Senator Feinstein Opposes Energy Bill Conference Report

July 29, 2005

Washington, DC – *U.S. Senator Dianne Feinstein (D-Calif.) today voted against the energy bill conference report that was approved by the Senate 74-26. Following is a statement by Senator Feinstein that was entered into the Congressional Record:*

"Mr. President, I would like to thank Senators Domenici and Bingaman for insisting upon a more open, bipartisan conference than we have seen on a number of other important bills.

Chairman Domenici deserves great credit for making sure that this conference report does not include some of the most egregious House provisions, particularly retroactive liability protection for MTBE producers and broad Clean Air Act exemptions.

However, I am extremely concerned that this bill does nothing to address global warming and fuel economy standards. I believe that climate change is the most urgent energy-related problem of my lifetime. This bill refuses to accept responsibility or chart a course to deal with the United States' profligate use of emissions-producing energy sources.

The United States is the largest consumer of energy, yet this bill does nothing to reduce our energy consumption. This bill deletes a very modest oil savings provision that would have required us to save 1 million barrels of oil per day in 2015.

Nor does it include a renewable portfolio standard that would have required that 10% of the nation's electricity come from renewable resources by 2020. California will achieve a renewable portfolio standard of 20% by 2017. It is doable nationally.

Climate change is the most important energy and environmental issue facing us today. The earth's temperatures are expected to rise between 2.5 degrees and 10.4 degrees Fahrenheit over the next century. During the same time period, the American Southwest could see a rise of 14 degrees or more. Glaciers are melting. Sea levels are rising. And water supplies in the West are at severe risk.

By not acting to aggressively reduce our emissions, we are putting California's water supplies at severe risk. California depends on the Sierra Nevada snowpack as its largest source of water. It is estimated that by the end of this century, the shrinking of the snowpack will eliminate the water source for 16 million people -- equal to all of the people in the Los Angeles Basin.

We must act now. Carbon dioxide emissions accumulate in the atmosphere—the more we emit, the worse the impacts on our environment. If we curb our emissions now, we may have a chance to limit the damage we are causing to our fragile ecosystem.

Yet this bill does not include the Sense of the Senate on climate change that recognizes that climate change is being caused by man-made emissions, and that Congress must pass legislation that establishes a mandatory cap on emissions.

The lack of action on climate change and fuel economy is an enormous deficit of the bill.

Increasing fuel economy standards is the single most important step we can take to reduce our dependence on oil. We have the technology now to increase the fuel economy of our vehicles.

GM, DaimlerChrysler and Honda have already developed something known as cylinder cut-off technology that provides the fuel efficiency similar to a vehicle with a smaller engine, but with all the power of a big engine. The auto manufacturers could use a more fuel efficient design, using lighter materials that increase fuel economy without sacrificing safety.

The list goes on and on, yet the auto manufacturers will not act unless Congress forces them to. We are missing a huge opportunity to address the real problem that consumers are facing—rising gas prices. Those gas prices are not going to fall until or unless we reduce our demand for oil by increasing our fuel economy.

I am also concerned about the following provisions in the bill:

- **Ethanol.** The bill has an egregious 7.5 billion gallon mandate for ethanol. My State does not need the fuel additive to meet clean air standards.

  I would like to thank the conferees for retaining an amendment I offered to protect California's air quality. It waives the requirement that California use ethanol in the summer months when it can end up polluting the air more than protecting it.

  However, I believe that this mandate will raise gas prices for Californians. So far, ethanol in California's gasoline has increased the cost of our gasoline by 4 to 8 cents per gallon.

  Further, the ethanol mandate maintains the 54 cent per gallon import duty that prevents oil producers from buying ethanol on the global market, or wherever it is cheapest.

  Moreover, ethanol receives a tax credit of 51 cents per gallon. A 7.5 billion gallon mandate means an almost $2 billion LOSS to the U.S. Treasury over today's receipts. I believe this mandate is an unnecessary giveaway.

  In addition, increasing the use of ethanol will not decrease our use of oil. When this mandate is fully implemented in 2012 it will only reduce U.S. oil consumption by less than one-half of one percent.

  I believe this is bad public policy and that it is an unnecessary, costly mandate that should not be in the energy bill.

- **LNG Siting.** This bill gives the Federal Energy Regulatory Commission exclusive authority over siting LNG terminals. There are three projects proposed in California. It seems to me that the location of these projects should be left up to the State, not to the federal government.

  The Federal Energy Regulatory Commission should ensure that the technicalities of natural gas delivery are taken care of, not where these facilities are located on the coastlines of our states.

- **Outer Continental Shelf.** This bill provides for an inventory of the resources off our shores. This is not necessary unless we plan on drilling, to which I remain very much opposed.

  I strongly oppose lifting the moratoria on drilling on the Outer Continental Shelf and my State is unified in its opposition as well. Our coast is too important to California's economy and to our quality of life.

- **Environmental Rollbacks.** The bill exempts the underground injection of chemicals during oil and gas development from regulation under the Safe Drinking Water Act, and waives the storm water runoff Clean Water Act regulations for oil and gas construction sites.

  These are unnecessary environmental rollbacks that should not have been included in the energy bill conference report.

I reluctantly voted for the energy bill when it was considered on the Senate floor. The reason I voted for it was because it included strong consumer protections, and great energy efficiency tax incentives that Senator Snowe and I have been pushing for the past several years.

While I am pleased that the strong consumer protections are still included in the bill, I am extremely disappointed with the energy efficiency tax incentives.

The tax incentives for energy efficiency in the Senate Bill were the cornerstone of a sensible energy policy to address high natural gas prices, peak power reliability, and global warming. It would have saved over 180 million metric tons of carbon emissions annually in the year 2025 – some 10% of U.S. emissions for all purposes, while saving consumers over $100 billion annually.

But the Energy Bill conference report cut these incentives back by over two-thirds, leaving the nation with only the skeleton of an effective energy efficiency tax program. While it is possible that this hobbled program could still work, it is so under-funded that it could also fail.

The Senate Bill provides performance-based incentives of up to $2,000 for retrofits made to homes that would achieve a 50% energy savings, and applied to all types of homes, whether owner-occupied or renter-occupied, whether owned by families or by businesses, and whether the tenant or the landlord performs the retrofit.

The conference report gutted this program—providing cost-based incentives limited to 10% of the cost of the retrofit, or a maximum of $500. This is problematic because nearly identical cost-based tax incentives for home retrofits were tried in 1978. They cost the Treasury over $5 billion and not a single study has found that they produced any energy savings.

The Senate Bill also provided four years of eligibility for high technology air conditioners, furnaces, and water heaters. The conference report cut this eligibility back to two years.

This is a big problem because an equipment manufacturer has to make a large investment to mass- produce the efficient equipment. If that investment must be fully amortized over two years of incentivized sales, manufacturers may be unwilling or unable to make it. A four-year amortization period would cause much more manufacturer interest and spur the energy efficiency that we want to promote with these tax credits.

In other words, these energy efficiency tax credits may be meaningless when it comes time to implement them. That would be a terrible shame—energy efficiency has been a huge success in reducing California's demand for energy.

In California, efficiency programs have kept electricity consumption flat for the past 30 years, in contrast to the rest of the United States, where consumption increased 50%.

During the Western Energy Crisis, California faced energy shortages and rolling blackouts, but it could have been much worse. Ultimately, the State was able to escape further blackouts because Californians made a major effort to conserve energy. This reduced demand for electricity and helped ease the crisis.

Unfortunately, the conference report dramatically reduced the effectiveness of the most important step this nation could take to reduce our energy usage—incentivizing energy efficiency.

By not including the oil savings amendment, the renewable portfolio standard, the Sense of the Senate on Climate Change, and by gutting the energy efficiency tax incentives, this bill preserves the status quo and does nothing to reduce our dependence on oil or on other fossil fuels.

This bill will not solve our nation's energy problems, lower gas prices, or reduce emissions. And while I thank Senators Domenici and Bingaman for the fair, open process by which they brought us this bill, I will cast my vote against the conference report."

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