THE SELECT COMMITTEE ON

ENERGY INDEPENDENCE & GLOBAL WARMING

CHAIRMAN EDWARD J. MARKEY

110th Congress Staff Report

Executive Summary

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Global climate change presents one of the gravest threats not only to our planet's health, but also to the United States' economy, national security, and public health. Scientists warn that we may be approaching a tipping point, after which it will become increasingly difficult, or perhaps impossible, to halt global warming and its catastrophic effects. The United States confronts this issue at the same time it faces a deepening energy crisis—characterized by skyrocketing prices, an increasing dependence on foreign oil, and continued reliance on high-carbon fuels that worsen the climate crisis.

We are at a watershed moment in the history of energy production—and the choices we make at this juncture will determine the fate of our planet and the national security and economic future of the United States. Between now and 2030, over $20 trillion will be invested in energy infrastructure worldwide, and an estimated $1.5 trillion will be invested in the U.S. power sector alone. This new infrastructure is long-lived and costly, and the decisions made in the next decade will set the course of the global and U.S. energy system—and of the global climate—for the next century and beyond. This transition also presents an unprecedented opportunity for economic growth and job creation in the clean energy technology sector. But the United States must act now if it is to be a leader in this rapidly developing global market.

> "$20 trillion will be invested in energy infrastructure worldwide"

Recognizing the urgency of these challenges, Speaker Pelosi announced at the outset of the 110th Congress her intention to create a select committee to tackle them. On March 8, 2007, the House passed Resolution 202, establishing the Select Committee on Energy Independence and Global Warming and directing it to "investigate, study, make findings, and develop recommendations on policies, strategies, technologies and other innovations, intended to reduce the dependence of the United States on foreign sources of energy and achieve substantial and permanent reductions in emissions and other activities that contribute to climate change and global warming." In keeping with this mandate, the Select Committee has worked to identify balanced and workable solutions to the urgent challenge of securing America's energy independence while combating global warming.

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Over the past 18 months, the Select Committee has held over 50 hearings on a broad array of subjects ranging from the security, economic, and environmental threats posed by climate change, to advanced vehicle and renewable energy technologies, to policy options for lowering prices at the gasoline pump. These hearings are listed in Appendix A of this report. Many were groundbreaking "firsts"—including the first congressional hearing on the national security



implications of climate change, the first "green jobs" hearing, the first hearing at which the head of the Intergovernmental Panel on Climate Change testified, the first hearing on U.S. cities' efforts to combat climate change, the first hearing with the Administrator of the Environmental Protection Agency on the implications of the Supreme Court's decision in *Massachusetts v. EPA*, the first hearing on the Department of the Interior's handling of the decision whether to list the polar bear as an endangered species, and the first hearing on the voluntary carbon offset market —to name a few. In addition, the Select Committee has held field hearings atop Cannon Mountain in New Hampshire, at the U.S. Conference of Mayors' meeting in Seattle, Washington, and in Hartford, Connecticut. Meanwhile, it has hosted numerous briefings to educate House staff on a broad array of key energy and climate issues.

The Select Committee has aggressively pursued oversight of the Bush Administration's energy and climate policies, including through oversight hearings, letters, and information requests focusing on the Environmental Protection Agency, the Department of Energy, the Department of the Interior, the National Highway Traffic Safety Administration, the Department of State, and the Centers for Disease Control and Prevention.

The Select Committee organized or participated in several major Congressional delegations focused on energy security and climate change issues. These include delegations led by Speaker Pelosi to Greenland and the European Union in May 2007 and to India in March 2008, as well as a Select Committee delegation to Brazil in February 2008. In addition, Select Committee staff delegations have traveled to the UN Climate Change Conference in Bali, Indonesia in December 2007 and to the National Center for Atmospheric Research, the National Ocean and Atmospheric Administration's Earth Systems Research Laboratory, and the National Renewable Energy Laboratories in Colorado.

GOLDEN DOT AWARDS 2008 GOLDEN DOT WINNER BEST eGOV WEBSITE

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POLLIE AWARDS

Finally, the Select Committee has worked to communicate directly with the American public about energy security and climate change issues—principally through its website, which has won the prestigious "Golden Dot" Award for the best website in all federal, state, and local government (presented by the School of Political Management at George Washington University), an Honorable Mention from the Webby Awards, a Pollie Award from the American Association of Political Consultants, and a Silver Mouse Award, presented by the Congressional Management Foundation. Chairman

Markey—by "avatar"—delivered the first international address on climate using virtual world ("Second Life") technology to the UN climate change conference in Bali, Indonesia, in December 2007.

This Final Staff Report details the findings and recommendations of the Select Committee staff. Part I of the report addresses the challenges posed by the climate crisis and America's growing energy needs. Part II provides recommendations on a series of "win-win" solutions that will bolster America's energy security while achieving the reductions in global warming pollution needed to save the planet. Part III presents the findings and recommendations resulting from the Select Committee's oversight activities. Part IV discusses international issues, and reviews the findings of the Select Committee Congressional delegations to Greenland and the EU, Brazil, and India.

Key Findings.

The scientific debate on the cause of climate change is over. A clear scientific consensus now holds that global warming is happening, that manmade greenhouse gas emissions are largely responsible, and that failure to dramatically reduce those emissions in the coming decades will result in catastrophic impacts. Human activities have changed the atmosphere as much in 200 years as natural variations changed it over 20,000 years. Atmospheric concentrations of carbon dioxide—a key heat-trapping gas—have increased from 280 parts per million to 380 parts per million since 1750, and are higher than any level seen in the last 650,000 years. These concentrations could exceed 700 parts per million by 2100—leading to an increase in global average surface temperature of over 11 ºF—if current trends in emission growth continue.

Among the more alarming predictions regarding the likely near- to medium-term impacts of unchecked global warming are the following:

- **Increasingly severe water scarcity in the United States and globally, resulting in massive economic damages in the United States and subjecting up to 1.2 billion additional people in Asia, up to 220 million people in Africa, and up to 80 million people in Latin America to water stress by 2030.**
- **Increasing warming and acidification of the oceans, contributing to the collapse of coral reefs around the world and severely impacting global fisheries.**
- **Sea level rise of at least 1-2 feet—and possibly much more—by 2100, subjecting the roughly 1 billion people living in coastal areas around the world to increased risk of inundation, storm surges, coastal erosion, and saltwater intrusion into drinking water supplies.**
- **Increased heavy precipitation events and flooding in the United States and globally, as well as the potential for more frequent and more intense hurricanes and extreme weather events.**
- **A broad range of adverse effects on public health including more frequent and more intense heat waves, thousands of additional deaths and millions of additional cases of respiratory illness due to ground-level ozone air pollution, as well as increased risk of infectious disease in the United States and many other regions of the world.**
- **More frequent and more intense wildfires, and a longer fire season, throughout the Western United States, together with a decline in forest health due to increased infestation from pests.**
- **Forty percent of the world's species could face extinction by the latter half of this century as a result of global climate change.**

Tragically, these impacts will fall disproportionately on vulnerable communities, particularly in the developing world, that are least responsible for climate change and least able to adapt to it. However, the United States and other wealthy countries will also suffer devastating economic, environmental, and human costs if global warming continues unabated.

The potential costs of global warming—both globally and here in the United States—are staggering. Economic studies suggest that global warming could cost the global economy from 5 to 20 percent of gross domestic product (GDP). Here in the United States, preliminary studies suggest that even a narrow range of global warming impacts could slash GDP by 1.8 to 3.6 percent by 2100. These costs far outweigh the potential costs of economy-wide legislation to reduce global warming pollution.

There is a growing consensus that climate change presents a serious and growing risk to the United States' national security interests around the world, acting as a "threat multiplier." Climate change impacts will increase the risk of water and food scarcity, mass migration, and resource conflict in the developing world, with the potential for destabilization in many regions. Climate change impacts will also affect military and strategic infrastructure and energy supplies, both here in the United States and abroad.

To avert catastrophic global warming, it will be necessary to reduce global greenhouse gas emissions by at least 50-85 percent by 2050—including a reduction by the United States and other developed countries of at least 80 percent by 2050. Strong interim targets, including a reduction of U.S. emissions by at least 20 percent by 2020, will be needed to achieve these goals. This will require an unprecedented transformation of the U.S. and global economy and energy systems—an energy technology revolution, which the United States must lead.

In the face of this crisis, the Bush Administration's approach to climate change has been marked by pervasive delay, obfuscation, and political interference in scientific research and agency decision making. In addition to its well-documented attempts to censor government climate scientists, the Bush Administration has worked aggressively to prevent the EPA from fulfilling its legal obligation under the Clean Air Act to regulate greenhouse gas emissions and has blocked California and over a dozen other states from implementing greenhouse gas emission standards for motor vehicles. Further, the Administration has delayed progress in international climate talks, undermining the United Nations negotiations and refusing to agree to binding emission reduction targets.

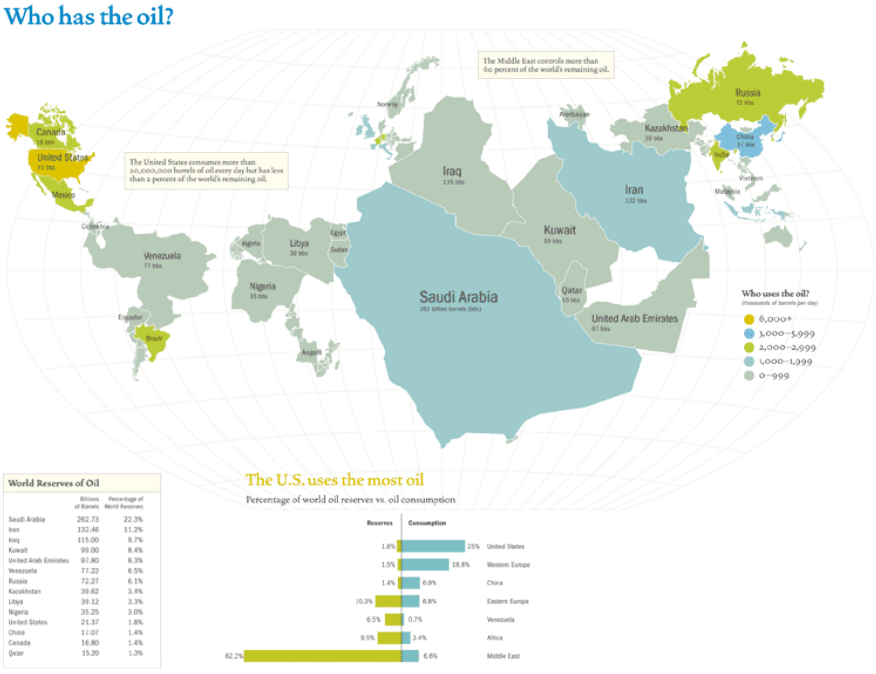
At the same time, the United States is confronting a deepening energy security crisis—characterized by skyrocketing energy prices, growing dependence on foreign oil, and a widening gap between rising energy demand and stagnant supply.

The United States' continuing "addiction" to oil presents a serious and growing threat to our national security and economy. The United States is the largest consumer of oil in the world, accounting for 25 percent of global demand—principally to power our transportation system, which is

95 percent dependent on oil. In the past 40 years, the United States has gone from importing 21 percent of the oil it consumes to importing nearly 70 percent. The vast majority of the world's oil—and virtually all of its spare production capacity—is located in countries that are members of OPEC. As a result, the United States' national security and economy is increasingly threatened by the potential for a supply disruption or market manipulation by sometimes unfriendly foreign governments.

Oil and gasoline prices have skyrocketed in the past year, and are predicted to remain at historically high levels for the foreseeable future, primarily as a result of rising global demand. Crude oil prices have increased by over 300 percent since 2001, and gasoline prices increased by 150 percent in this period. Even with the recent drop in prices, oil remains very expensive and volatile. While oil market speculation and the weak U.S. dollar have undoubtedly played an important role in the recent price run-up, experts agree that growing global demand—mostly in rapidly growing developing countries—is likely to result in sustained high prices for the foreseeable future. Soaring prices have had a crippling effect on American consumers—with mid-2008 gasoline expenses eating up nearly 10 percent of an average American worker's pre-tax income. The oil and gas industry, meanwhile, is raking in record-breaking profits—$123 billion in 2007 and on track for $150 billion in 2008—while reducing investment in new exploration and putting little or no investment into alternative energy sources or research and development.

We cannot drill our way out of this problem. While the United States consumes 25 percent of the world's oil, it accounts for only 10 percent of global production and has less than 3 percent of global reserves. While the past year was marked by strident calls to open new areas of the Outer Continental Shelf (OCS) and the Arctic National Wildlife Refuge to drilling—and by the expiration of the 27-year moratorium on OCS drilling off the East and West Coasts of the United States—the facts make clear that increased drilling will have a negligible impact on crude oil supply or prices.



U.S. electricity demand is rising faster than new supply is coming online, our electricity transmission and distribution infrastructure is outdated and overtaxed, and uncertainty about climate regulation is stalling new investment. U.S. electricity demand is predicted to increase by 29 percent by 2030, requiring the construction of over 290,000 megawatts of new generating capacity—or equivalent increases in efficiency. This rising demand is outstripping predicted increases in supply and in transmission capacity. Many regions of the country are predicted to see declining levels of reserve capacity—putting the reliability of the grid at greater risk. While coal remains the single largest source of electricity in the country (over 49 percent), the massive contribution of coal-fired power plants to global warming pollution and uncertainty regarding climate policy are making it increasingly inadvisable and difficult to build new conventional coal-fired plants. Natural gas and wind power, meanwhile, are experiencing strong growth. While many advocate nuclear power, massive expansion would be necessary even for it to maintain its current share of U.S. generation, and there are very substantial financial, market, and other obstacles to such an expansion.

Natural gas demand and prices have risen dramatically in recent years, but the United States is not highly dependent on natural gas imports and new "unconventional" onshore resources are expanding domestic supply. Natural gas has become the fuel of choice for new power plants in the United States because of its low emissions and the comparatively low capital cost and short lead times for plant construction. Increased use of natural gas for residential and commercial heating is also contributing to rising demand. Natural gas prices have shot up over the past several years, with adverse impacts on residential and industrial consumers. Although the United States has less than 4 percent of global reserves, over 80 percent of the natural gas we consume is domestically produced, with most of the remainder coming from Canada. Rising prices are contributing to a boom in "unconventional" domestic production from shales and coalbed methane, boosting domestic supply and putting downward pressure on prices. Completion of the Alaska Natural Gas Pipeline would further expand access to domestic resources. In contrast, opening previously closed areas of the OCS to gas production area will not significantly increase supply or reduce prices.

The energy security and climate challenges now facing us present a critical opportunity for economic growth and job creation. The policies recommended by this report will unleash an energy technology revolution that will far outstrip the information technology revolution of the past two decades in generating economic growth and American jobs. By contrast, if the United States does not seize this opportunity, it will become a laggard, instead of a leader, in what promises to be the largest global market of this century.

Achievements of the 110th Congress.

The 110th Congress has taken a number of major steps towards addressing the climate and energy security challenges.

Most importantly, the enactment of the **Energy Independence and Security Act of 2007 (EISA)**:

Fuel Economy Standards. Raised corporate average fuel economy (CAFE) standards for the first time since 1975, to at least 35 miles per gallon by 2020—a minimum 40 percent increase over current standards—in keeping with the proposal advocated by Chairman Markey for the prior seven years.

Renewable Fuel Standard. Established a renewable fuel standard that requires inclusion in the U.S. fuel supply of at least 36 billion gallons of renewable fuels by 2022, over half of which must come from next-generation biofuels including cellulosic ethanol and biodiesel.

Lighting, Appliance, and Federal Building Efficiency Standards Established lighting and appliance efficiency standards, as well as new efficiency standards for federal buildings.

Green Jobs Training. Established a comprehensive "green jobs" training program for workers in the renewable energy and energy efficiency industries and authorized $125 million per year for this program.

Taken together, these policies are predicted to reduce U.S. oil consumption by 4 million barrels per day by 2030, equivalent to more than twice the oil we import from the Persian Gulf. They are predicted to reduce greenhouse gas emissions by 1.3 billion metric tons carbon dioxide equivalent annually by 2030—equivalent to 24 percent of the reductions needed by 2030 to keep us on track to reduce total U.S. emissions by 80 percent by 2050. They are expected to produce $475 billion in net consumer savings by 2030—including $230 billion from fuel economy standards alone—and will create hundreds of thousands of new jobs.

In addition, as part of the economic rescue plan enacted on October 3, 2008 (H.R. 1424), Congress enacted the **"Energy Improvement and Extension Act of 2008"**—which provides an $18 billion package of tax credits for clean energy and energy efficiency. Included in this package were the following:

Production Tax Credits for Renewable Electricity: A two-year extension of the production tax credit (PTC) for electricity generated from biomass, geothermal, hydropower, landfill gas and solid waste, and a one-year extension of the PTC for electricity generated from wind. For the first time, projects generating electricity from river and ocean currents, waves, tides, and thermal energy conversion are also eligible for the PTC.

Investment Tax Credits for Renewable Electricity: An eight year-extension of investment tax credits (ITC) for up to 30 percent of the cost of residential and commercial-scale solar energy projects, together with removal of the $2,000 cap on residential photovoltaic solar investments, previously a significant barrier to growth in the residential market.

Plug-In Hybrid Tax Credits: Tax credits on the purchase of fuel-efficient, plug-in hybrid electric vehicles. The tax credit starts at $2,500 and increases based on battery capacity and vehicle size to up a maximum of $7,500 for cars and $15,000 for heavy-duty trucks.

Carbon Capture and Storage Credits: Tax credits for carbon capture and sequestration demonstration projects. Facilities would be eligible to receive a $20 tax credit for each metric ton of carbon dioxide captured and disposed of in secure geological storage and a $10 tax credit for each metric ton captured and used for qualified enhanced oil or natural gas recovery projects.

Biofuel Credits: Incentives for the production of homegrown renewable fuels like biodiesel, and for the installation of E-85 pumps for consumers to fill up flexible-fuel vehicles.

Efficiency and Smart Grid Incentives: Incentives for energy conservation in commercial buildings, residential structures, energy efficient clothes washers, dishwashers and refrigerators, and accelerated depreciation for smart electric meters and grid equipment.

Clean Renewable Energy Bonds: $800 million worth of new clean renewable energy bonds for electric cooperatives and public power providers to finance facilities that generate electricity from renewable resources.

Energy Conservation Bonds: $800 million worth of new Energy Conservation Bonds for State and local governments to make energy conservation investments in public infrastructure and invest in research.

The 110th Congress also enacted a number of measures aimed at protecting American consumers from high energy prices, including the following:

LIHEAP Funding: Funding the Low-Income Home Energy Assistance Program (LIHEAP) at its full authorization level of $5.1 billion.

Weatherization Assistance Program Funding: Increasing funding to the Weatherization Assistance Program, which supports weatherization of low-income homes to reduce energy costs, to $478 million—nearly double historic levels.

Strategic Petroleum Reserve Fill Suspension: Enacting H.R. 6022, the "Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act of 2008," which avoids wasteful spending and reduces pressures on oil prices by blocking the Department of Energy from buying oil for the Strategic Petroleum Reserve during a period of historically high oil prices.

Finally, the House passed several important energy security and climate measures that were not enacted into law, including the following:

- A national renewable electricity standard that would have required 15 percent of the national electricity supply to be generated using renewable resources by 2020 (up to 4 percent of which could be satisfied through efficiency measures).
- Federal model building standards that would have required a 30 percent improvement in the energy efficiency of new residential and commercial buildings by 2010 and a 50 percent improvement by 2020.
- "Use-it-or-lose-it" provisions that would require oil and gas companies to diligently pursue production on the 68 million acres of federal lands already leased to them.
- Recovery of $5.8 billion in Outer Continental Shelf oil and gas lease royalties lost due to erroneous omission of price caps for royalty relief in certain leases issued in 1998 and 1999.
- H.R. 6604, the Commodity Markets Transparency and Accountability Act of 2008, which would have addressed excessive speculation in energy markets by closing the so-called "London Loophole," which allowed traders to avoid regulation by offshoring their trades, requiring greater information be made public on trading activities in energy markets, and requiring the Commodity Futures Trading Commission to set position limits for energy futures markets.

Recommendations.

The 111th Congress and the next Administration should prioritize the implementation of the following recommendations, organized based on eight core objectives:

1. **Enact Economy-Wide "Cap-and-Invest" Legislation Based on the Following 10 Principles:**
   - Science-Based Emission Targets: Climate legislation must achieve a reduction in greenhouse gas emissions of at least 20 percent by 2020 and at least 80 percent by 2050.
   - Market-Based, Economy-Wide Cap-and-Trade System: To maximize cost savings, climate legislation should implement a market-based cap-and-trade system that covers as great a proportion of U.S. emissions as is practicable.
   - Ensure Fairness and Effectiveness by Auctioning Pollution Allowances: Climate legislation should auction 100 percent of pollution allowances, to ensure fairness and effectiveness of the cap-and-invest system and to minimize social costs.
   - Consumer Focused: Climate legislation should return at least half of allowance auction proceeds directly to low- and middle-income households to offset any increase in energy costs.

   - Invest in Efficiency, Clean Energy Technology, and American Workers: Climate legislation should spur the transition to a low-carbon economy by investing auction proceeds in energy efficiency programs, in the development, demonstration, and deployment of clean energy technologies, and in helping American workers to transition to good jobs in the new low-carbon economy.
   - Ensure Global Participation: Climate legislation should include an integrated system of "carrots" and "sticks" to ensure that other countries join with us in reducing greenhouse gas emissions.
   - Smart Offsets and Incentives for Supplemental Emission Reductions: Climate legislation should establish rigorous standards governing the award of offset credits, and should provide robust financial incentives for supplemental reductions in "uncapped" emissions not eligible to generate offset credits.
   - Rigorous Carbon Market Oversight: Climate legislation should establish a rigorous framework for oversight and regulation of the market for emission allowances, offset credits, and derivatives—ensuring transparency, fairness, and stability.
   - Build Resilience to Climate Change Impacts: Climate legislation should build resilience to unavoidable impacts of climate change, both in the United States and in the most vulnerable developing countries. This must include investment in the necessary capacity to provide a robust Earth observation and prediction system.
   - Integrate Complementary Policies and State and Local Roles: Climate legislation should integrate complementary policies (especially in the area of power sector,

building, and transportation sector efficiency) to reduce the overall cost of reducing emissions, and should preserve appropriate roles for State and local action.

2. Boost the Efficiency of the Power Sector and Residential and Commercial Buildings:

- National Building Efficiency Standards: Enact federal building efficiency standards requiring at least a 30 percent improvement in new building efficiency by 2010 and a 50 percent improvement by 2020.
- Incentives for Building Efficiency Retrofits: Provide funding for the zero net-energy commercial buildings initiative created under EISA, and promote building efficiency labeling standards for existing buildings.
- National Appliance Standards: Authorize new national appliance standards for high energy-consuming appliances such as flat-screen televisions, servers, and computers, and encourage the Department of Energy to promptly issue and/or update appliance efficiency standards under existing authority.
- National Energy Efficiency Resource Standard: Adopt a national energy efficiency resource standard that requires utilities to achieve gradually increasing level of annual efficiency gains.
- Performance-Based Incentives for State and Local Governments: Provide performance-based federal incentives—potentially funded through cap-and-invest auction proceeds or a national wires charge—to encourage utilities, States, and local governments to adopt energy efficiency measures.
- Fund Combined Heat and Power, Fuel Cell, and Smart Grid RD&D Programs: Fully fund initiatives authorized under EISA to promote research, development, demonstration, and deployment of combined heat and power, fuel cells, and smart grid technologies.

3. Expand Renewable Electricity Generation:

- National Renewable Electricity Standard: Establish national Renewable Electricity Standard requiring that 20 percent of U.S. electricity be supplied by renewable sources by 2020.
- 5-8 Year Extension of Renewable Energy Tax Credits: Enact a five- to eight-year extension of the production tax credit for renewable electricity generation.
- Double Federal RD&D: Double current levels of federal investment in RD&D on renewable electricity generation.

- Develop a National Green Transmission and Distribution Policy: Encourage or require the Department of Energy and the Federal Energy Regulatory Commission to formulate a national policy to encourage construction of transmission lines connecting renewable resources with population centers.

4. Drive the Development of Carbon Capture and Sequestration (CCS) Technology:

- Fund CCS Demonstration Projects and R&D: Fully fund the CCS demonstration program authorized under Sections 702 and 703 of EISA and increase funding for CCS-related R&D efforts.
- Performance Standards for New Plants: Enact legislation, either in tandem with cap-and-invest legislation or as a precursor to it, to require all new coal-fired power plants to implement CCS by 2020.
- Administration Task Force: Encourage or require the new administration to establish an interagency task force to address and make recommendations to Congress on regulatory and legal barriers to the commercial deployment of CCS, including a proposed framework for long-term liability issues.

5. Transform the U.S. Transportation System Through Fuel Efficiency, Electric-Drive Vehicles, Low-Carbon Fuels, and Transportation Choices:

- Ensure Rigorous Implementation of CAFE Authority: Require NHTSA to use realistic estimates of fuel prices and technologies in determining the "maximum feasible" fuel economy standards for the U.S. fleet.
- Low-Carbon Fuel Standard: Enact a federal low-carbon fuel standard that requires gradual and continuous reductions in the carbon intensity of the U.S. fuel supply, is harmonized with the existing renewable fuel standard from the present through 2022, and replaces the renewable fuel standard after 2022.
- Expand Tax Credits for Plug-In Hybrids and Other Advanced Vehicles: Provide tax credits for conversion of hybrid vehicles to plug-in hybrids.

- Fund Loan Guarantees for Advanced Battery Development: Fully fund loan guarantees for advanced battery development under Section 135 of EISA.
- Fund Electrification of State Vehicle Fleets: Establish a grant program to assist States with conversion of their vehicle fleets to plug-in hybrids and electric vehicles.
- Double Federal RD&D: Double current levels of federal investment in RD&D on biofuels and advanced vehicle technologies.
- Promote Mass Transit and Smart Growth: Make promotion of mass transit and smart growth policies to reduce vehicle miles traveled a priority for transportation reauthorization and other relevant federal policies.

6. Support Green Jobs and Clean Tech Growth

- Fund Green Jobs Training: Fully fund the green jobs training program established under Section 1002 of EISA.
- Clean Tech Investment Support: Consider the establishment of institutions and mechanisms, such as a clean energy investment bank, to encourage private investment in clean energy technology.

7. Provide Short-Term Energy Relief to American Consumers:

- Fully Fund LIHEAP and the Weatherization Assistance Program: Fund the Low-Income Home Energy Assistance Program and the Weatherization Assistance Program at full authorization levels.
- Manage Strategic Petroleum Reserve to Protect Taxpayers and Consumers: Require the Department of Energy to swap 10 percent of the light crude in the SPR for heavy crude to better balance the Reserve. Provide guidance to the Department of Energy on management of the SPR during periods of high oil prices to avoid wasteful spending and to utilize the Reserve to provide short-term relief to consumers.
- Provide New Authority to Crack Down on Speculation: Amend the Commodities Exchange Act to close loopholes in the existing regulatory regime. Provide funding for 100 additional staff for the Commodities Futures Trading Commission to oversee energy commodities futures markets.

8. Responsibly Manage Expanded Domestic Oil and Gas Production:

- Encourage Diligent Development of Existing Leases: Enact legislation to require oil and gas leaseholders that fail to develop such leases diligently to surrender them to the Department of the Interior so that they can be offered to other producers.
- Responsibly Address Outer Continental Shelf Drilling: Revisit the issue of Outer Continental Shelf oil and gas exploration and drilling to ensure that environmentally and economically sensitive areas are protected and that States' rights are respected in future OCS drilling activities.
- Encourage Development of the Alaska Natural Gas Pipeline: Encourage presidential leadership in completion of the Alaska Natural Gas Pipeline, which could expand domestic supply of natural gas to the lower 48 States by 7 percent of current levels.

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The Honorable Edward J. Markey

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