

Securing Our Energy Future

A Resources for the Future Policy Leadership Forum with Senator Barack Obama
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Fact Sheet: Senator Obama's Energy Independence Proposals

The days of running a 21st century economy on a 20th century fossil fuel are numbered – and Senator Obama's plan adopts a common-sense approach to meeting the nation's energy challenge and is paid for by simply closing some tax loopholes. Right now we have conventional technology ready to be deployed on a mass scale – more efficient engines, better transmissions, improved aerodynamics that can boost average car and truck efficiency to up to 40 miles per gallon. We also have developed clean coal and renewable energy innovations that have the potential to completely reshape our energy generation.

America can break free of our dependence on Mideast oil. We can do this with technology we have on the shelves right now; we can do it by saving, not crippling, our ailing auto companies; and we can do it by using the kind of clean, renewable sources of energy that we can literally grow right here in America.

HEALTH FOR HYBRIDS:

The transportation sector accounts for two-thirds of United States oil consumption. Wide scale deployment of hybrid and advanced fuel efficient vehicles could slash U.S. demand for overseas oil. As the demand for fuel efficient cars increases globally, foreign manufacturers are filling the orders by increasing production of efficient cars overseas while the U.S. industry continues to suffer from disappointing sales.

The U.S. automotive industry cannot afford not to adapt. Yet, with record losses it cannot afford to make the investments that are required to adapt.

The answer is not to sit idly by.

The Big 3 automakers rightly argue that their retiree health care costs, expected to be \$6.7 billion in 2005, hurt their ability to invest and compete. Health care costs account for \$1,500 of every GM car. This is a direct result of our inefficient and outdated health care system.

The U.S. government should pay a portion of the automakers' retiree health care costs in exchange for those companies' manufacturing fuel efficient cars in the United States.

A new trust fund would reinsure a portion of legacy health care costs of domestic manufacturers. The Secretary of Health and Human Services would design a reinsurance or stop loss program, focused on the pre-Medicare population, that would reduce overall spending on retiree health care by 10% from 2006-2010 when those costs are expected to

peak. The companies that participate in the program would invest at least 50% of their health care savings into manufacturing fuel efficient cars, such as hybrids and advanced diesel vehicles in the United States, or helping domestic parts suppliers retool their manufacturing plants to produce advanced parts. These investments will help domestic auto manufacturers and parts suppliers meet the growing demand for fuel efficient vehicles and prepare them for strengthened CAFÉ standards.

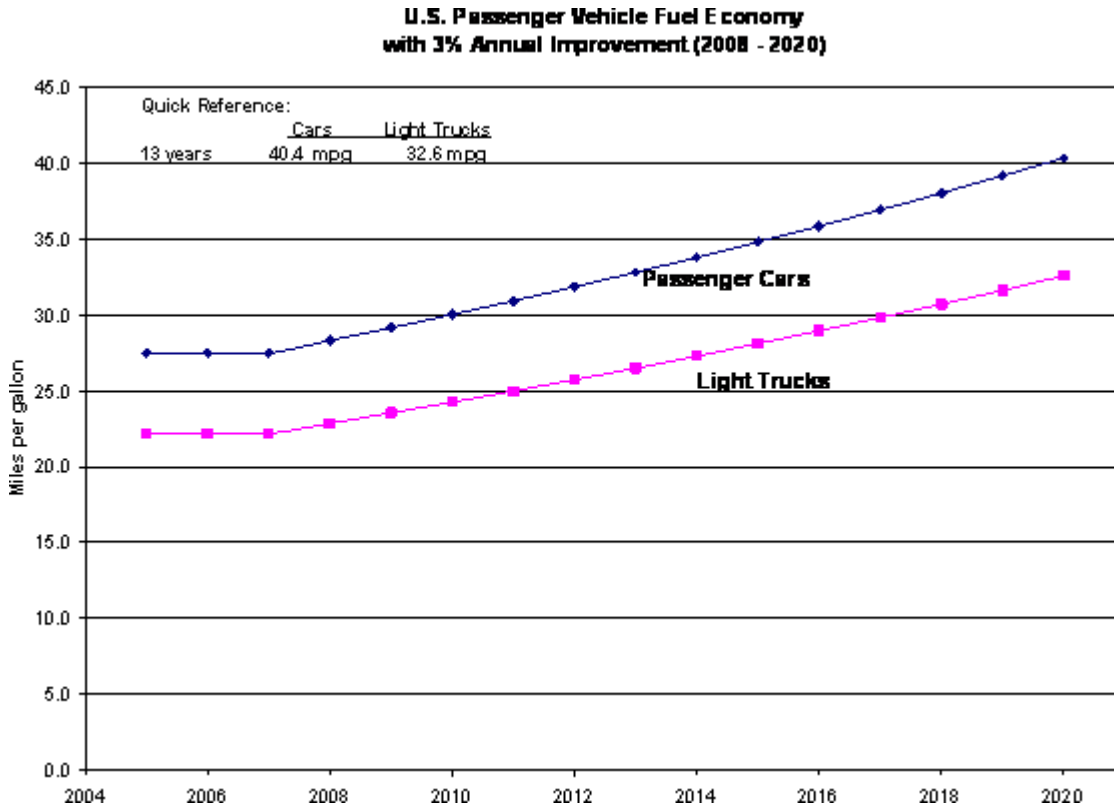
COST: \$670 million per year through trust fund. Funds would be paid for by clarifying, codifying and enforcing the economic substance doctrine as introduced in S.1565.

REFORM AND STRENGTHEN CAFÉ:

CAFE standards have essentially remained unchanged since 1985 despite significant gains in technology that allow for thousands of highly fuel-efficient vehicles to be on American roads today. Senator Obama calls for strengthening existing CAFÉ standards and extending CAFÉ requirements to larger light trucks, such as Hummers, that are currently exempt from federal fuel economy standards.

The National Highway Traffic Safety Administration (NHTSA) has already taken an important step in reforming CAFÉ by adopting a new size-based classification for fuel economy standards. Senator Obama would build on that new approach and modestly increase CAFÉ standards annually by 3% from 2008 to 2020. Automobile manufacturers already increase horsepower annually on a percentage basis. This gradual, long-term approach would shift the industry's emphasis from increased horsepower to increased fuel economy (better mileage), producing significant oil savings for consumers and the American economy. A 3% annual increase in CAFÉ standards starting in 2008 would result in an average of 40.4 mpg for passenger vehicles by 2020, and for light trucks, an average mpg of 32.6 by 2020. Auto companies that are not able to meet the new CAFÉ requirements would be able to purchase compliance credits from NHTSA. NHTSA would also be directed to extend CAFÉ standards to include 8500 – 10,000 GVWR light trucks, a class that includes Hummers.

The Obama proposal for increasing CAFÉ standards:



RENEWABLE FUELS:

Senator Obama is committed to increasing the availability of renewable fuels grown by American farmers. The Senator has already worked to bring funding for E-85 (fuels blended with 85% ethanol and 15% gasoline) by sponsoring legislation to give up to a \$30,000 tax credit for gas stations to build E-85 pumps, and co-sponsoring legislation to create a federal Renewable Fuels Standard (RFS) and expand bio-fuels research.

In addition to those efforts, Senator Obama will:

- Encourage federal administrators to enforce the Energy Policy Act of 1992 and President Bush's Executive Order of 2001 requiring all federal agencies to use E-85 in government fleets where available.
- Introduce legislation that requires the auto companies to only get credit for producing flexible fuel vehicles if they let consumers know about the technology. Many consumers do not even know their cars have the flexible fuel vehicle (FFV) capability and never fill up their cars with E-85. The Obama proposal would require that manufacturers only receive the CAFÉ credit if they publicize the alternative fuel capability of their product – through, for example, informational pamphlets, large stickers on the vehicles, and/or by selling the vehicle with a full tank of E-85.
- Require that all cars sold in the United States by 2010 are flexible fuel vehicles. The estimated cost of producing an FFV is only \$100/car and car companies

receive CAFÉ credit for producing them. As a result, many car companies are already making their new product lines FFVs.

- Pressure branded gas stations to install E-85 pumps in wake of reports that some industry leaders are actively dissuading E-85 sales.

CLEAN COAL:

Worldwide coal use expected to triple over the next 30 years, and the United States should lead the world in utilizing clean coal technology. Senator Obama believes that the Energy Policy Act of 2005 established an important federal commitment to helping U.S. scientists' further develop and deploy clean coal technologies. The Senator is committed to expanding those efforts to encompass not only integrated gasification combined cycle (IGCC) technology deployment, but also carbon sequestration and other innovative clean coal technology research and development.

RENEWABLE ENERGY:

Senator Obama proposes a federal Renewable Portfolio Standard (RPS) requiring that 20% of U.S. electricity consumption is derived by clean, renewable sources of energy by 2020. Eighteen states and the District of Columbia have enacted minimum RPS statutes for their state's electricity production, resulting in significant gains for consumers, farmers, and businesses. The Union of Concerned Scientists estimates that a federal 20% RPS would save the United States \$26.6 billion, primarily benefiting consumers. The Senator also believes that the federal government must step up its efforts to support private researchers and companies that are developing efficient renewable energy technologies.

LIHEAP:

In the wake of Hurricane Katrina and reduced oil refining capacity, the federal government must step up its commitment to assisting low-income families who will face an estimated 31% rise in home heating costs this winter. The federal Low-Income Home Energy Assistance Program (LIHEAP), which helps low-income households pay their home heating and cooling expenses, cannot afford to meet this year's increased electricity and natural gas prices. Senator Obama urges the President and Congressional leadership to include \$900 million dollars in emergency funding for LIHEAP, the Low Income Home Energy Assistance Program, to assist the neediest of American families.

REFINERIES:

Senator Obama believes that the United States must increase its domestic refinery capacity to meet its current and future oil demands.