STATEMENT OF

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BEFORE THE

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COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

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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 SO2 requirements for power plants burning low sulfur coals. Nevertheless, even with the proposed change, the SO2 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.