is not to direct to one country but rather look to regions.

Is this a perspective that is unique to the Department of Energy?

Mr. HILL. No. Thank you for the question, Senator. We certainly do have a number of agreements with different nations where we are working bilaterally with them on various areas. All I meant to say was in terms of authorizing particular amounts of research money to particular nations, we don't really view that as being necessary.

That, rather, we have existing both bilateral and multilateral agreements with a number of different countries, some of which resulting in specific bilateral work with one country, others of which result in multilateral work.

We'd prefer the ability to still work on that basis, just case-by-case, as it presents itself.

Senator MURKOWSKI. If the funding were there from Israel's perspective, or perhaps from the private sector, would the objection still remain the same?

Mr. HILL. That does mitigate one of our concerns, and I do note that the bill itself allows for private contributions to be supplied to pay for some of the costs of that program. I do think there would need to be some technical changes to the bill in order to make those funds available and to actually offset the cost of the program. So again, we'd be glad to work with the committee.

Senator MURKOWSKI. Thank you. Thank you, Mr. Chairman.

Senator TESTER. Senator Thomas, any further questions? Senator Smith? Senator Salazar? All right. Well, with that, I again want to thank the panelists for being here today. I really appreciate your time and your answers to the questions.

Senator SALAZAR. I do have a comment, Mr. Chairman.

Senator TESTER. Yes, Senator Salazar?

Senator SALAZAR. You know, it's remarkable that the Senator from Montana so quickly ascended to the chairmanship of the committee. Congratulations. I was Number 101 for the last year, so I'm glad to see that the new 100 ascended so quickly.

Senator TESTER. No comment. This hearing is adjourned.

[Whereupon, at 3:08 p.m., the hearing was adjourned.]

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