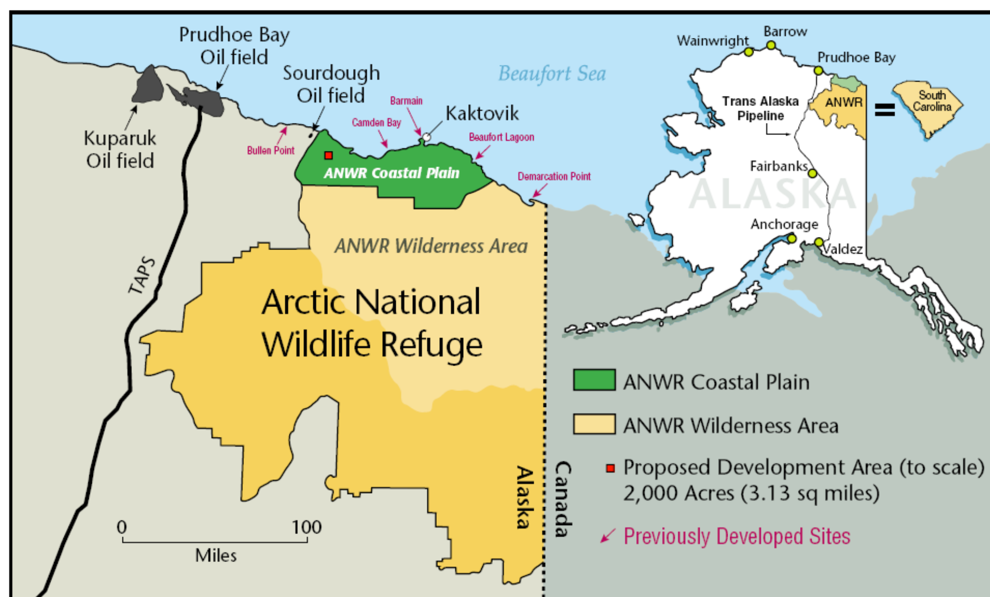
Republican Energy Solutions

- Unlock Energy Resources in ANWR Page 2
- Repeal the Limitation on Oil Shale Development Page 3
- Develop our Resources on the OCS Page 4
- Extend Renewable Energy Tax Credits Page 5
- Encourage New Refinery Construction Page 6
- Repeal the Ban on Government Page 7
- Use of Oil Sands, Shale Oil, and Coal-to-Liquids Page 9
- Maximize the Benefits of Coal-to-Liquid Page 11
- Democrat Price Gouging Bill Page 12
- Democrats' "Use It or Lose It" Decoy Page 14
- SPR Drawdown and Swap Page 15

Unlock Energy Resources in ANWR

- This Alaskan energy production activity will be limited to under 2,000 surface acres – less than half of one percent of ANWR.
- The Energy Information Agency estimates that 10.4 billion barrels of ANWR oil are economically recoverable. 10.4 billion barrels equals:
  - More than twice the proven oil reserves in all of Texas.
  - Almost half of the total U.S. proven reserve of 21 billion barrels.
  - A possible 50 percent increase in total U.S. proven reserves.
- EIA estimates ANWR would provide 1 million barrels per day for 30 years. This matches what the entire state of Texas produces daily or 30 years worth of imports from Hugo Chavez.
- CRS estimates that, at $125 per barrel, ANWR would deliver $191.1 billion in corporate income tax and royalty revenue to the federal government.
- The National Defense Council Foundation says ANWR could create as many as 1 million new jobs for Americans in all 50 states and D.C.
- Three-dimensional seismic technology enables exploration while protecting sensitive environments, producing subsurface images *without* disturbing the surface by sending vibrating acoustical signals into the earth's strata, reducing the number of wells and drilling waste.
- ANWR's leasing plan will meet strict environmental standards – the leasing program is required to result in *no significant adverse effects* on fish and wildlife, their habitat, subsistence resources, or the environment.



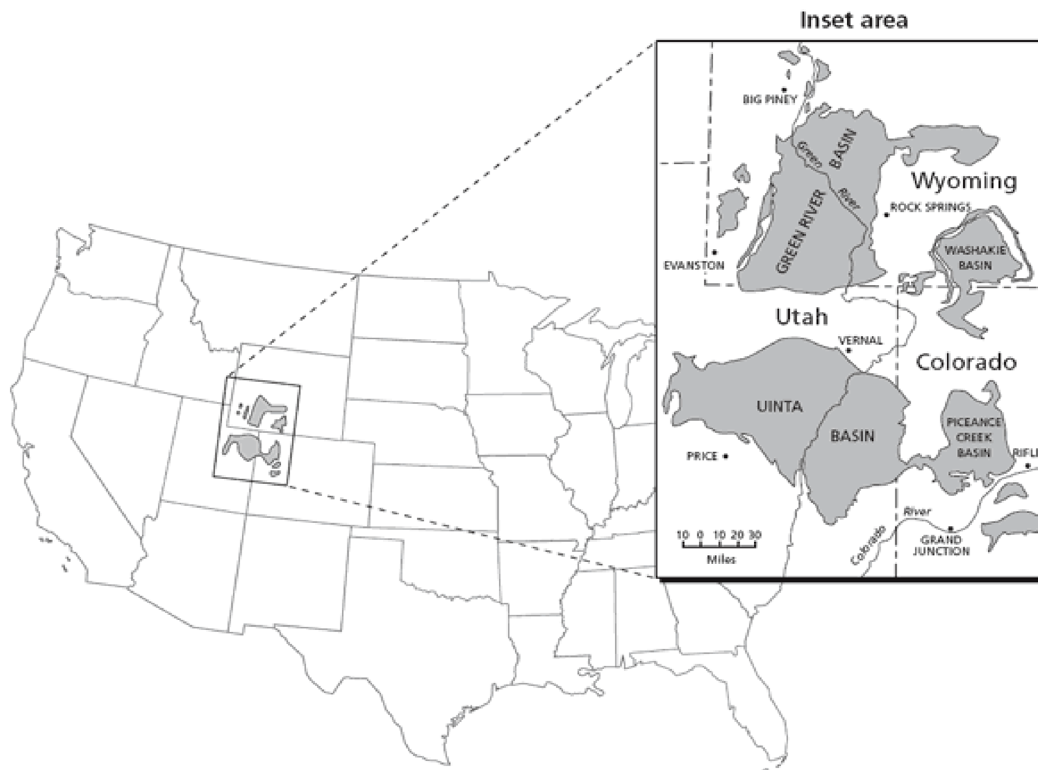
Source: Alaska Department of Natural Resources

Repeal the Limitation on Oil Shale Development

- American oil shale is a strategically important domestic resource that should be rapidly developed to reduce our dependence on unstable foreign oil sources.
- The Department of Energy estimates total domestic oil shale reserves at over 2 trillion barrels.
- An oil shale industry could be initiated as early as 2011, with an aggressive goal of 2 millions barrels by day by 2020 (creating 100,000 new direct and indirect jobs). Ultimate capacity could reach 10 million barrels per day, comparable to the long-term prospects for Alberta's oil sands.
- Commercialization of oil shale will provide significant public benefits, including: increased fuels availability (both liquid and gas), improved military readiness, reduced risk of supply disruptions, reduced imports, improved balance of payments, new federal and state royalty and tax revenues (80 percent of the richest oil shale in the nation is on federal land), increased domestic employment, and increased economic growth.
- Oil from shale will place downward pressure on the world oil prices, improving the U.S. and world economies.
- Significant advances in technology in the past two decades make shale oil more attractive than ever. Oil shale can now provide the greatest yields of oil per acre disturbed of any of our nation's energy resources.
- The Energy Policy Act of 2005 requires approval of a state's governor before commercial leasing can go forward. This bill does not change that.
- The Task Force on Strategic Unconventional Fuels estimated that aggressive oil shale development could create at least 20,000 new jobs by 2035.
- H.R. 6138 would repeal the Udall amendment's prohibition on leasing federal lands for oil shale development; the Democrats have not allowed a vote on this legislation.

- The largest oil shale deposits in the world are found in the Green River Formation, which covers portions of Colorado, Utah, and Wyoming. Estimates of the oil resource in place within the Green River Formation range from 1.2 to 1.8 trillion barrels.
- Even a moderate estimate of 800 billion barrels of recoverable oil from oil shale in the Green River Formation is three times greater than the proven oil reserves of Saudi Arabia.
- If oil shale could be used to meet a quarter of present U.S. demand, the estimated 800 billion barrels of recoverable oil from the Green River Formation would last for more than 400 years.
- More than 70% of the total oil shale acreage in the Green River Formation, including the richest and thickest oil shale deposits, is under federally owned and managed lands. Thus, the federal government directly controls access to the most productive portions of the oil shale resource base.

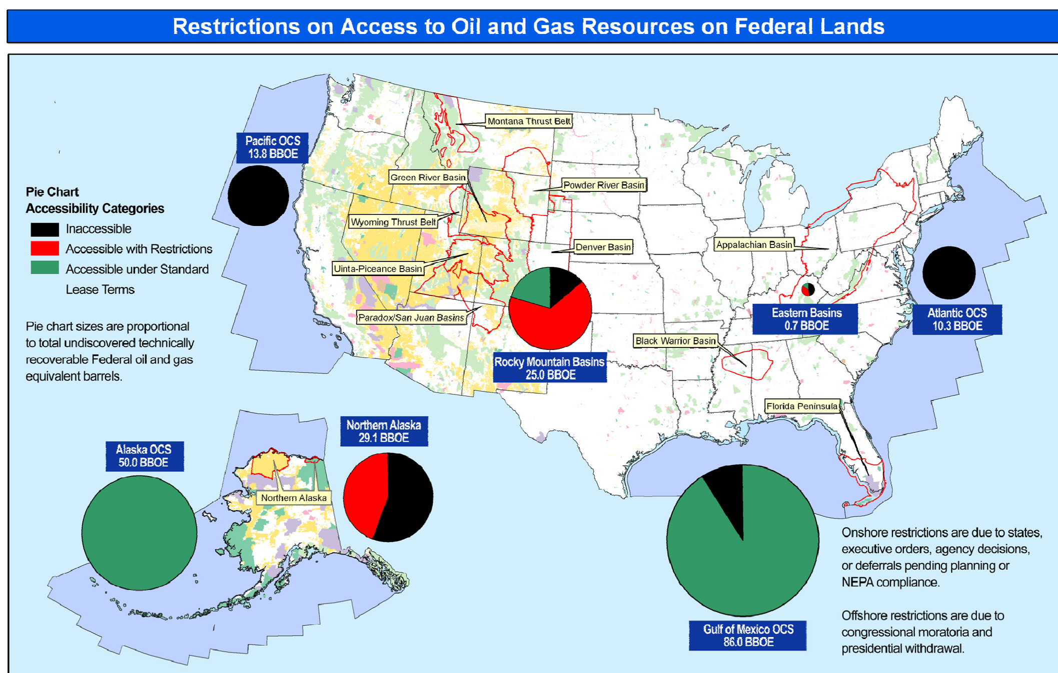
Location of the Green River Formation Oil Shale and Its Main Basins



SOURCE: Adapted from Smith, 1980.
RAND *MG414-2.1*

Develop our Ocean Resources on the U.S. Outer Continental Shelf

- The Democrat Congress is holding hostage 85% of federal offshore lands in the lower 48 which could be used for oil and gas production. The Democrats refuse to even bring a bill on this to a vote.
- The Department of Interior estimates of undiscovered technically recoverable resources in that area is 76.47 trillion cubic feet of gas and 17.84 billion barrels of oil.



Extend Renewable Energy Tax Credits

- Renewable electricity is an important and growing part of meeting our American energy needs.
- The continual expiration and short-term extension of the renewable investment and production tax credits make it difficult to plan and capitalize facilities.
- Investment certainty could foster domestic manufacturing of renewable equipment such as turbines, many of which are currently manufactured overseas. China, for instance, has a fast-growing wind turbine manufacturing business.
- Letting the renewable production tax credit and investment tax credits expire could result in as much as $19 billion of lost investment and as much as 116,000 of lost employment opportunity.
- H.R. 6133 would extend the tax credit for renewable electricity production by five years, and the investment tax credit for solar energy property for eight years. The Democrats have refused to allow a vote on this as a stand-alone bill.

Encourage New Refinery Construction

New domestic refinery development has stalled. While some plants have expanded, no new refineries have been built in the past 30 years. Refined product imports are rising. A key barrier to new plant development, including coal-to-liquid and biofuel energy projects, is the complexity of permitting and the resulting regulatory uncertainty.

H.R. 6193 would address these problems, but the Democrats have refused to bring it to a vote.

Streamline permit processing while preserving environmental protections

- Eliminate needless delay caused by agency foot-dragging or simply acting in sequence when parallel action makes more sense.
- The bill directs the president to appoint a federal coordinator to manage the multi-agency permitting process.
- The coordinator will work with the affected governor to identify and convene all agencies (state and federal) to coordinate the schedules for action so that no regulations are bypassed and public input is preserved, but the project can proceed quickly.
- The Environmental Protection Agency is given priority in the scheduling coordination to ensure that environmental processes (Clean Air Act, Clean Water Act, RCRA, and others) are given deference.
- Permits not involving federal law are not covered by the legislation.

Keeping on track

- Once the consolidated schedule is set, the federal coordinator manages it by monitoring progress and helping agencies work together to meet agreed deadlines.
- The streamlined process does not get activated unless the governor or tribal leader where the refinery would be built signs off.
- If the schedule slips, project developers may get expedited correction in federal court.

Closed military bases are possible refinery sites

- The president is directed to identify at least three closed bases as suitable sites for new refineries. The redevelopment authority for each closed base is not required to accept the suggestion.
- At least one site must be designated for biofuel refining.

Repeal the Ban on Government Use of Oil Sands, Shale Oil, and Coal-to-Liquids

Section 526 of a recently enacted energy law (Public Law 110-140, the Energy Independence and Security Act of 2007) states in its entirety:

> No Federal agency shall enter into a contract for procurement of an alternative or synthetic fuel, including a fuel produced from nonconventional petroleum sources, for any mobility-related use, other than for research or testing, unless the contract specifies that the lifecycle greenhouse gas emissions associated with the production and combustion of the fuel supplied under the contract must, on an ongoing basis, be less than or equal to such emissions from the equivalent conventional fuel produced from conventional petroleum sources.

- Section 526 was added largely to stifle the Defense Department's plans to buy coal-based (or "coal-to-liquids") jet fuels.
- The Air Force is interested in procuring unconventional fuels over the long-term as a way to reduce its reliance on fuels from unfriendly or unstable countries and increasing its use of fuels from North America. Coal-to-liquids, oil shale, and oil sands are all abundant in the United States and Canada. The Air Force wants to use its purchasing power to spur the development of a domestic coal-based synthetic fuel industry by signing long-term fuel contracts with coal-based fuel producers, ensuring that producers have a guaranteed market to offset the millions of dollars in up-front investment needed to produce coal-based fuel.
- Canada is currently the largest U.S. oil supplier. It sent 1.8 million barrels per day of crude oil and 500,000 barrels per day of refined products to the United States in 2006, according to the Canadian Government. About half of Canadian crude is derived from oil sands, with sands production forecast to reach about 3 million barrels per day in 2015. Section 526 could choke this flow of fuel from one of our nation's most reliable allies and economic partners.

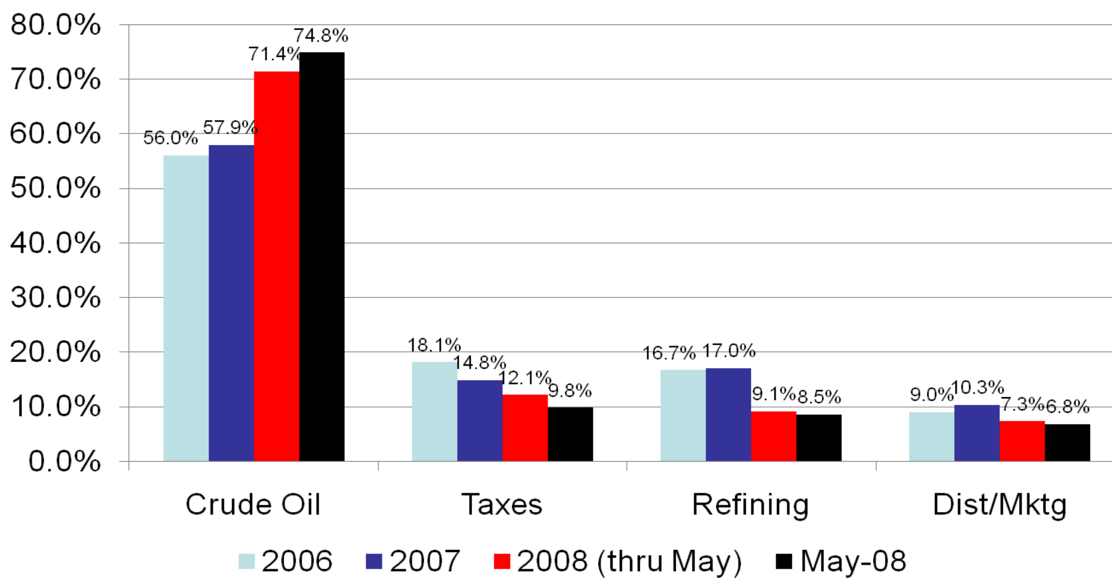
- To limit the ability of the Pentagon to get its fuels from friendly sources and force increased petroleum importation from unfriendly or unstable countries does nothing less than put our national and economic security at risk.
- The Defense Department should not be wasting its time studying fuel emissions and should not have to be stifled by the arguments over how to interpret a small section of an energy law. The Defense Department should be allowed to proceed with its vital efforts to increase reliance on American and Canadian fuels and reduce reliance on fuels from overseas.
- H.R. 5656 would repeal Sec. 526 and allow the Department of Defense to provide for its energy needs with innovative fuels; the Democrats have not allowed a vote on this legislation.

Maximize the Benefits of Coal-to-Liquid

- The United States has approximately 270 billion tons of coal reserves. If production of coal-to-liquids fuels were ramped up, we could reduce oil imports by more than 7.5 million barrels per day by 2025.
- Coal-to-liquid technology has been in existence since World War II and currently supplies South Africa with 40 percent of its transportation fuel.
- The bill would allow the Department of Energy to enter agreements with up to six coal liquefaction projects for the purpose of establishing price parameters that will provide the projects with a federal price guarantee
- Under the legislation, if the price of crude oil falls below an agreed-upon price, approximately $40 per barrel, the federal government would make a payment to the facility owner, thereby establishing a price floor for the facility's product.
- Conversely, if the price of crude oil were to rise above a certain ceiling, beyond today's market price per barrel, the facility operator would have to make payments to the federal government.
- The bill sets both a floor and a ceiling to provide the necessary financial certainty to incent the launch of coal-to-liquids projects while ensuring that participating facilities are not able to reap windfall profits simply by virtue of their participation in a program that lends federal backing in certain circumstances.
- Obtaining the investment capital for facilities is still somewhat uncertain, due to the unpredictability of oil prices. This legislation will resolve much of the uncertainty and speed the arrival of coal-to-liquids plants in the United States.
- HR 2208 would reduce our dependence on foreign oil; the Democrat leadership has not allowed it to be brought to the floor for a vote.

Democrat Price Gouging Bill Would Have Done Nothing to Lower the Price of Gas and Would Have Punished Hard-Hit Small Businesses

Price of Crude Oil is Biggest Factor in Increased Gas Prices. The price of a gallon of gas at the pump is influenced by several factors: the price of crude oil, state and federal taxes, refining costs, and the costs of distribution and marketing. Between 2006 and May of this year, the cost of a barrel of crude oil has gone from 56% of the cost of a gallon of gas to 74.8% of a gallon of gas. All other components have decreased as a percentage of the cost of a gallon of gas at the pump.



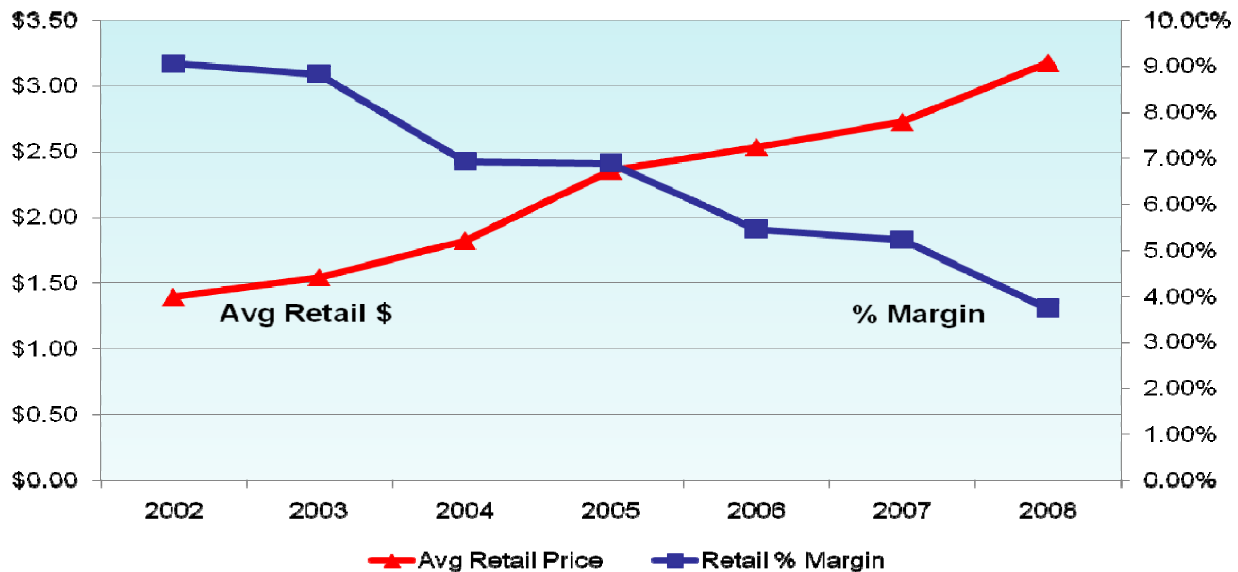
The price of crude oil – which is 74.8% of the price of a gallon of gas – has increased dramatically in the past eight years. This increased crude oil price is the reason for the increased price at the pump.

	Average Crude Oil Price	**Average Retail Gasoline Price**
2006	$66.04	$2.571
2007	$67.27	$2.752
2008	$105.74	$3.473
Week Ending 7/3/08	$145.31	$4.114

Gas Retailers Profits Decreasing Despite Higher Gas Prices. Despite increasing prices at the pumps, gas retailers have a markedly decreased profit margin. Gas retailers went from earning approximately 13 cents/gallon in 2006 to earning 11 cents/gallon in 2008. After paying credit card fees, retailers are earning just 3 cents/gallon in 2008, as opposed to 7 cents/gallon in 2006.

	Retail Price	Retailer Gross Margin $	Retailer Gross Margin %	Credit Card Fees	Retailer Margin Net of Card Fees
2006	$2.558	$0.138	5.39%	$0.064	$0.074
2007	$2.785	$0.138	4.96%	$0.070	$0.068
2008 (thru June)	$3.427	$0.117	3.41%	$0.086	$0.031

Retail Profit Margins Drop as Gas Prices Rise. In 2002, the average retail price for a gallon of gas was almost $1.50. At that time, the average retail profit margin was about 10%. Earlier this year, when the average gallon of gas cost $3.25, the profit margin was about 3.75%.



Democrats' "Use It or Lose It" Decoy

Democrats argue that:

- The vast majority of Federal areas are available to energy production and the oil companies are choosing not to develop it.
- They say that before we open any additional acreage to development we should require the oil companies to produce energy on lands already available for lease. They claim that oil companies are leasing Federal lands and then withholding them from production.

Both arguments are false.

- The Democratic majority in Congress supports existing moratoria that keep some 85% of acreage off the shores of the lower 48 states off limits to oil and natural gas production. The Department of Interior estimates conservatively that 18 billion barrels of oil and 76 trillion cubic feet of natural gas are locked away in these areas. This does not even include the 2 trillion barrels of oil shale that have been locked up by the Democrats, or the 10 billion barrels of oil in ANWR they're withholding.
- Production companies that hold oil and gas leases on Federal lands are *already* required to "use it or lose it." Idle leases expire after 5 to 10 years (depending on the lease) even if the leases can't be developed because of bureaucratic delay in granting permits or frivolous law suits by opponents of energy production. These government induced slow-downs make it difficult or impossible for producers to begin actual energy production within the original timeframe of the lease. Extensions are granted if the producers are working diligently with leases they have bought.
- It's the Democratic majority in Congress, not the production companies, which is locking up energy rich tracts from development. "Use It or Lose It" is an attempt to distract attention from real energy production solutions.

The first "Use It or Lose It" bill, H.R. 6251, failed on passage June 26, 2008. The second attempt, H.R. 6515, failed on July 17, 2008.

Strategic Petroleum Reserve (SPR) Drawdown and Swap

- The bill to drawdown the SPR, H.R. 6578, failed on suspension on July 24, 2008.

- Democrats claim that selling off 60 million barrels of oil before the election, to be replaced by purchases over 5 years after the election, would reduce the world price of oil by 30 to 50%. There is no basis for this claim.

- Most economists believe that the sell-off could trigger a short term dip in oil prices, only to be followed by steep rises after the sell-off is completed.

- SPR was established to secure against physical supply disruptions, not to manipulate market prices. Past SPR drawdowns were effective because they filled in during temporary supply disruptions. This market crisis is driven by sustained demand shock as the attached letter explains.