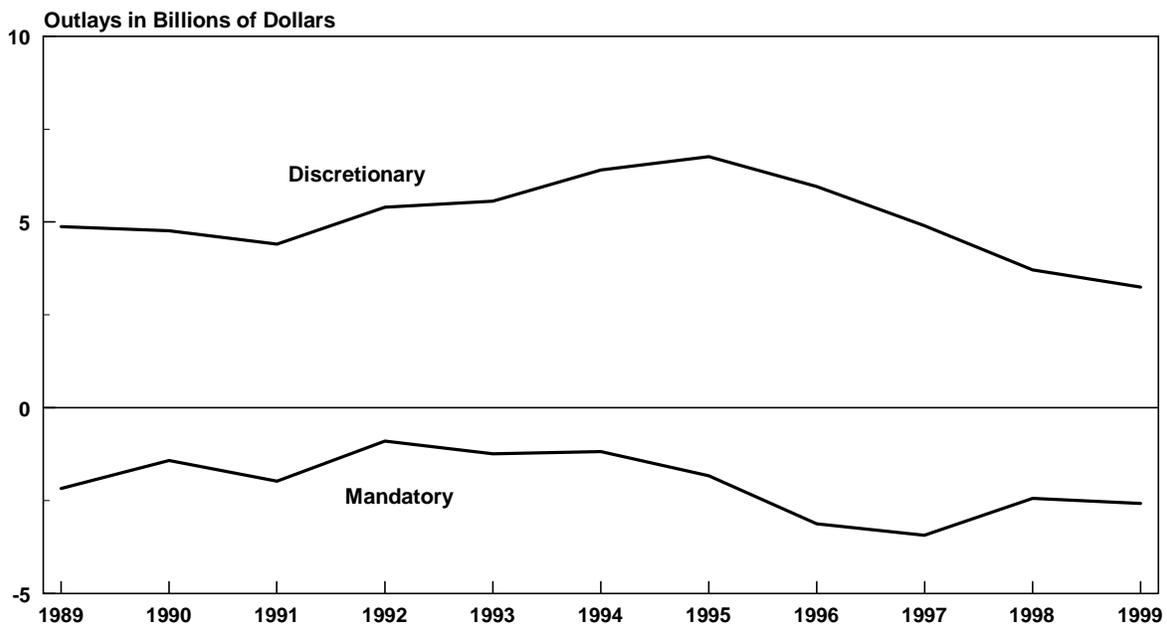


270

Energy

Budget function 270 includes funding for the nondefense programs of the Department of Energy as well as for the Tennessee Valley Authority, rural electrification loans, and the Nuclear Regulatory Commission. The programs supported by this function are intended to increase the supply of energy, encourage energy conservation, provide an emergency supply of energy, and regulate energy production. CBO estimates that discretionary outlays for function 270 will be \$3.2 billion in 1999; discretionary budget authority provided for this year totals about \$3 billion. Negative balances in mandatory spending for the function result from repayment of loans, receipts from the sale of electricity produced by federal entities, and charges for the disposal of nuclear waste.



270-01 ELIMINATE THE DEPARTMENT OF ENERGY'S APPLIED RESEARCH PROGRAMS FOR FOSSIL FUELS

Savings
(Millions of dollars)
Budget
Authority Outlays

Annual

2000	307	123
2001	384	276
2002	384	369
2003	384	384
2004	384	384
2005	384	384
2006	384	384
2007	384	384
2008	384	384
2009	384	384

Cumulative

2000-2004	1,843	1,536
2000-2009	3,763	3,456

SPENDING CATEGORY:

Discretionary

The Department of Energy (DOE) currently spends over \$350 million to improve the applied technologies for finding and using fossil fuels (petroleum, coal, and natural gas). With the deregulation of first the petroleum market then the natural gas and electricity markets, the appropriateness of federal government funding for such research and development (R&D) is questionable.

One reason for deregulating prices in energy markets is to provide suppliers with incentives to develop newer and better technology and bring it to market. The recent deregulation of electrical generation markets, for example, has already brought a great deal of low-cost generating capacity on line, displacing higher-cost power plants.

In addition, private entities are more attuned to which new technology has commercial promise than are federal officials. Federal programs in the fossil fuel area have a long history of funding technologies that, while interesting technically, had little chance of commercial feasibility, even after years of federal investment. As a result, much of the federal spending has been irrelevant to solving the nation's energy problems.

Critics of the programs argue that DOE should concentrate on basic energy research and reduce the department's involvement in applied technology development. They contend the federal government has a comparative advantage in developing the basic science for a new energy source but has a comparative disadvantage in developing and demonstrating the costly technology. Because of general agreement on the benefits of the basic energy research, the Congress appropriated \$2.7 billion for DOE's basic energy science program for 1999, up from \$2.5 billion in 1998. That program allows university researchers and scientists at the national laboratories to better understand the materials and other sciences underlying energy use.

Finally, because energy prices are low, potential users of such technology have little incentive to invest in implementing it. Consequently, the technology developed by the program may well sit on the shelf until it becomes obsolete.

Defenders of the programs argue that federal R&D in those areas helps offset several existing failures in energy markets and that the programs therefore represent a sound investment for the nation. Current energy prices, they argue, do not reflect the environmental damage done by excessive reliance on fossil fuels, including the potential for global warming. In addition, current energy prices do not reflect the military and economic risks posed by reliance on Middle East oil. Although the DOE R&D programs cannot correct market failures in the short term, they may moderate the consequences of such failures over the long term.

270-02 ELIMINATE THE DEPARTMENT OF ENERGY'S APPLIED RESEARCH FOR ENERGY CONSERVATION

Savings
(Millions of dollars)
Budget
Authority Outlays

Annual

2000	382	95
2001	477	329
2002	477	439
2003	477	472
2004	477	477
2005	477	477
2006	477	477
2007	477	477
2008	477	477
2009	477	477

Cumulative

2000-2004	2,290	1,812
2000-2009	4,675	4,197

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

270-03, 270-04, and 270-08

In 1999, the Department of Energy (DOE) will spend \$477 million on programs to develop energy conservation technology. Those efforts include the Partnership for the Next Generation Vehicles (discussed in option 270-08) for automobile research as well as industrial and residential energy-efficiency research on, for example, more efficient lighting. (DOE separately provides grants to state and local agencies for energy conservation. Those grants are discussed in option 270-04.) Phasing out such research and development (R&D) would save \$1.8 billion over the next five years.

Opponents of federal spending for energy conservation R&D make several arguments. Generally, they argue that the federal government should stay out of applied energy technology development and concentrate on basic research in the science underlying those areas. Specifically, they note that many projects funded through this research effort are small and discrete enough—and, in many cases, have a clear enough market—to warrant private investment. In such instances, DOE may be crowding out or preempting private-sector firms. In other instances, such programs conduct R&D that the intended recipients are likely to ignore—often because it is too expensive or esoteric to implement.

Critics of the programs also note that other federal policies encourage the introduction of some of the technologies. Utilities, for instance, are encouraged to subsidize consumers' purchases of conservation technologies by underwriting the purchase of efficient home appliances. In addition, the tax code favors investments in conservation technology. Thus, federal government R&D programs may be duplicative given such other avenues of support.

Defenders of the programs argue that federal R&D in the energy conservation area helps offset several existing failures in energy markets. Current energy prices, they argue, do not reflect the environmental damage done by excessive reliance on fossil fuels, including the potential for global warming. In addition, current energy prices do not reflect the military and economic risks posed by reliance on Middle East oil. Although those DOE R&D programs cannot correct market failures in the short term, they can moderate the consequences of the market failures over the long term.

One advantage such programs have had over other DOE R&D efforts in the energy technology area is that many of the individual programs are small. Over the years, many of the best outcomes of the research efforts, such as thin films to make windows more energy efficient, have come from small research investments. Defenders also note that the rapid growth of such research that occurred in the early 1990s has ceased. Appropriations for 1999 are only 5 percent higher than appropriations for 1995.

(Because energy conservation R&D and the Partnership for the New Generation Vehicles overlap, the savings from eliminating both of them would be less than the sum of the two options.)

270-03 ELIMINATE THE DEPARTMENT OF ENERGY'S APPLIED RESEARCH FOR SOLAR AND RENEWABLE ENERGY RESOURCES

Savings
(Millions of dollars)
Budget
Authority Outlays

Annual		
2000	269	202
2001	336	319
2002	336	336
2003	336	336
2004	336	336
2005	336	336
2006	336	336
2007	336	336
2008	336	336
2009	336	336
Cumulative		
2000-2004	1,613	1,529
2000-2009	3,293	3,209

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

270-02 and REV-34

In 1999, the Department of Energy (DOE) will spend \$336 million on research and development (R&D) for solar and other renewable energy sources. The largest technology development efforts by far are those for developing alternative liquid fuels from biomass and electricity from photovoltaic cells. Smaller efforts involve electric energy storage and wind energy systems. Phasing out the research would save \$1.5 billion over the 2000-2004 time frame.

Opponents of federal support for such research argue that the federal government should stay out of applied energy technology development and concentrate on basic research in the science underlying those areas. Federally sponsored researchers lack the complex market feedback that helps researchers in private companies realize when their technologies become too esoteric or expensive for the market.

Another criticism shared by the conservation R&D programs (discussed in option 270-02) is that many of the research projects funded by the program are sufficiently small and discrete and have a clearly enough defined market to attract private funding. (Of course, with oil at its currently low price, many of those alternative energies are simply not economical.)

The biggest single solar energy program—photovoltaics—has largely succeeded, and program opponents might argue that it may now be time for an orderly withdrawal of federal support. Several large factories are producing photovoltaic cells, mainly for the export market, or are under construction. After nearly three decades of federal support, the market may well be becoming a purely private concern, and the government may wish to withdraw its support. Foreign firms, critics note, are likely to dominate the market because of their countries' higher domestic energy prices and consequent higher likely demand for alternative energy sources. U.S. consumers may let foreign companies and governments bear the cost of developing the energy sources and then buy the technology when it is cheap and perfected.

For liquid fuels derived from renewable resources (such as biomass), especially, the federal tax code already provides incentives for developing the technology. Ethanol fuels receive special treatment under the federal highway tax (see option REV-34). Furthermore, federal regulations authorized by many different statutes favor alcohol fuels, which now usually mean corn-based fuels. Such fuels could be derived from other biomass sources, however, with the right technology.

Defenders of the programs argue that energy markets are still far from perfect. The energy prices consumers pay fail to incorporate both the environmental and national security risks posed by the nation's dependence on fossil fuels. Furthermore, the United States also plays the role of international R&D laboratory for less developed countries, which often have much higher energy costs. Program defenders also note that funding has been constant since 1995.

270-04 ELIMINATE ENERGY CONSERVATION GRANT PROGRAMS

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	121	30
2001	151	104
2002	151	139
2003	151	149
2004	151	151
2005	151	151
2006	151	151
2007	151	151
2008	151	151
2009	151	151
Cumulative		
2000-2004	725	573
2000-2009	1,480	1,328

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

270-01, 270-02, and 270-03

RELATED CBO PUBLICATIONS:

Should the Federal Government Sell Electricity? (Study), November 1997.

Electric Utilities: Deregulation and Stranded Costs (Paper), October 1998.

Weatherization assistance grants supported by the Department of Energy's (DOE's) Office of State and Community Programs help low-income households reduce their energy bills by funding such activities as installing weather stripping, storm windows, and insulation. Institutional conservation grants supported by the office help reduce the use of energy in educational and health care facilities by adding federal funds to private and local public spending to encourage local investment in building improvements. The Office of State and Community Programs also supports the energy conservation programs of states and municipal governments that, for example, establish energy-efficiency standards for buildings and promote public transportation and carpooling. The DOE programs are independent of a similar block grant activity, the Low Income Home Energy Assistance Program, administered by the Department of Housing and Urban Development.

This option would halt new appropriations for the block grant programs that support energy conservation activities by the states. It would save \$1.3 billion in outlays from 2000 through 2009.

Federal grants to promote less energy consumption reflect the widespread concerns about energy-supply security—for all sources, including oil, natural gas, and coal—prevalent in the mid-1970s. Today, those concerns are more correctly focused on imported oil supplies. State grant programs that help reduce residential and institutional demand for natural gas and coal-generated electricity have little benefit for the cause of oil-supply security. And although the government has urged the reduction of energy use for environmental reasons, federal support for reducing the use of gas and coal through conservation grants for security or environmental needs conflicts with other federal policies that promote the production and use of those fuels.

Discontinuing the grant programs could impose hardships on states that wish to continue their energy conservation efforts but are financially stressed. Many states still rely heavily on such grants to help low-income households and public institutions. In addition, the voluntary energy savings those programs effect are an important part of the President's Climate Change Action Plan for reducing greenhouse gas emissions. Such considerations may result in continued federal support for the energy conservation grants.

270-05 ELIMINATE ELECTRIFICATION AND TELEPHONE CREDIT SUBSIDIES PROVIDED BY THE RURAL UTILITIES SERVICE

Savings
(Millions of dollars)
Budget
Authority Outlays

Annual

2000	43	1
2001	43	8
2002	43	19
2003	43	30
2004	43	37
2005	43	39
2006	43	42
2007	43	42
2008	43	42
2009	43	42

Cumulative

2000-2004	215	95
2000-2009	430	302

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

270-06, 270-07, 450-01, and
REV-41

RELATED CBO PUBLICATIONS:

*Should the Federal Government
Sell Electricity?* (Study),
November 1997.

*Electric Utilities: Deregulation
and Stranded Costs* (Paper),
October 1998.

The Rural Utilities Service (RUS) is an agency within the Department of Agriculture that, among other activities, offers financial assistance in subsidized loans and grants to electric and telephone companies serving primarily rural areas. This option addresses only the credit subsidies provided through loans for electrification and telephone service that were previously administered by the Rural Electrification Administration (REA). The former REA programs were combined with other loan and grant programs in 1994 to form the RUS. (Additional potential savings from cutting other RUS programs are described in option 450-01.)

For 1999, RUS subsidies to electric and telephone companies total about \$43 million. In addition, the agency spends nearly \$30 million per year administering those programs. Eliminating the credit subsidies for loans made or guaranteed by the RUS would reduce outlays by an estimated \$302 million between 2000 and 2009.

The savings shown in the table could result from either of two scenarios: discontinue lending and require RUS borrowers to use private sources of capital for all of their loan needs, or continue a federal loan program but eliminate subsidies. A loan program with no subsidy costs would require raising the interest rates on loans to rural electric and telephone companies to the level of the Treasury's cost of borrowing; it would also mean charging small loan origination fees to cover the cost of defaults for certain classes of loans. In addition to savings in subsidy costs, some savings in administrative costs could result if all such lending was discontinued. Some of the nearly \$30 million per year in current salaries and expenses would be required to administer existing loans, but those costs could be gradually reduced under a no-new-lending option. Additional administrative savings over the 2000-2009 period could be achieved by eliminating the program, but those additional savings are not counted in this option.

The loan program for rural electrification and telephone service has largely fulfilled its original goal of making those services available in rural communities. Most of the communities that the RUS subsidizes are now much larger than the original service area requirement of no more than 1,500 inhabitants. RUS borrowers serve about 10 percent of U.S. electricity customers and 4 percent of telephone customers. In addition, more than 95 percent of rural America has electric service. Moreover, most RUS borrowers already use some private financing. Because the cost of interest accounts for only a small percentage of the typical customer's bill, eliminating the remaining federal subsidy would have little effect on the utility rates that most borrowers charge their customers.

Proponents of the RUS claim that many borrowers still depend on federal loans to maintain and expand those utilities. Increasing the interest rates or charging origination fees on some loans would raise the rates that such borrowers charged their customers, especially in the rural regions that are most affected. Borrowers argue that they need some level of subsidization to keep their service and utility rates comparable with those in urban areas.

270-06 RESTRUCTURE THE POWER MARKETING ADMINISTRATIONS TO CHARGE HIGHER RATES

	Savings (Millions of dollars)	
	Budget	Outlays
Annual		
2000	0	0
2001	130	130
2002	130	130
2003	130	130
2004	130	130
2005	130	130
2006	130	130
2007	130	130
2008	130	130
2009	130	130
Cumulative		
2000-2004	520	520
2000-2009	1,170	1,170

SPENDING CATEGORY:

Mandatory

RELATED OPTIONS:

270-05, 270-07, and REV-41

RELATED CBO PUBLICATION:

Should the Federal Government Sell Electricity? (Study), November 1997.

The three smallest power marketing administrations (PMAs) of the Department of Energy sell about 1 percent of the nation's electricity: the Western Area Power Administration, the Southwestern Power Administration, and the Southeastern Power Administration. That power comes largely from hydropower facilities that the Army Corps of Engineers and the Bureau of Reclamation have built and continue to operate. Current law requires that those sales be made at cost—a situation intended to ultimately reimburse taxpayers for a share of the costs of construction, costs of current operations, and interest on the portion of total costs that has not been repaid. Interest charges are generally below the government's cost of borrowing, which, along with the low cost of generating electricity from hydropower, result in power rates for federal customers that are significantly below the rates that other utilities charge. The process results in average revenues that are about 40 percent below what nonfederal utilities receive from their sales to wholesale distributors across the country, according to a General Accounting Office analysis of Energy Information Administration data. Current law also requires that PMAs first offer that power to rural electric cooperatives, municipal utilities, and other publicly owned utilities.

Restructuring would require that those three PMAs sell electricity at market rates to any wholesale buyer. Implementing higher rate charges would bring in about \$130 million in 2001 and increase total receipts by about \$500 million through 2004 relative to the 1999 level.

The current beneficiaries of the federal power program argue that restructuring could greatly increase the electric utility rates for the many small and rural communities served by PMAs. They also argue that continuing low-cost federal power is necessary to counter the uncompetitive practices of investor-owned utilities and to support the economies of certain regions of the country.

The rationale for federal power subsidies is not as strong as it once was. The market power of private utilities is checked by federal and state regulation of the power supply, by federal antitrust laws, and, increasingly, by competition from independent power sources. In addition, the disparity of incomes in different regions of the country has diminished. In many cases, neighboring communities—some receiving federal power and some not—have no discernible differences. Except for households in the Northwest, federal sales of power reduce electric bills only slightly; therefore, the impact of increased federal rates on average costs is small. In addition, the prospect of significant future costs of producing electricity from hydropower further supports the case for increasing power rates now. Such costs are for long-deferred maintenance and upgrades and for addressing the environmental needs of threatened species. The opportunity to earn additional revenues from federal power sales may be short lived: new power sources are becoming increasingly competitive with federal power.

270-07 SELL THE SOUTHEASTERN POWER ADMINISTRATION AND RELATED POWER GENERATION EQUIPMENT

	Savings (Millions of dollars)	
	Budget Authority	Outlays
Annual		
2000	0	0
2001	0	0
2002	1,600	1,600
2003	-161	-161
2004	-164	-164
2005	-168	-168
2006	-171	-171
2007	-175	-175
2008	-178	-178
2009	-182	-182
Cumulative		
2000-2004	1,275	1,275
2000-2009	401	401

SPENDING CATEGORY:

Mandatory (excludes discretionary savings for operations)

RELATED OPTIONS:

270-05, 270-06, and REV-41

RELATED CBO PUBLICATIONS:

Should the Federal Government Sell Electricity? (Study), November 1997.

Electric Utilities: Deregulation and Stranded Costs (Paper), October 1998.

The Southeastern Power Administration (SEPA) of the Department of Energy sells electricity that comes from hydropower facilities that the Army Corps of Engineers has constructed and operates. SEPA pays private transmission companies to deliver that power to over 300 wholesale customers: rural cooperatives, municipal utilities, and other publicly owned utilities. In 1997, SEPA sales met about 1 percent of the total power needs in the 11 states where it operates. Its biggest customer, the Tennessee Valley Authority (TVA), purchased 37 percent of SEPA power that year. Power rates are designed to recover for taxpayers a share of the costs of construction, costs of current operations, and a nominal interest charge on the portion of total costs that have not yet been recovered. The average revenues from SEPA power (for sales other than to the TVA) are about 2.7 cents per kilowatt-hour (kWh), compared with average revenues in the region of 4.7 cents per kWh.

Selling assets that directly support the production of electricity would save about \$1.3 billion over the 2000-2004 period. That estimate reflects sale proceeds of about \$1.6 billion minus a loss of budgetary receipts for that period of about \$170 million annually. Those figures do not include discretionary budgetary savings of about \$75 million annually from ending appropriations to SEPA and the Corps for operations. The estimate of sale proceeds is based on recent sales of hydroelectric assets in the United States. Corps assets to be transferred would include equipment, such as turbines and generators, but not the dams, reservoirs, or waterside property. The sale would also include rights of access to that equipment and to the water flows necessary for power generation, subject to the constraints of competing uses of water.

The original reasons for establishing SEPA—marketing low-cost power to promote competition and fostering economic development—are no longer compelling to many because of the small amount of power SEPA sells and because of competitive and regulatory constraints on power rates. The Congress has considered legislation to sell SEPA, and the President has included its sale in past budget proposals. The details involved in such a sale may be somewhat tricky, however. Many Corps facilities serve multiple purposes, for example, managing water resources for navigation, flood control, or recreation as well as for power generation. Proponents of maintaining federal ownership believe that nonfederal entities lack the proper incentives to perform all those functions. They also argue that increased power rates could accompany selling SEPA.

But selling federal facilities does not mean transferring all water resource functions. The Corps could retain direct responsibility for managing water flows for all uses, including the upkeep of basic physical structures and surrounding properties. Or, as with other nonfederal dams, the terms of the federal license to operate the facility (issued by the Federal Energy Regulatory Commission) could dictate the management of water flows for competing purposes. The General Accounting Office has estimated that the impact of the sale on the power bills of consumers would be negligible.

270-08 ELIMINATE FEDERAL FUNDING FOR THE PARTNERSHIP FOR NEW GENERATION VEHICLES

Savings (Millions of dollars)		
Budget		
	Authority	Outlays
Annual		
2000	191	54
2001	240	161
2002	240	214
2003	240	232
2004	240	235
2005	240	235
2006	240	236
2007	240	236
2008	240	236
2009	240	236
Cumulative		
2000-2004	1,151	896
2000-2009	2,351	2,075

SPENDING CATEGORY:

Discretionary

RELATED OPTION:

270-02

The Partnership for New Generation Vehicles (PNGV) is a joint federal/private research effort that performs cooperative, precompetitive automotive research, mainly focusing on energy-efficient vehicles. The partnership draws on the resources of five federal agencies, most notably the Department of Energy (DOE). Within DOE, the partnership primarily falls under energy conservation, where it received \$129 million for 1999. Total federal funding is \$240 million. Eliminating the program would save \$896 million over the 2000-2004 time frame. (Because the PNGV and the energy conservation programs—option 270-02—are related, the savings from eliminating both of them would be less than the sum of the two options.)

Critics of the program argue that the federal government benefits little from conducting such applied research. Accordingly, society would be better served, they argue, if the federal government focused on basic research and did not try to develop technologies intended to be commercialized in the next few years. Critics also point out that the partnership has not succeeded in its stated goal of using federal dollars to attract more research funds to the area. The intent of the joint federal/private partnership was to leverage federal dollars into increasing such research. A recent National Academy of Sciences evaluation of the program "found no evidence that the PNGV program has stimulated an increase in resources for the development of these alternative systems and devices for automotive applications . . ." except for some work in the area of fuel cells. U.S. automakers—all industrial giants—have adequate access to capital; they could easily fund research into new generation vehicles, if they so desired. Their annual advertising budgets are 15 times the size of the program.

Finally, opponents of the program note that both Honda and Toyota have announced their intention to sell a next generation vehicle in the United States beginning this year or next. (The Toyota vehicle is already sold in Japan.) Both vehicles are powered by hybrid power systems, including both a gasoline engine and an electric motor. The companies claim that the vehicles will deliver fuel efficiency in excess of 65 miles per gallon and that emissions will be substantially reduced.

If those models succeed in the U.S. market, U.S. automakers will have every incentive to rapidly develop such cars, even without federal funding. If the hybrid cars do not succeed in the U.S. marketplace, additional federal dollars would not necessarily succeed in revoking the judgment of the market.

Supporters of the program argue that continuing imperfections in energy markets and environmental considerations make the development of the technology a public policy matter. Moreover, the National Academy of Sciences report, even after noting that the partnership may not have stimulated the development of higher-risk PNGV technologies, calls for expanded federal support for developing long-term PNGV technologies.

270-09 SELL OIL FROM THE STRATEGIC PETROLEUM RESERVE

Savings
(Millions of dollars)
Budget
Authority Outlays

	Annual	
2000	143	143
2001	175	175
2002	180	180
2003	185	185
2004	190	190
2005	33	33
2006	0	0
2007	0	0
2008	0	0
2009	0	0
	Cumulative	
2000-2004	873	873
2000-2009	906	906

SPENDING CATEGORY:

Mandatory

RELATED CBO PUBLICATION:

*Rethinking Emergency Energy
Policy* (Study), December 1994.

The Strategic Petroleum Reserve (SPR) is a government-owned stock of crude oil that was first authorized in 1975 to help safeguard the nation against the threat of a severe disruption of oil supplies. The SPR consists of four underground sites along the Gulf of Mexico that together have the capacity to store 680 million barrels of oil. The SPR currently holds about 560 million barrels of oil. The Department of Energy (DOE) can sustain a maximum drawdown of about 4 million barrels per day (20 percent of the nation's current petroleum use) for 90 days. The department has released oil from the SPR in emergency circumstances only once—17 million barrels during the Persian Gulf War. The government's net investment in the SPR is about \$16 billion for oil and about \$4 billion for storage and transportation facilities. The current value of that oil is about \$7 billion.

This option would require DOE to reduce the size and excess capacity of the SPR by closing the smallest storage site, Bayou Choctaw, and selling the site's 68 million barrels of oil over a five-year period. It would place at least 10 million but no more than 20 million barrels on the market each year to minimize the impact of reducing the SPR on world oil prices. The Congressional Budget Office estimates that receipts from the oil sales would total \$873 million over the 2000-2004 period and appropriations for operating the reserve could be reduced after the site is decommissioned toward the end of the decade. The option conforms with past Congressional actions: in 1996 and 1997, the Congress directed DOE to sell SPR oil to offset spending on the SPR and other programs and has authorized DOE to reduce its excess capacity by leasing it to foreign governments or private entities. Thus far, however, efforts to lease excess capacity have not succeeded.

The argument for reducing the SPR is supported by changes in program benefits and costs since 1975. Structural changes in energy markets and the economy at large have reduced the potential cost of disrupting oil supplies and consequently the benefits from releasing oil in a crisis. The increasing diversity of world oil supplies and the growing integration of the economies of oil-producing and oil-consuming nations lessen the risk of such disruptions. Moreover, the experience of DOE in its Persian Gulf War sale and in recent sales indicates that the process of deciding to release oil and the sales mechanism can contribute to market uncertainty, further diminishing the benefits of release. The rising costs of maintaining the SPR also strengthen the case for reducing it: many of the SPR's facilities are aging and have required unanticipated spending for repairs to maintain drawdown capabilities.

Arguments against closing the site and selling the oil stress logistical and pricing concerns. Closing Bayou Choctaw could reduce DOE's flexibility in distributing oil if a drawdown occurred, especially in the Mississippi Valley region. With oil prices currently at 12-year lows, selling the oil now would significantly lessen its value relative to its average acquisition cost of about \$27 per barrel. Another argument against this option concerns the effect of selling SPR oil on domestic oil producers, which prompted the Congress to repeal legislation in 1998 requiring oil to be sold.

270-10 ELIMINATE THE ANALYSIS FUNCTION OF THE ENERGY INFORMATION ADMINISTRATION

Savings (Millions of dollars)		
Budget		
	Authority	Outlays
Annual		
2000	16	10
2001	16	16
2002	16	16
2003	16	16
2004	16	16
2005	16	16
2006	16	16
2007	16	16
2008	16	16
2009	16	16
Cumulative		
2000-2004	80	74
2000-2009	160	154
<hr/>		
<u>SPENDING CATEGORY:</u>		
Discretionary		
 <u>RELATED OPTION:</u>		
350-01		

The Energy Information Administration (EIA), created by the Congress in 1977, is a statistical agency of the Department of Energy. EIA's mission is to develop data and analyses on energy resources and reserves, production, demand, and technologies as well as related financial and statistical information on the adequacy of energy resources necessary to meet U.S. energy demand. Eliminating the analysis function would save \$16 million in 2000 and reduce outlays by \$154 million through 2009 relative to the 1999 funding level.

The Congress created EIA when many people thought that the United States would deplete its reserve of fossil fuels. Because that concern has been alleviated, some argue that eliminating EIA's analysis function is appropriate. Furthermore, some critics of EIA assert that independent analysis is already done by academicians, the Department of Energy's Policy Office, the Congressional Research Service, and the General Accounting Office. In addition, some critics note that industry's willingness to fund specific research activities through trade associations, such as the American Petroleum Institute and the Edison Electric Institute, suggests that EIA is providing a service that the private sector would perform on its own.

EIA supporters claim that information collection, analysis, and dissemination should be done by an independent party. They claim that access to information is important to a competitive market. Although concerns about energy supplies have been alleviated, the Congress is now addressing such issues as global warming. Without independent analysis, the Congress would have to choose between analysis done by environmental groups and analysis done by industry sources.

Additional savings could be obtained by eliminating some of EIA's data collection or moving EIA's data collection responsibilities to other agencies such as the Federal Energy Regulatory Commission. Much of the information collected and distributed by the EIA is available through newspapers and trade sources. Natural gas and electricity futures prices are traded on the New York Mercantile Exchange, among others, and published daily in the *Wall Street Journal*. Although EIA conducts its own statistical surveys, it also develops reports based on information collected by the Federal Energy Regulatory Commission.