TESTIMONY OF
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Thank you, Mr. Chairman and Members of the Committee, for the invitation to appear here today. The Administration and the Environmental Protection Agency (EPA) welcome the opportunity to address the issue of energy and the protection of our environment.

The American public deserves an adequate energy supply and a high standard of environmental protection. Both are clearly achievable. The Clinton Administration has excelled in ensuring both environmental improvement and superior sustained economic growth.

The Clean Air Act is one of this country's most important environmental statutes, especially as strengthened by Congress in 1990 in a law signed by then President Bush. This Administration has aggressively implemented the Act to protect public health, and has done so in a sensible way. Even in the face of impressive economic growth, pollution reductions are occurring and we are finding ways to use energy more efficiently and cleanly.

Although we've been vigilant in protecting public health, we've done so in reasonable ways so that the economy has grown. For example, over the past decade the nation's gross domestic product increased 32 percent and vehicle miles traveled increased 30 percent – while aggregate emissions of six primary air pollutants decreased 9 percent.

More important than these impressive numbers is the human health story associated with reductions in air pollution. Upon full implementation of the Clean Air Act Amendments of 1990, the central estimates in a peer-reviewed EPA study of the annual benefits to the nation will

include: 23,000 fewer incidences of premature mortality; 67,000 fewer cases of chronic and acute bronchitis; 64,000 fewer respiratory and cardiovascular hospital admissions; and 1.7 million fewer asthma attacks. No one can disagree that the benefits of the Act have clearly outweighed the costs.

Communities across the country have benefitted from cleaner air. Since 1990, an unprecedented number of cities have met the health-based national ambient air quality standards. For example, of the 42 carbon monoxide (CO) areas designated as nonattainment in 1991, only 6 areas continue to experience unhealthy levels of CO, which contributes to heart pain, or angina.

Energy production and use are major sources of air pollution and its resulting health and environmental effects. The burning of fossil fuels ranging from coal to diesel fuel is a major source of air pollution. In 1998, for example, electric utilities emitted 67% of the nation's sulfur dioxide (SO_2) emissions and 25% of the nitrogen oxide (NO_x) emissions. Both of these pollutants are damaging to public health and the environment. Sulfur dioxide is responsible for adverse health effects including breathing and respiratory symptoms, damaged lung tissue, and aggravation of existing respiratory and cardiovascular diseases. Nitrogen dioxide (NO_2) contributes to increased respiratory illness in children, aggravated asthma, and increased susceptibility to respiratory infections, for example. Both of these pollutants contribute to acid rain, crop damage, and decreased visibility to name but a few of the adverse impacts on our environment.

In addition to providing health benefits and a cleaner environment, a positive economic byproduct of our environmental progress has been the tremendous improvements in environmental protection technology – improvements in removing pollution from the air and water and at a lower cost.

The U.S. electricity generating sector has helped develop and been the beneficiary of reduced clean air technology costs and higher environmental performance for the past two decades. For example prior to 1980, dry scrubbers for power plants (flue gas desulfurization) generally achieved a 70% reduction in SO_2 emissions. Post-1990 wet scrubbers routinely achieve a 95% reduction in SO_2 emissions. The cost of cleaning the air has been going down as well. In Phase I of the Acid Rain Program, the average capital cost for scrubber installation was as high as $361/KW. The initial costs for installation of a scrubber under Phase II are as low as $100/KW.

At EPA, we are acting to ensure that efficient energy markets are also environmentally sound. Increasing the supplies of natural gas, oil, and electricity are not the only ways that Congress can help meet the energy needs of American families and businesses. If we use the energy we have more efficiently, and if we use cleaner renewable energy sources like wind, solar, and biomass, then we can achieve tremendous benefits to the environment even as we fuel the growing energy needs of our economy. Clean energy and energy efficiency have always been an important part of the Administration's energy policy.

Since 1992, EPA and DOE's Energy Star programs have been helping businesses and families select energy-efficient products that save money on energy bills while also helping to conserve energy supplies and reduce air pollution. A typical family can save up to $400 on their annual energy bills by choosing Energy Star products. New Energy Star gas furnaces, for example, can reduce a family's heating bill by 25-40% compared to old furnaces.

In the summer, Energy Star air conditioners, heat pumps and appliances help reduce the strain on the power system during heat waves. Reducing peak electricity demand on hot summer days not only helps prevent power disruptions, it also prevents additional air pollution from

power plants on likely ozone alert days, protecting the health of children and other vulnerable groups.

The Energy Star programs have already had a sizable impact in reducing the nation's peak power demand. Energy Star has eliminated the need for over 10,000 megawatts of peak summer generating capacity (which is about half the total peak demand in New England) while saving businesses and consumers more than $4 billion on this year's energy bills and also reducing air pollution.

Unfortunately, Congress' failure to fully fund the Energy Star partnerships has prevented EPA from making further reductions in peak electricity demand that would have improved the reliability of the power system. If Congress had fully funded the Administration's requests for EPA's Energy Star Programs over the past several years, electricity demand this summer could have been up to 3,000 megawatts lower than it is currently, equivalent to the power output of more than10 average-size power plants.

Congress has also failed to provide funding for the Clean Air Partnership Fund, which would provide resources for state and local governments to work with businesses to develop innovative energy efficiency strategies such as investments in clean distributed power sources that increase the nation's power supply.

Once again, both the House and Senate Appropriations bills for 2001 fail to fully fund the Energy Star program, and failed to provide any funding at all for the Clean Air Partnership Fund. The President remains committed to these programs, and I urge Congress to join us in taking an important step for improving power reliability for the future. If Congress fully funds the Administration's request for the Energy Star Programs, then -- over the next decade -- families and businesses could save an additional $35 billion on their energy bills while conserving

enough electricity to light 40 million homes in America. These investments would result in a reduction of 850,000 tons of NO_x over the next decade.

Let me also note that the President's electric utility restructuring proposal, which Congress has failed to enact, contains strong policy initiatives to promote energy efficiency and renewable energy. The proposal includes a renewable energy portfolio standard to increase the use of electricity from renewable sources to at least 7.5 percent of sales by 2010; a $3 billion per year Public Benefits Fund to spur greater investment in energy efficiency and renewable energy technologies; and a green labeling requirement to inform consumers about clean energy options.

Let me turn to the issue of regulations, and why EPA firmly believes that a reliable energy supply and protective environmental regulations can work together. While environmental protection does add to the cost of our energy supply, it cannot be considered the dominant driver in terms of energy prices or supply. The role of the price of crude oil remains the dominant factor affecting the gasoline and home heating oil price rises.

Let me assure you that the Environmental Protection Agency takes the issue of adequate energy supplies very seriously. I recognize that reliable supplies of electric power, home heating oil, and natural gas are all critical for the continued welfare of America's families. Where EPA and the Administration believe a forthcoming regulation may complicate an energy market, we have acted with foresight to incorporate appropriate flexibility into environmental regulations while maintaining the strongest protection of U.S. human health and the environment.

When developing regulations, we fully consider the impacts their timing may have on maintaining adequate energy supplies, and include provisions to provide flexibility and sufficient lead time. For example, concern has been expressed about the feasibility of electricity generators to comply with regional strategies to reduce emissions of ozone-forming chemicals (NO_x SIP call

and Section 126 petitions). The programs, which affect large industrial and electrical combustion units, use a cap-and-trade mechanism to achieve the required reductions in a flexible and cost-effective manner. EPA's analysis shows that it is technologically feasible to install the appropriate pollution control technologies to comply with the recent NO_x reduction regulations under the NO_x SIP call, without creating electricity reliability problems. There is considerable flexibility in the system. Nevertheless, to further assure reliability, EPA is allowing states to have a supplemental pool of credits – including credits for early reductions – to assist those facilities that experience unexpected problems.

We have also worked closely with industry and other stakeholders to design the Tier II automobile tailpipe standards and low-sulfur gasoline rule to be reasonable, flexible and cost-effective. To avoid supply problems, the rule gives refiners substantial lead time to produce low-sulfur gasoline. For most refiners, requirements phase in between 2004 and 2006, and qualifying small refiners will have additional flexibility through 2008. The rule provides compliance flexibility through annual averaging and trading of credits among refineries, and provides credits for early reductions. Also included are an extreme economic hardship provision and a special phase-in program for gasoline sold in certain western states.

Also, when faced with potential emergencies, EPA has worked closely with the Department of Energy to identify and pursue opportunities to temporarily increase energy supplies while protecting public health. To help avert electric power shortages, EPA has worked with states, utilities, regulators, and businesses to promote voluntary reductions of electricity use on peak energy use days. For example, because power outages usually occur during heat waves that cause "ozone alerts," EPA Regions have been prepared to incorporate public service

messages on reducing and shifting electricity demand into our existing public advisories about steps to reduce pollution.

EPA has also worked to improve flexibility in environmental regulations to achieve enhanced energy supply during emergencies in ways that maintain environmental protection. For example, in response to this summer's power shortages in California, EPA extended the federal permit flexibility that had already been given to emergency backup generators to allow them to operate in limited circumstances whenever possible to avert blackouts. Similarly, EPA is prepared to work this fall with Northeast states that wish to improve the flexibility of their regulations on the sulfur content of fuel oil, even though these state regulations have been in effect since the 1970's and are not the cause of potential fuel shortages this winter.

EPA will not stand in the way of allowing the energy sector to grow and change to match the dynamic needs of our economy. We are seeing major re-tooling of existing power plants (including the installation of new combined-cycle natural gas-fired turbines) and the proposed construction of many new greenfield plants. For example, New England currently has a capacity of about 25,000 megawatts, but there are about 31,000 megawatts of new capacity being proposed in New England. In the last three years alone, New England states and EPA have successfully issued air quality permits for 18 such plants.

The construction of these new, cleaner and competitive power plants in New England is a triple win for the environment, the energy sector, and the economy as a whole. The new plants will reduce dependence on older, dirtier and less reliable plants. The New England states have been issuing permits with tight emission limits, set at a tiny fraction of the emission rates from existing coal and oil plants: 1/200th the SO_x emissions, 1/40th the NO_x emissions, and ½ the CO_2 emissions.

Another example of permit assistance is the Alaska Permit-by-Rules Project. EPA Region 10 has been working with the State of Alaska and the oil and gas industry to streamline the air permitting processes for portable drill rigs in order to minimize the time it takes to get permits to drill or maintain wells in Alaska. This project is intended to create an innovative air permitting rule specifically applicable to portable equipment that will enhance the industry's ability to maintain the existing oil and gas production on the North Slope and other areas of Alaska.

EPA often acts proactively to avoid economic and energy disruptions. For example, just this past August, EPA signed an Administrative Order (AO) on Consent with Avista Corporation, relating to two natural gas and fuel oil turbines in Spokane, Washington. The AO was issued to allow Avista to operate in excess of permit limits for 30 days in order to supply electricity for the locally vital Bellingham Cold Storage (BCS) in Bellingham, Washington. Without the flexibility, this facility was faced with closing which would have reduced agricultural produce cold storage capacity in western Washington State by 40 percent.

We firmly believe that the Administration and Congress, acting together, can address current challenges to the energy sector of the economy, while maintaining public health protections. The Administration has proposed a number of initiatives over the years that may be worth a second look at this key time. Since 1993, the Congress has approved only 12 percent of the increases the President has proposed to develop clean, efficient sources of energy. Included in these proposals is comprehensive legislation to foster a new era of competition in the electricity industry. By allowing consumers all across our country to choose their own electricity supplier, we could enhance the reliability of electric power and save consumers nearly

$20 billion a year in energy costs. Energy savings of that magnitude deserve renewed consideration.

In conclusion, whether it is spurring the ingenuity of American business, investing in cleaner technologies, providing the cleanest burning fuels and vehicles for our transportation needs, or helping American families reduce their energy bills, we firmly believe in the need to protect the environment while at the same time ensuring that environmental policies are consistent with economic progress and sound energy policy. We can and must do this working with Congress and the energy industry to ensure environmental protection and affordable energy supply to the citizens of this country.

Thank you. I would be happy to answer any questions that you may have.