



COMMITTEE ON GOVERNMENT REFORM
MINORITY OFFICE
U.S. HOUSE OF REPRESENTATIVES
OCTOBER 2003

FACT SHEET

The Energy Policy Act of 2003 Will Cost Americans over \$115 Billion

In the next few weeks, Congress is expected to vote on final adoption of the Energy Policy Act of 2003. To date, discussions of the costs of this pending energy bill have focused primarily on the tax title of the bill. However, tax subsidies for energy industries are only one of the ways in which the energy bill will increase the federal budget deficit or otherwise burden Americans with higher costs.

In fact, the total cost of the energy bill to the American people will be much more than previously reported. According to an analysis by the minority staff of the House Committee on Government Reform, the energy bill will cost over **\$115 billion** over the next decade – more than seven times the cost of the tax provisions alone.¹ These costs include industry subsidies, tax-breaks, authorizations for new government spending, and mandates that increase consumer prices for gasoline and electricity.

Authorizations for Appropriations

The energy bill authorizes a huge amount of new and extended government spending. For example, the bill authorizes almost \$3 billion for research and development for the benefit of profitable oil and coal industries. It authorizes another \$2 billion to research fusion energy, which is not anticipated to be commercially available for another 50 years at the earliest. The bill also authorizes loan guarantees to build two new power plants fired by coal and petroleum coke, which will cost the government \$600 million. The energy bill contains **\$59.9 billion** in authorizations.²

¹ This analysis reflects the provisions contained in the energy bill discussion drafts released by the Conference Chairmen on September 28, 2003 and September 29, 2003 (available on line at: <http://energycommerce.house.gov/>).

² The level of most of these authorizations is specified in the bill. For a few provisions, the Congressional Budget Office estimated the expected costs of unquantified authorizations. See CBO, *Cost Estimate: H.R. 1644 Energy Policy Act of 2003* (May 1, 2003); CBO, *Cost Estimate: S. 14 Energy Policy Act of 2003* (May 7, 2003).

Direct Spending

The energy bill also contains billions of dollars in mandated direct spending, which is spending that does not constitute a tax break and is not approved through the appropriations process. For example, the bill provides for \$136 million in reduced royalties for oil and gas extraction on public lands. It also requires the federal government to reimburse the oil industry an estimated \$330 million for the cost of studying the environmental impacts of proposed drilling projects. The energy bill contains **\$4.1 billion** in direct spending.³

Tax Breaks

The energy bill's numerous tax breaks most commonly take the form of tax credits or accelerated depreciation. Although the tax title has not yet been completed, press reports indicate that the Republicans have agreed to provide at least **\$16 billion** in energy-related tax breaks – more than twice as much as even the Bush Administration requested.

Industry Give-Aways

The energy bill also makes policy changes that will increase costs to taxpayers and ratepayers, even though they will not directly increase the federal budget deficit. Industry give-aways include shifting liabilities from industries to taxpayers and increasing costs on ratepayers. According to Chairman Tauzin, the energy bill will protect oil companies and MTBE producers from liability for contaminating groundwater with MTBE. This provision is expected to cost taxpayers **\$29 billion**.⁴ Additionally, the ethanol mandate will raise gas prices, costing consumers an estimated **\$6.9 billion**, according to the Energy Information Administration.⁵ Finally, a provision in the electricity title granting a higher rate of return to electric utilities will likely cause FERC to raise electricity rates for all consumers in the country. The amount of the increased rates is not currently known.

Total Cost

These costs are currently estimated to total **\$115.9 billion**. However, House and Senate Republicans are still negotiating several key provisions of the bill. These include the tax title, which may exceed \$16 billion, and a loan guarantee for a new Alaska gas pipeline, which could cost the government \$2 billion. Thus, the final costs of the energy bill may be even higher than the \$115.9 billion estimated here.

³ The direct spending numbers are based on estimates by the Congressional Budget Office. See CBO, *Cost Estimate: H.R. 1644 Energy Policy Act of 2003* (May 1, 2003); CBO, *Cost Estimate: S. 14 Energy Policy Act of 2003* (May 7, 2003); CBO, *Cost Estimate H.R. 6* (April 8, 2003).

⁴ Los Angeles Times, "MTBE Cleanup Cost \$29 Billion, Study Says" (Oct. 14 2001).

⁵ Energy Information Administration, Office of Integrated Analysis and Forecasting, "Analyses of Selected Provisions of Proposed Energy Legislation: 2003" (September 2003) (available online at [www.eia.doe.gov/oiaf/servicerpt/eleg/pdf/sroiaf\(2003\)04.pdf](http://www.eia.doe.gov/oiaf/servicerpt/eleg/pdf/sroiaf(2003)04.pdf)). EIA found that the renewable fuel standard would increase gasoline prices by not more than 0.5 cents per gallon. Since the U.S. consumes approximately 9 million barrels of gasoline per day, this amounts to an additional \$1,890,000 each day. This amounts to \$689,850,000 each year or almost \$6.9 billion over ten years.