



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 3, 2007
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 2776 – Renewable Energy and Energy Conservation Tax Act

(Rep. Rangel (D) NY and 21 cosponsors)

and

H.R. 3221 – New Direction for Energy Independence, National Security, and Consumer Protection Act

(Rep. Pelosi (D) CA and 18 cosponsors)

The stated goal of energy reform by the new majority in the House of Representatives was “to achieve energy independence, strengthen national security, grow our economy and create jobs, lower energy prices, and begin to address global warming.” The Administration is disappointed that the House has produced no such legislation, and instead is planning to consider H.R. 2776 and H.R. 3221, two bills that are not serious attempts to increase our energy security or address high energy costs. In fact, the combination of these two bills will result in less domestic oil and gas production, higher taxes to disadvantage a single targeted industry, and duplicative energy efficiency and R&D efforts that are largely underway already.

It makes little sense at a time of high energy costs to reduce domestic production or to otherwise make America more dependent on foreign sources of energy. Furthermore, these two bills do not include any of the key elements of the President’s “Twenty in Ten” initiative that are a real opportunity to improve energy security, and reduce greenhouse gas emissions.

The “Twenty in Ten” initiative, designed to reduce projected gasoline usage in the United States by 20 percent in the next 10 years, is part of the Administration’s broader efforts, including the Advanced Energy Initiative, to move America toward a stronger, cleaner energy future. The President’s “Twenty in Ten” initiative calls for: (1) an Alternative Fuel Standard requiring the equivalent of 35 billion gallons of renewable and other alternative fuels by 2017; and (2) a significant increase in automobile fuel efficiency (CAFE reform). The President also has emphasized the energy security need to expand the Strategic Petroleum Reserve (SPR), increase domestic production of oil and gas, and streamline the siting and expansion of domestic refineries—all helpful actions this bill ignores.

Because H.R. 2776 and H.R. 3221 fail to deliver American consumers or businesses more energy security, but rather would lead to less domestic oil and gas production, higher energy costs, and higher taxes, the President’s senior advisors would recommend that he veto these bills.

The Administration’s principal objections to H.R. 2776 and H.R. 3221 are further described below.

Since 2001, the Administration has directly invested over \$12 billion in clean, safe advanced energy resources and supported billions more in tax incentives. The Administration, however, strongly opposes raising taxes in a way that will lead to higher energy costs to U.S. consumers and businesses. Repealing the manufacturing deduction for only the oil and gas industry is a targeted tax increase that puts U.S. industries at a disadvantage to their foreign competitors. Changes to the foreign tax credit rules related to foreign oil and gas extraction income and foreign oil-related income will also disadvantage U.S.-based companies by reducing their ability to compete for investments in foreign energy-related projects. H.R. 2776 also includes \$8 billion in expensive and highly inefficient tax credit bonds for renewable energy production and conservation efforts. Current law already provides sufficient Federal assistance to encourage these efforts. The Administration has concerns with the structure and overall cost of some of the production and investment tax credit incentives in H.R. 2776 as well.

The Administration strongly opposes provisions in both bills that would expand the application of Davis-Bacon Act prevailing wage requirements.

The Administration strongly opposes language that would force holders of certain deepwater oil and gas leases issued in 1998 and 1999 by the Clinton Administration to either renegotiate the terms of the leases, pay an excessive fee, or face being barred from future oil and gas leasing in the Gulf of Mexico. This provision is likely to result in significant delays in lease sales in the event that the provision is litigated.

The Administration strongly opposes provisions in Title VII of H.R. 3221 that would have a significant negative impact on current Federal efforts to increase traditional and renewable domestic production and/or reverse production initiatives enacted in the Energy Policy Act of 2005.

The Administration strongly opposes provisions that would be inconsistent with the Federal Credit Reform Act of 1990 and/or unduly constrain the Administration's ability to effectively manage Federal credit programs.

The Administration strongly opposes H.R. 3221's unnecessary and duplicative new Federal energy efficiency and R&D bureaucracy and global climate and worker training programs.

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