



Don Nickles, Chairman  
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**Senator Don Nickles**  
**Chairman, Senate Budget Committee**  
**Floor Statement Regarding the Energy Policy Act**  
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Mr. President, I compliment Senator *Domenici*, the chairman of the committee. He stated at the beginning of the year that he was going to produce a very comprehensive Energy bill, and he has done it. I have been in the Senate for 23 years. I have been on the Energy Committee with Senator *Domenici* for 23 years. This is the most comprehensive piece of energy legislation we have had in that entire time. We have had a lot of people say we need a comprehensive bill, but until now, that hasn't happened.

1. A couple of years ago, there was an Energy bill on the Senate floor, but the Energy Committee didn't have a markup. Senator *Domenici*, as chairman, decided that wasn't the way to go. He rightly felt the entire Energy Committee should be involved in marking up this bill. We marked it up over a period of months, and took several weeks in committee to report it out. For this open and inclusive committee process I compliment Senator *Domenici* for his methodology in reporting out this legislation which helped insure a solid and bipartisan product. I know he has been criticized for the way the Conference process, but he did allow the committee to work its will, and now we have brought back a very comprehensive piece of legislation to the Senate floor.

I tell my very good friend from New Mexico that I agree with a lot that is in the bill. But I disagree with some of the things in the bill. I am going to support the bill on the whole because I think positive energy legislation is very critical if we want to have a growing economy. You cannot have a growing economy if you do not have viable, sustainable and reasonably priced sources of energy. It is very important that we pass a good bill.

I would like to share with my colleagues that I ran for the Senate back in 1980 because of misguided energy policy that passed the Congress during the Carter administration which I found personally infuriating. In the midst of an energy crisis, the Carter administration proposed and passed, under a Democratic controlled Congress, several energy measures at that time which only served to worsen the energy related problems afflicting our nation. As a business man living in Ponca City, OK, I thought: What in the world is Congress doing? Everything they were doing, in my opinion, was very shortsighted. Maybe they had good, laudable goals, but they were very shortsighted if you happen to believe in free market principles. The one bill they passed that probably had more to do with me running for the Senate than anything was the windfall profits tax, which Congress passed in 1980. I was a State senator who happened to believe in free markets. The knowledge that my government

would pass a law which so disincentivised the production of the very commodity we were most in need of at that time led me to conclude these people were completely out of touch with reality.

Then Congress passed a bill that said we are going to tax domestic production, but we do not tax imports. The net impact of that is you discourage domestic production and you encourage imports. That was about as anti-free enterprise as any piece of legislation I could conceive.

I was so irritated that I ran for office, and ended up serving in the Senate.

I might mention that one of the highlights of my legislative career was when we repealed the windfall profits tax in 1988. Frankly, I was embarrassed it took so long to get it repealed. I introduced legislation every year I was in the Senate to repeal the windfall profits tax. We didn't get it repealed until after it robbed the taxpayers of \$79 billion, but we got it repealed.

We repealed several other pieces of the mistaken energy policy of the Carter era.

In a short sighted attempt to artificially incentivise renewables while ignoring market principals the fuel use tax said you couldn't burn natural gas in utilities and big powerplants. It passed in 1978. We repealed it in 1987.

The Natural Gas Policy Act of 1978 had dozens of different class categories for natural gas. I was pleased to be the principal cosponsor of the 1987 legislation to basically deregulate natural gas. That was a very significant piece of legislation that some people had worked on for decades, and we were finally able to get it through.

I might mention that at that time Bennett Johnson was chairman of the committee. He and Wendell Ford worked in bipartisan ways to basically deregulate natural gas.

I also might tell my colleagues that many people on this floor and many people who have not retired from this Senate said if we do deregulate natural gas, terrible things will happen; natural gas prices will explode. They did just the opposite. Gas prices went down. Oil prices went down after we deregulated oil.

Also, during the Carter administration they passed the bill creating the Synthetic Fuels Corporation to subsidize the creation of synthetic fuel from coal and shale oil. That was passed in 1980, and it expired--thank goodness--I believe in the 1986, but not before it wasted billions of the taxpayers dollars.

It is important that we not pass bad legislation. But it is very important that we pass energy legislation. We are far too dependent on unreliable sources that can choke and strangle our economy. We have seen that happen in 1993. We have seen it happen in other years. We can't allow that to happen. We have become far too dependent on foreign oil. We import over 50 percent, and it is growing towards about two-thirds dependency on foreign oil. That is not acceptable. What can and could and should be done?

The bill that we have before us has a blend of a lot of things. It encourages production and it encourages conservation. It also does a couple of other things--talking about some fixes on the books that need to be replaced.

It reforms PURPA, the Public Utility Regulatory Policy Act. I believe that passed in 1978 as well. We are finally going to repeal it. That required utilities to pay for avoided costs for energy and basically increased utility prices, in many cases by--I was going to say hundreds of millions of dollars. It might be hundreds of millions of dollars for one powerplant over the life of that powerplant or

those contracts. I compliment Senator *Landrieu* who worked with me on that. If there is competition, we will repeal it. I appreciate her work.

We are also finally getting rid of PUHCA, the Public Utility Holding Company Act. This passed in the 1930s. Maybe it made sense in the 1930s. It makes no sense, and, frankly, it hasn't made sense for the last couple of decades. We are finally going to get rid of it. By getting rid of that, we will open up, frankly, investment for utilities and energy projects in the billions of dollars. It received almost no attention and no debate. But anybody who has looked at it--it has been mentioned by, I think, everybody from Alan Greenspan to many of the regulators--said get rid of PUHCA. We are finally going to get rid of that regulatory maze that is long overdue.

It is also notable to see what we didn't do in the bill that many of our friends, primarily on the other side of the aisle, wanted to put in this bill. We don't have renewable portfolio standards. If we did, the price of electricity would go up dramatically all across the country. They tried to do it even in the markup earlier this week. We were successful in defeating that. That is a real win for consumers. They forgot to tell you that if you had the renewable portfolio standards of 10 percent, if you do not meet the standard, there is tax. It says you have to pay a tax of 1.5 cents per kilowatt hour--about 50 percent of the wholesale price of electricity, if you do not meet this standard. That means if you don't make 10 percent, you could have your electricity prices go up by 5 or 10 percent. We defeated that.

We defeated a very onerous corporate average fuel economy standard that people wanted to enact. It would have mandated automobiles to average 40 miles per gallon. That would have eviscerated consumer choice and resulted in our citizens being forced to buy an economy-sized automobile which could prove very unsafe. It would have been a very expensive provision as well in terms of consumer costs and lost jobs in our auto industry. We didn't do that.

We didn't put in the global warming provision that would have greatly increased every person's utility costs, devastated our economy and would have made us uncompetitive internationally. We didn't do those things. I am pleased about that.

We did do some positive electricity provisions that will encourage regional transmission organizations, that will mandate reliability standards which will help us avoid curtailment in the future. It is not fail-safe, but it certainly is a positive step in the right direction.

Senator *Domenici* mentioned several other things in the nuclear field and other provisions in coal that should help us broaden and diversify our energy sources. He mentioned the tax provisions. I voted against the tax portion of this bill when it came out of the Finance Committee. If we were voting on the tax portion of this bill standing alone, I would vote against it now.

On the tax provisions, the administration requested \$8 billion. The Senate Finance Committee reported out \$15 billion, and this bill is \$23.5 billion.

Mr. GREGG. Mr. President, will the Senator yield for a question on that point?

Mr. NICKLES. I would be glad to yield.

Mr. GREGG. I was wondering if the tax provisions as scored violate the budget on that point.

Mr. NICKLES. To answer my colleague's question, the budget points of order lie against the spending, and I expect the tax provisions as well.

Mr. GREGG. I thank the chairman of the committee.

Mr. NICKLES. Mr. President, we scored in the budget, I believe, \$18 billion for this bill. This bill will score close to \$30 billion, for the information of the Senator.

It scores that way for a couple of reasons.

One, the tax provision. Also, there is a provision that says brownfield projects can be funded by bonds that cost about \$2 billion, which I think is a terrible way to be financing projects. This is not an appropriations bill.

Senator *Domenici* also mentioned a lot of things are authorized. I hope and pray not everything will be spent that is authorized. I will tell my colleagues that is always the case. We authorize a lot more money than we appropriate, and thank goodness for that.

I'll mention just a couple of other things. There is also direct spending in this bill. I tell my friend from New Hampshire that this Senator, at least, questions the wisdom of doing it. By direct spending there are new entitlements for two or three items that are created. Coastal impact has an estimated cost of \$1 billion. I predict it will cost a lot more than \$1 billion over the next 10 years. I am sympathetic with those who live on the coast and they have drilling offshore and say they do not get anything. That money goes into general revenue. It should be subject to appropriation. The coastal State should receive some consideration, maybe some compensation. But to have it set up as an entitlement for 10 years and then subject to appropriation is a very poor manner of doing it.

There is deepwater research, \$150 million that is direct entitlement spending for the next 10 years. Again, I don't think that is the way this committee should operate. This is not an Appropriations Committee. The same thing for Denali. They get about \$500 million over the 10 years. That is \$3 billion of direct or entitlement spending that, frankly, should not be in this bill.

Let me touch on a couple of other things that are in the bill that are critically important, and at least in my opinion, if you add this together, make the bill worthwhile. One is the Alaska natural gas pipeline. If you go back historically and read the debates that occurred in this Congress, this Senate, for the Alaska oil pipeline, it was one of the most contentious issues this body had seen in a long time. This Alaska gas pipeline could have been as contentious, but it is not. It is in this bill. It is a \$20 billion project, maybe the largest project in the United States in our history, certainly one of the largest projects ever. It is in this bill with expedited procedures which make that pipeline viable, in my opinion.

We also have a provision that allows the pipeline to be amortized over a shorter period of time, 7

years. That will encourage the construction of the pipeline. That is jobs. That is energy. We have a very significant serious natural gas challenge or shortage or potential shortage and deliverability shortage, getting the product to the consumers in the next several years. Getting this gas that basically is stuck in the northern plains of Alaska to the lower 48 will help alleviate that shortage to the tune of trillions of cubic feet of gas. It is absurd to leave that gas in Alaska, in northern Alaska, untapped, unutilized. This bill will authorize and expedite the construction of that pipeline.

That, to me, is probably the best thing we have in this bill, the most pro-energy item in the bill. We also have some other things that make good sense, that do encourage production. I compliment our colleagues for putting those in the bill.

On balance, we need an energy package. The administration should be complimented for the fact that Vice President *Cheney* led a task force and recommended many of these things. They are now in this bill. He has taken a lot of heat for it but, frankly, this country for decades has needed a comprehensive energy package. Vice President *Cheney* and President Bush have led the effort to make that happen. Now we are within a day or so of actually passing a bill to do that.

While this bill is far from perfect, while this bill actually does cost too much, while the tax provisions in this bill are far too numerous, in this Senator's opinion, with way too many tax credits-- I believe there are 19 new tax credits in the code, and I hate to see the Tax Code cluttered and confused and complicated, substituting the wisdom of tax writers over the free market--I still think on balance the country needs a bill, needs an energy package. I believe this is the best one that this Congress can write, at least at this time. I encourage my colleagues to support this bill.

I yield the floor.