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Clean Energy Gains in Senate

The U.S. Senate's version of a national energy bill includes more incentives for clean-energy sources.

June 28, 2005

The U.S. Senate on Tuesday approved a version of a national energy bill that includes \$18 billion in incentives for renewable energy sources along with traditional oil and gas production.

The bill, which would cost taxpayers about \$8 billion more than the House version, also provides incentives for reduced emissions and increased energy efficiency.

The Senate version requires that 10 percent of the electricity produced by utilities must be generated from renewable sources by 2020. While 18 states and Washington, D.C., already have different renewable energy standards, this would be the first national standard if the bill becomes law.

Other measures in the bill expand the use of ethanol in fuel and boost domestic production of natural gas, coal, and nuclear energy.

Clean-energy stocks moved higher on the news. In recent trading, the WilderHill Clean Energy Index, an index of clean-energy stocks, rose \$3.76 to \$158.99. It has risen \$11.14 since the U.S. Senate began debating the measure on June 14 (See [Clean Energy Gets a Boost](#)).

Reconciling the House and Senate versions won't be easy, although the White House is pressing for passage of an energy bill this summer. The measure grew in urgency as oil prices rose this spring. In recent trading, crude oil futures cost \$58.60 per barrel for August.

The House in April passed a much smaller bill, expected to cost about \$8 billion. The White House had requested a bill costing only \$6.7 billion. The Congressional Budget Office estimates the Senate bill would cost \$16 billion over 10 years.

Past Failures

The House and Senate have failed to agree on a clean-energy bill for more than four years, despite repeated debates and bills passed back and forth.

"I like the Senate version, but it's hard to buck the White House," said Robert J. Wilder, president and founder of WilderShares, which maintains the WilderHill index. "Still, it's much more patriotic to create our own power here in the states, to use wind and solar sources that create jobs here and don't jeopardize our security."

Remaining controversies include a waiver that would shield refineries from lawsuits claiming that the gasoline additive MTBE has contaminated water, as well as a provision for oil and gas exploration at the Arctic National Wildlife Refuge in Alaska. Both of the provisions were approved in the House, but were removed from the Senate

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bill.

Standards that would increase vehicle energy efficiency requirements were also left off. Any of these could send the process back to the drawing board. But Rhone Resch, president of the Solar Energy Industries Association (SEIA), said many of the major sticking points are being resolved.

"The contentious issues that have kept the four consecutive energy bills from passing have either been passed on to other legislation or stripped from this bill entirely," said Mr. Resch. "All indications are this bill will be passing, and passed quickly—by the end of July."

Solar Credit

He said the solar industry is particularly hopeful about a tax credit of up to \$2,000 to install solar-electric or solar water-heating systems in homes and businesses. The credit approved by the Senate would last until 2009 for homeowners, and until 2011 for businesses.

The solar tax credit was not included in the U.S. House bill. But the SEIA said it would cut the cost of solar power by half, creating 20,000 American jobs and saving consumers more than \$12 billion on electricity and natural gas bills.

"These provisions represent less than 1 percent of the bill—\$120 million over the course of five years—so the overall cost is miniscule compared to the benefit that will be achieved," Mr. Resch said. "This is one provision where Americans will see a high rate of return on their investment."

Others are less optimistic about how the final bill will look. "We've been talking about the same things for so long now that nobody's expecting a really fabulous bill," said Rona Fried, president of SustainableBusiness.com, an Internet community for green businesses.

"There are some progressive amendments out there, but what are the chances that they will pass? Overall, they are still pushing for nuclear and oil, and not focusing on energy efficiency," she said. "I'm not hopeful anything really exciting is going to come of it."

Many environmentalists said the bill still doesn't go far enough in pushing energy efficiency and conservation. The American Council for an Energy Efficient Economy said it favors one provision in the House bill over the Senate bill which would extend daylight savings time by two months to save electricity.

But the council's response to the Senate measure was generally positive. If it passes into law, the Senate bill will reduce energy use by 3.2 percent, the council said.

"The Senate bill efficiency provisions are a useful 'down payment' on addressing our nation's energy problems," said Steven Nadel, executive director of the council. "Much more needs to be done, but these provisions are a useful start."

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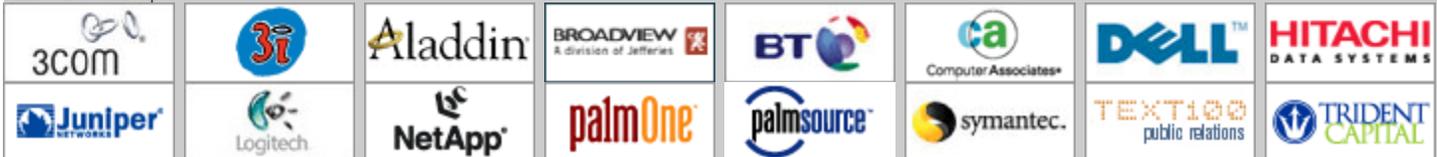
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