



CRS Report for Congress

The Strategic Energy Efficiency and Renewables Reserve Fund in the CLEAN Energy Act of 2007 (H.R. 6)

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Summary

H.R. 6 proposes to use revenue from certain oil and natural gas policy revisions to create an Energy Efficiency and Renewables Reserve Fund aimed at reducing foreign oil dependence and serving other purposes. The actual uses of the Fund would be determined by ensuing legislation that would attempt to draw down its financial resources. The Fund could focus on both fuels and electricity, and it could support a variety of tax, spending, or regulatory initiatives to address these issues and advance the prospects for renewable energy and energy efficiency.

Background

H.R. 6 was introduced by the House Democratic Leadership to revise certain tax and royalty policies for oil and natural gas and use the resulting revenue to support a reserve fund for energy efficiency and renewable energy. The bill is one of several introduced on behalf of the Democratic Leadership in the House as part of its “100 hours” package of legislative initiatives scheduled for the beginning of the 110th Congress. The schedule shows a January 18, 2007, date to launch floor action on H.R. 6.¹ Title I proposes to reduce certain oil and natural gas tax subsidies to create a revenue stream to support energy efficiency and renewable energy.² Title II would modify certain aspects of royalty

¹ U.S. Congress. House Majority Leader. *Majority Leader-Elect Hoyer Releases Schedule For First 100 Hours*. (press release) January 3, 2007. The press release is at [<http://majorityleader.gov/media/press.cfm?bSuppressLayout=1&pressReleaseID=1624>]. The calendar is at [<http://majorityleader.gov/docUploads/100hourscalendar.pdf>].

² A detailed description of existing oil and natural gas tax provisions is available in CRS Report RL33763, *Oil and Gas Tax Subsidies: Current Status and Analysis*, by Salvatore Lazzari.

relief for offshore oil and natural gas development to create a second stream of revenue to support energy efficiency and renewable energy.³

Section 405 of the House Rules⁴ creates a pay-as-you-go (PAYGO) point of order that prohibits the consideration of legislation that would have the net effect of increasing the deficit either in the six-year period including the current fiscal year or the 11-year period beginning with the current fiscal year.⁵ All new funding initiatives, including those for energy efficiency and renewable energy, would be subject to the PayGo limit. Thus, absent any other means, the proposed Reserve Fund in H.R. 6 would be used to support any *new* energy efficiency and renewable energy initiatives that would require FY2007 or subsequent fiscal year appropriations.

Strategic Energy Efficiency and Renewables Reserve

Reserve Fund Purposes and Permitted Uses

The stated purpose of the bill is to “reduce our nation’s dependence on foreign oil” and serve “other purposes” by investing in renewable energy and energy efficiency. Section 301 (a) of Title III of the bill would use the revenue obtained from oil and natural gas policy changes to create a Strategic Energy Efficiency and Renewables Reserve Fund (SEERRF). The Fund would be available to “offset the cost of subsequent legislation that may be introduced to accelerate the use of domestic renewable energy and alternative fuels, promote the use of energy-efficient products and practices, promote energy conservation, or increase research, development, and deployment of renewable energy and energy efficiency technologies.”

PAYGO Addressed by Reserve Fund Structure

Section 301 (b) would make the necessary adjustments to the levels associated with the budget resolution to ensure that receipts resulting from the tax and royalty actions are used only for *additional* spending in excess of the FY2007 baseline amounts, for the purposes specified in Section 301 (a).⁶ Further, Section 301 (b) specifies that the amount of the adjustments shall not exceed the receipts estimated by the Congressional Budget Office that are attributable to this act for the fiscal year in which the adjustments are made.

³ A detailed description of existing and proposed oil and natural gas royalty provisions is available in CRS Report RS22567, *Royalty Relief for U.S. Deepwater Oil and Gas Leases*, by Marc Humphries.

⁴ The House of Representatives adopted H.Res. 6, on January 5, 2007. The resolution sets out the rules of House operations during the 110th Congress

⁵ Section 405 of H.Res. 6 specifies that the projected effect of legislation on the deficit shall be determined on the basis of estimates made by the Committee on the Budget relative to estimates supplied by the Congressional Budget Office.

⁶ For more details on how reserve funds are used to make adjustments to a budget resolution, see CRS Report RL33122, *Congressional Budget Resolutions: Revisions and Adjustments*, by Robert Keith, p.12-13.

Initial Revenue Estimates for the Reserve Fund

According to the Congressional Budget Office (CBO), the proposed repeal of selected tax incentives for oil and natural gas would make about \$7.7 billion available over 10 years, 2008 through 2017. The proposed changes to the royalty system for oil and natural gas are estimated to generate an additional \$6.3 billion. This would yield a combined total of \$14 billion for the Fund over a 10-year period.⁷ The CBO estimates show that the total annual revenue flow would vary annually over the 10-year period, ranging from a low of about \$900 million to a high of about \$1.8 billion per year.

⁷ U.S. Congress. Congressional Budget Office. *H.R. 6, CLEAN Energy Act of 2007*. (Letter to Chairman Nick Rahall, Committee on Natural Resources.) January 12, 2007. 4 p. [<http://www.cbo.gov/ftpdocs/77xx/doc7728/hr6prelim.pdf>]