New Energy Reform Act of 2008

Roadmap to a Secure Energy Future

Overview

Knowing that the rising cost of energy is the number one issue facing Americans today, ten Senators from both sides of the aisle have come together to present a proposal to reduce gas prices, lessen our dependence on foreign oil, and strengthen our economy. The New ERA legislation represents a true compromise, incorporating common sense ideas.

The purpose of the legislation is to transition our economy – particularly the surface transportation sector – to run off alternative fuels other than gasoline and diesel. The legislation dedicates at least $20 billion in the next ten years to this important endeavor.

To ease gas prices in the interim, the New ERA bill includes significant conservation provisions and targeted, responsible measures to increase our domestic production of traditional fuel sources. Any new domestically produced resources must stay in the United States. The bill will also establish a National Commission on Comprehensive Energy Policy to identify critical "inhibitors and prohibiters" to the goals established in the bill and to make recommendations to Congress on policies to overcome these obstacles as well as to address related matters such as carbon capture and storage, nuclear and renewable energy, and the need for upgrading and transitioning the national grid and other energy infrastructure.

The New ERA bill contains three main components:

- An intensive effort to transition vehicles to non-petroleum based fuels;
- a robust federal commitment to conservation and energy efficiency; and
- targeted, responsible domestic production of energy resources.

Converting Cars and Trucks to Non-Oil Fuel Sources to Regain Energy Independence

The New ERA legislation funds a $20 billion "Apollo Project" like effort to support the goal of transitioning 85% of America's new motor vehicles to non- petroleum-based fuels within 20 years. To accelerate this transition, the legislation includes:

- $7.5 billion for R&D focused on the major technological barriers to alternative fuel vehicles, such as advanced batteries;
- $7.5 billion to help U.S. automakers and parts makers re-tool and re-equip to become the world leader in making alternative fuel vehicles;
- Consumer tax credits of up to $7,500 per vehicle to incentivize Americans to purchase advanced alternative fuel vehicles (those that run primarily on non-petroleum fuels) and up to $2,500 to retrofit existing vehicles with advanced alternative fuel engines.

Enhancing Conservation

To ease gas prices and protect our environment during the transition, the proposal includes a significant federal commitment to promoting conservation and efficiency. These include:

- Extending renewable energy, carbon mitigation and energy conservation and efficiency tax incentives, including the production tax credit, through 2012 to create greater certainty and spur greater investment;
- New consumer tax credits of up to $2,500 to purchase highly fuel efficient vehicles, to help Americans reduce their annual gas costs and reduce oil imports;

- Extending and expanding the $2,500 tax credit for hybrid electric vehicles;
- $500 million for R&D into new materials and other innovations to improve vehicle fuel efficiency;
- $2.5 billion in R,D&D on next generation biofuels and infrastructure;
- Tax incentives for the installation of alternative fueling stations, pipelines and other infrastructure;
- Expanding transmission capacity for power from renewable sources;
- New dedicated funding for the weatherization assistance program.

Responsible, Targeted Domestic Energy Production
To help meet our energy needs until our economy transitions to advanced alternative fuel vehicles, the New ERA bill increases domestic energy production in environmentally responsible ways. The legislation:

- Provides a CO2 sequestration credit for use in enhanced oil recovery to increase production from existing oil wells while reducing greenhouse gas emissions;
- Opens additional acreage in the Gulf of Mexico for leasing (in consultation with the Defense Department to ensure that drilling is done in a manner consistent with national security) and allows Virginia, North and South Carolina and Georgia to opt in to leasing off their shores. Retains an environmental buffer zone extending 50 miles offshore where new oil production will not be allowed. Requires all new production to be used domestically. Creates a commission to make recommendations to Congress on future areas that should be considered for leasing. Provides for appropriate revenue sharing for states that allow leasing off their shores;
- Provides grants and loan guarantees for the development of coal-to-liquid fuel plants with carbon capture capability. Plants must have lifecycle greenhouse gas emissions below those of the petroleum fuels they are replacing;
- Supports nuclear energy by increasing staff at the NRC, providing workforce training, accelerating depreciation for nuclear plants, and supporting R&D on spent fuel recycling to reduce nuclear waste.

Speculation
The Group decided to focus on increasing supply and reducing demand and will await the mid-September report of the CFTC to consider this subject.

Offsets
The $84 billion in investments in conservation and efficiency in the New ERA bill will be fully offset with loophole closers and other revenues. Approximately $30 billion will come from new revenues from the oil and gas industry through such measures as modifying the Section 199 manufacturing deduction for oil and natural gas production and other appropriate measures to ensure that the federal government receives its fair share of revenue from Gulf of Mexico leases. Remaining offsets will be finalized in consultation with the Finance Committee after accounting for interaction effects with other pending legislation.