

America Needs Energy

The Honorable John M. Shimkus

U.S. House of Representatives, IL-19



Mr. Norio Okayama, ICF President

It is now my great honor to introduce our distinguished guest of honor Congressman Shimkus who has kindly agreed to be our keynote speaker. Congressman Shimkus is a member of the U.S. House of Representatives, in his fifth term representing the 19th congressional district of Illinois. Congressman Shimkus serves on the House Energy and Commerce Committee and is a member of three Energy and Commerce Subcommittees: Telecommunication and the Internet, Health, and Energy and Air Quality. Congressman Shimkus, we greatly appreciate your presence here, thank you for being with us, the floor is yours now.

Mr. John M. Shimkus

Thank you very much and welcome to the United States, welcome to the State of Illinois, as we know it, the land of Lincoln. I do get a chance to be involved in international aspects with my role as a member of the NATO parliamentary assembly. Especially with my European friends I get a chance to travel there frequently on defense issues. I want to thank you for this invitation and especially General Cables for their kind invitation asking me to speak to you.

If you have been in town and turned on the television you have probably noticed campaign political adds which tells you that we are in the throes of a campaign, which will all get sorted out in about 2½ weeks. But life goes on throughout campaigns and I am also in one. So for me it is kind of nice to be up here. My congressional district is way down south, about 5 hours from here by car. I took a plane this morning from the St. Louis area. The folks up here are Cubs baseball fans, I am a Cardinal fan and they are playing in the National League championship series. So that's what is going on of importance in our country right now.

I am going to talk primarily about the Energy Policy Act, which we passed last year and how part of that really relates to your industry. As a conservative Republican who believes in the market I can say Republican policymakers don't create jobs. It is capitalists who raise capital or borrow capital and take risks. So what can public policy folks like me do? We hope to help reduce that risk, so you have lower rates of capital, that you have to try to obtain to create jobs and spread wealth around the world. That is really the basis of what we attempted to do in the Energy Policy Act.

Unlocking American Energy Resources: What we've done (EPAct 2005)

- ✓Coal Leases
- ✓Ethanol
- ✓Renewable Incentives (Wind, Solar, etc.)
- ✓Unconventionals (Shale, Oil Sands)

There is this debate in our country about decreasing demand to meet our energy needs or increasing supply. I am a supply guy. I believe in the economic principles of supply and demand and if you want lower cost you need more supply. Having said that these are some of the things we have done.

We have a lot of coal in the United States, in fact, in Illinois the Illinois coal basin is one of the largest reserves of coal in our nation. We want to ease some of the requirements on the leasing of federal land for that.

The next thing is ethanol, which is an alcohol based fuel. It is our task to decrease our reliance on imported crude oil. You are in an agricultural state, the state of Illinois. Along with our neighbouring state of Iowa, we grow a lot of corn. In our policy we have given a niche market to this fuel.

For renewable incentives we have some tax credits, especially a new one called the energy production incentive. If you want to have more supply and if you want to address some of the environmental concerns you want to have green power, as we call it, such as the wind power, solar power, involved in electricity generation. But a lot of the locations where it may make economic sense to place those are pretty far away from the grid.

Next Generation of Technology: What we've done (EPA Act 2005)

- ✓Coal gasification
- ✓Bioenergy R&D
- ✓Hydrogen Fuel Cell
- ✓New Nuclear Plant Incentives

Coal gasification is really, I believe, what the world will turn to for cleaner burning, coal use and electricity generation. In essence, instead of just taking a lump of coal and crushing it, blasting it with air, trying to get a hotter burn, actually take the coal and turn it into a gaseous state and then burn the gas. The other gases are siphoned off and sometimes you can market them like hydrogen or carbon dioxide, which is a concern on global warming but is also a commodity product, that can be used. So that is very exciting and even in my congressional district in a community, called Taylorville, there is a plan to build a coal gasification plant.

Most needs are being met primarily by imported crude oil. We also import refined products, which I find disgraceful. That is why we moved into the alcohol based fuel debate. But we cannot really grow enough corn to meet that need, so the new bioenergies are in deep research and development, in particular on cellulosic ethanol. We have \$3.3 billion in this energy bill authorizing fuel cell and hydrogen R&D. The fuel debate we are having on ethanol and other fuels is really a bridge to give us, without hurting the economy, time until we will be ready to deploy hydrogen. I did drive a purely hydrogen fueled van about 6 months ago. Asking price was \$1.5 million, a little bit out of the reach of the average family. But it shows you, that research is coming to the forefront showing that hydrogen is the fuel for the near future.

More than 50% of the electricity in Illinois is produced by nuclear power and a lot of these power plants are right in the city of Chicago. As far as emission there is none. We do have the nuclear waste issue, which isn't, I think, a problem. We provide incentives such as loan guarantees, insurance against regulatory delays and the Price-Andersen Act nuclear liability system. That is how we hope we can expand nuclear power in this country.

Reducing Demand: What we've done (EPAct 2005)

- ✓ Renewable Fuels Standard
- ✓ Appliance Efficiency Standards
- ✓ Hybrid/Flex Fuel Vehicle
- ✓ Government Energy Efficiency

By reducing the demand for fuel we really didn't reduce the need for fuel but we replaced it by an alcohol based fuel, ethanol, by means of a renewable fuel standard. In a public policy statement we said that by 2012 we want 7.5 billion gallons a year to be renewable fuel, bioenergy produced, corn produced fuel. With this statement we sent a signal to the markets and the capital investors, saying that the federal government is serious about trying to decrease our reliance on imported crude oil. Efficiency standards comprise all those things that help to decrease the demand.

The policy for hybrid/flex fuel vehicles is requiring the federal government to purchase hybrid vehicles, i.e. gasoline-electric combined vehicles or flex fuel vehicles, similar to the vehicle I drive. It is a Ford Explorer. It will take either 100% petroleum gasoline or it will take 85% alcohol based ethanol.

For government energy efficiency we require a 20% reduction in federal building energy use by 2015.

Common Sense Rules: What we've done (EPAct 2005)

- ✓Electricity Reliability
- ✓Hydro licensing reform
- ✓Streamline LNG siting
- ✓Nuclear Indemnification (Price-Anderson)

We have established an Electric Reliability Organization (ERO), creating an incentive-based rate-making for transmission. If we encourage people to have all these green power facilities, either wind turbines or solar panels, we are going to use other types of technologies and we need mandatory reliability standards by which everyone is going into the grid. A lot of our power, especially in the West, such as in Oregon and Idaho, is produced by hydro-electric power plants. The hydro licensing reform streamlines the licensing processes for expanding hydro power. We want to streamline liquid natural gas (LNG) by bringing natural gas into this country through port terminals. In the United States we call it the NIMB factor, which means "not in my backyard", which causes people not to want facilities. After a period of time of debate, again go back to what you all do as capitalists. You have to make a decision on your investment how long you are going to fight the permitting battle before you walk away from your investment. We don't mind the battles. But let's have the clock stopped eventually to make a decision to go forward or not. I mentioned already the Price-Anderson nuclear indemnification, which gives certainty to the folks, who want to build new nuclear power plants, that we are in fact interested in nuclear power and not in opposition to that.

EPAct Specifics: Title XII — Electricity (Provisions related to Transmission)

Subtitle B — Transmission Infrastructure Modernization

Siting of Interstate Electric Transmission Facilities (Sec. 1221)

Advanced Transmission Technologies (Sec. 1223)

Subtitle C — Transmission Operation Improvements

Federal Utility Participation in RTO's (Sec. 1232)

Study on the Benefits of Economic Dispatch (Sec. 1234)

Subtitle D — Transmission Rate Reform

The Electricity Title of the Energy Bill contains provisions meant to increase new transmission through incentives while improving advanced transmission technologies.

In Subtitle B the Secretary of Energy is required to conduct a study of electric transmission congestion every three years. We did have a mayor blackout a year and a half ago. That causes us to really look at the congestion issues. I am a big believer in the expansion of the grid. Chicago is a perfect example. I visited years ago a mayor transmission line that was headed up for Wisconsin and was stopped at the stateline, because of the court procedures.

Subtitle C deals with transmission operation improvements. How do you fund these improvements? Federal utilities are authorized to participate in regional transmission organizations (RTO).

Economic dispatch is the method of determining the most efficient, low-cost and reliable operation of a power system by dispatching the available electricity generation resources to supply the load to the system. Its goal is to minimize the total cost of generation while honoring the operational constraints of the available generation resources.

EPAct 2005 Helps Meet Today's Energy Needs

Energy Production since passage of EPAct 2005:

Number of new ethanol plants that have broken ground	27
Amount of new ethanol production online	500 million bpd
Number of E-85 pumps installed	401
Number of new nuclear reactors planned	25
Number of hybrid vehicles purchase since Jan. 1, 2006	116,871
Amount of new wind power online, megawatts	2,900 MW
Number of homes that can be powered by new wind power	783,000
Amount of economic activity spurred by new wind power production	\$4 billion
Amount of CO2 offset by new wind power production	7 billion lbs.
Amount of new wind power by end of 2006	5,200 MW
Number of homes that can be powered by new wind power by end of 2006	1.4 million
Amount of increase nationwide of solar thermal collectors installations	30%
Number of new efficiency standards implemented for large appliances	15
Amount of energy saved by 15 new efficiency standards by 2020	50,000 MW

What has happened since we passed the Energy Policy Act?

The number of new ethanol plants that have broken ground is 27. We have over 100 ethanol refineries in this country. The farmers in my congressional district are in harvest right now.

Farmers are never really happy and especially in this year with higher energy costs. They are harvesting today soy beans and corn with increased prices being quoted at the elevators. This means, the demand for these products is going up. That is a good thing for the farmers.

Another example about ethanol is the fact that 2 years ago I did not have one single retail location in my congressional district which represents one third of the state of Illinois and 30 counties. Now I can drive to any place in my congressional district and refuel my vehicle with 85% ethanol. Some areas of the country are not that far.

We have 25 new nuclear reactors planned. We got 116,000 hybrid vehicles purchased since January 1st. 2,900 MW of wind power is online. Other accomplishments you can read for yourself on the slide.

American Energy: Building on Success Legislating in 2006 – 109th Congress

Refinery permit streamlining

- ☑ H.R. 5254, “Refinery Permit Process Schedule Act”, House Passed 6/7/06

Hydrogen R&D (“H-Prize”)

- ☑ H.R. 5143, “H-Prize Act”, House Passed 5/10/06

Develop Domestic Supply:

- ☑ ANWR: H.R. 5429, “American-Made Energy and Good Jobs Act”, House Passed 5/25/06
- ☑ OCS: H.R. 4761, “Deep Ocean Energy Resources Act”, House Passed 6/29/06

What else do we try to do? There is a couple of bills that are still pending. Right now we are out for the election. My prediction is, depending on the outcome, we could be working all the way up to prior to Christmas. We are trying to streamline the ability to build new refineries. Building new refineries is very difficult in this country.

We have develop a hydrogen R&D “H-Prize”.

We continue to try to get the oil from Alaska. We also try to develop the deep ocean energy resources. We have a lot of natural gas and oil on the outer continental shelf.

In the United States we have a bicameral legislative body. We have a House of Representatives and the Senate. It is very dysfunctional. But it is the way the founding fathers designed it to protect us from ourselves. In that design we can move things through the House or likewise there may be a roadblock from the other body.

Pending Telecommunications Legislation

HR 5252, the Communications Opportunity, Promotion and Enhancement Act (COPE Act)

- ✓Creates competition in the video marketplace
- ✓Expedites the process for a new entrant into video marketplace
- ✓More pipes means more choice for consumers and more production of cables for manufacturers
- ✓The House has passed the COPE Act, it is currently awaiting Senate Action

This piece of legislation has passed the House of Representatives. It is called the COPE Act, but I call it the video competition act. In the video services arena we have some competition but not nearly the competition many of us would like. The cable industry, because we dropped their regulation, has been able to take full advantage of it, as they should, to provide new full extended services, such as telephone, video and high speed broadband interconnectivity. Who can compete with that? The telephone companies can, if we ease up some of their regulations and restrictions. Since the cable lines were put on power poles or telephone poles, the local communities worked out this deal to give the cable company a monopoly. Now there is an argument that this monopoly is no longer needed because of technology and telecommunications ability.

Other competitive areas that we will deal with: We do have direct TV through satellites. The cellular communication world is expanding. That is what this piece of legislation is attempting to do. Hopefully we get passage and can send it by the President by the time before Christmas Eve.

One thing I would like to add is on nuclear power. One of the best things we can do in this country to promote nuclear power is to open up Yucca Mountain. Here in Chicago we have about 10 nuclear power plants and their high level nuclear waste, since they went online, is stored here in Chicago in 10 different locations. Because of all of our nuclear power waste we decided years ago to put all this nuclear waste in one location, to get it out of our communities. To put it under a mountain in a desert would be the safest place. But we have been in a political battle since that announcement. The nuclear power industry assists the government to build that repository in Yucca Mountain. Hopefully we come to a political agreement on that soon. Thank you for your attention.