



CRS Report for Congress

The Strategic Energy Efficiency and Renewables Reserve in the CLEAN Energy Act of 2007 (H.R. 6)

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Summary

H.R. 6 would use revenue from certain oil and natural gas policy revisions to create an Energy Efficiency and Renewables Reserve. The actual uses of the Reserve would be determined by ensuing legislation. A variety of tax, spending, or regulatory bills could draw funding from the Reserve to support liquid fuels or electricity policies. The House budget resolution (H.Con.Res. 99) would create a deficit-neutral reserve fund nearly identical to that proposed in H.R. 6. The Senate budget resolution (S.Con.Res. 21) would create three reserve funds with purposes related to those in H.R. 6. However, the Senate version has more specifics about efficiency and renewables measures, and it would allow reserve fund use for “responsible development” of oil and natural gas.

Background

H.R. 6 was introduced by the House Democratic Leadership to revise certain tax and royalty policies for oil and natural gas and use the resulting revenue to support a reserve for energy efficiency and renewable energy. The bill is one of several introduced on behalf of the Democratic Leadership in the House as part of its “100 hours” package of legislative initiatives conducted early in the 110th Congress.

Title I proposes to reduce certain oil and natural gas tax subsidies to create a revenue stream to support energy efficiency and renewable energy.¹ Title II would modify certain aspects of royalty relief for offshore oil and natural gas development to create a second stream of revenue to support energy efficiency and renewable energy.²

¹ A detailed description of existing oil and natural gas tax provisions is available in CRS Report RL33763, *Oil and Gas Tax Subsidies: Current Status and Analysis*, by Salvatore Lazzari.

² A detailed description of existing and proposed oil and natural gas royalty provisions is (continued...)

Strategic Energy Efficiency and Renewables Reserve

Title III of H.R. 6 creates a budget procedure for the creation and use of a Strategic Energy Efficiency and Renewable Energy Reserve, under which additional spending for energy efficiency and renewable energy programs can be accommodated without violating enforcement procedures in the Congressional Budget Act of 1974, as amended.

Bill Purpose and Permitted Reserve Uses

The stated purpose of the bill is to “reduce our nation’s dependency on foreign oil” by investing in renewable energy and energy efficiency. Specifically, Section 301 (a) of the bill would make the revenue in the Reserve available to “offset the cost of subsequent legislation” that may be introduced “(1) to accelerate the use of domestic renewable energy resources and alternative fuels, (2) to promote the utilization of energy-efficient products and practices and conservation, and (3) to increase research, development, and deployment of clean renewable energy and efficiency technologies.”

Budget Adjustment Procedure for Uses of the Reserve

The budget adjustment procedure for use of the Reserve is set out in Section 301 (b). The procedure is similar to reserve fund procedures included in annual budget resolutions.³ It would require the chairman of the House or Senate Budget Committee, as appropriate, to adjust certain spending levels in the budget resolution, and the committee spending allocations made thereunder, to accommodate a spending increase (beyond FY2007 levels) in a reported bill, an amendment thereto, or a conference report thereon that would address the three allowed uses of the Reserve noted above. The adjustments for increased spending for a fiscal year could not exceed the amount of increased receipts for that fiscal year, as estimated by the Congressional Budget Office, attributable to H.R. 6.

Initial Revenue Estimates for the Reserve

According to the Congressional Budget Office (CBO), the proposed repeal of selected tax incentives for oil and natural gas would make about \$7.7 billion available over 10 years, 2008 through 2017. The proposed changes to the royalty system for oil and natural gas are estimated to generate an additional \$6.3 billion. This would yield a combined total of \$14 billion for the Reserve over a 10-year period.⁴ The CBO estimates

² (...continued)

available in CRS Report RS22567, *Royalty Relief for U.S. Deepwater Oil and Gas Leases*, by Marc Humphries.

³ For more details on how reserve funds are used to make adjustments to a budget resolution, see CRS Report RL33122, *Congressional Budget Resolutions: Revisions and Adjustments*, by Robert Keith, p.12-13.

⁴ U.S. Congress. Congressional Budget Office. *H.R. 6, CLEAN Energy Act of 2007*. (Letter to Chairman Nick Rahall, Committee on Natural Resources.) January 12, 2007. 4 p. [<http://www.cbo.gov/ftpdocs/77xx/doc7728/hr6prelim.pdf>]

show that the total annual revenue flow would vary annually over the 10-year period, ranging from a low of about \$900 million to a high of about \$1.8 billion per year.

H.R. 6 Action

H.R. 6 came to the House floor for debate on January 18, 2007. In the floor debate, opponents argued that the reduction in oil and natural gas incentives would dampen production, cause job losses, and lead to higher prices for gasoline and other fuels. Opponents also complained that the proposal for the Reserve does not identify specific policies and programs that would receive funding. Proponents of the bill countered that record profits show that the oil and natural gas incentives were not needed. They also contended that the language that would create the Reserve would allow it to be used to support a variety of R&D, deployment, tax incentives, and other measures for renewables and energy efficiency, and that the specifics would evolve as legislative proposals come forth for to draw resources from the Reserve. The bill passed the House on January 18 by a vote of 264-163.

Related Action on the Budget Resolution

In general, the budget resolution would revise the congressional budget for FY2007. It would also establish the budget for FY2008 and set budgetary levels for FY2009 through FY2012. In particular, the House resolution (H.Con.Res. 99) would create a single deficit-neutral reserve fund for energy efficiency and renewable energy that is virtually identical to the reserve described in H.R. 6. In contrast, the Senate resolution (S.Con.Res. 21) would create three reserve funds, which identify more specific efficiency and renewables measures and would allow support for “responsible development” of oil and natural gas.

House Version of the Budget Resolution (H.Con.Res. 99)

On March 28, the House passed H.Con.Res. 99 by a vote of 216-210. For FY2007, it would allow for additional funding for energy (Function 270) above the President’s request that “could be used for research, development, and deployment of renewable and alternative energy.” Section 207 would create a deficit-neutral reserve fund that fulfills the purposes of H.R. 6 to “facilitate the development of conservation and energy efficiency technologies, clean domestic renewable energy resources, and alternative fuels that will reduce our reliance on foreign oil.”

Senate Version of the Budget Resolution (S.Con.Res. 21)

On March 23, the Senate passed S.Con.Res. 21, its version of the budget resolution. In parallel to the House resolution, Section 307 of S.Con.Res. 21 would create a deficit-neutral reserve fund that could be used for renewable energy, energy efficiency, and “responsible development” of oil and natural gas. In addition, Section 332 would create a deficit-neutral reserve fund for extension through 2015 of certain energy tax incentives, including the renewable energy electricity production tax credit (PTC), Clean Renewable Energy Bonds, and provisions for energy efficient buildings, products, and power plants.

Further, Section 338 would create a deficit-neutral reserve fund for manufacturing initiatives that could include tax and research and development (R&D) measures that support alternative fuels, automotive and energy technologies, and the infrastructure to support those technologies.