Estimating the Total Cost of S. 2095, the Energy Policy Act of 2003/04

	Low Estimate ($millions)	High Estimate ($millions)	Source/Notes
I. Summary			
Official Estimates for HR 6 (with imputed outlay-equivalent value for tax provisions)	31,069	45,341	
Plus components missing from total	85,662	89,314	
Less savings from proposed revisions to bill	3,683	3,816	
Total cost, "slimmed down" bill	113,048	130,839	
II. Starting Point: Official Cost Estimates for HR 6			
Net new authorizations	5,379	5,379	(1)
Net revenue losses	25,690	39,962	(2)
Total est. cost, Chairman's Mark	31,069	n/a	
III. Additions: Quantified Costs Missing from Official Estimate			
Program costs			
Inclusion of budget authorizations subject to appropriation	67,097	67,097	(3)
Liability caps and exemptions			
MTBE liability exemption	29,000	29,000	(4)
Removed in S. 2095	(29,000)	(29,000)	
Price-Anderson cap on nuclear liability (new reactors only)	792	1,584	(5)
Inaccurate accounting for costs of oil reserves			
Annual financing costs of Strategic Petroleum Reserve	840	3,000	(6)
Annual financing costs of Northeast Home Heating Oil Reserve	20	20	(6)
Loan Guarantees			
Alaskan Gas Pipeline	1,800	2,500	(6),(7)
Clean coal (sec. 412)	80	80	(8)
Other Adjustments			
Under-estimate of nuclear production tax credit	6,000	19,500	(9)
Removed in S. 2095	(6,000)	(19,500)	
Additional cost that was in HR6 official ests.	(167)	(167)	
Mandated direct spending	8,300	8,300	(10)
Increased cost of gasoline from ethanol mandates	6,900	6,900	(11)
Total additions	85,662	89,314	
Total before additional revisions	116,731	134,655	
IV. Additional Anticipated Savings from "Leaner" Revised Bill (S. 2095)			(12)
No energy savings performance contracts	3,000	3,000	
Remove tax credit eligibility for landfill gas	160	249	(15)
Delete Corps O&M	145	145	
Delay geothermal incentives, NEPA reimbursement	24	28	(13)
Delay selected oil & gas incentives, royalty-in-kind, and NEPA reimbursement	260	300	(13)
Delete subsidized uranium transfer to US Enrichment Corp.	94	94	
Reclassify R&D on ultra-deep wells as authorized subject to future appropriation	No change	No change	(14)
Reclassify coastal remediation as subject to future appropriation	No change	No change	(14)
Reclassify rural electric support via Denali commision as subject to future appropriation	No change	No change	(14)
Net reductions	3,683	3,816	
V. Estimated Cost of "Leaner" Energy Bill	113,048	130,839	

Sources/Notes:

(1) CBO estimate "based on a preliminary review of the November 18, 2003 conference report…In addition, enactment of H.R. 6 would affect spending subject to appropriation action. However, CBO has not completed an estimate of the potential discretionary costs of the act." See Kathy Gramp, "Estimated Impact of the Conference Agreement for H.R. 6 on Direct Spending and Revenues," Congressional Budget Office, November 18, 2003.

(2) Revenue loss estimate prepared by JCT. Outlay equivalent estimate derived based on EIA valuation of 1.8 c/kWh tax credit to wind as worth 2.8 c/kWh to the firm. This scale factor applied to all tax expenditures as a proxy for their value to the recipient firms. For more detail on revenue loss figures, see Joint Committee on Taxation, "Estimated Budget Effects of the Conference Agreement for the 'Energy Tax Policy Act of 2003', Fiscal Years 2004-2013," November 18, 2003. JCX-101-03.

(3) Value represents total authorizations of $72.48 billion, less amount captured by CBO. Aileen Roder, "Analysis of Authorized Spending in Energy Bill Report (H.R. 6)", Washington, DC: Taxpayers for Common Sense, November 16, 2003. [Add ref. to Roder's comparison provision-by-provision]

(4) Estimate based on "Fact Sheet: The Energy Policy Act of 2003 Will Cost Americans over $140 Billion," Committee on Government Reform, Minority Office, U.S. House of Representatives, November 2003.

(5) Heyes estimates the value of this subsidy at $3.3 million per reactor year, or roughly $350 million per year for the existing set of reactors, which are grandfathered into P-A for their operating life. These values represent subsidies to new reactors to be built due to the nuclear production tax credit, and using the same range of new reactors as was assumed in estimating the value of the nuclear production tax credit. Reactors are assumed to continue operating for 40 years once they come on line. Low estimate assumes tax credits trigger only 6 new reactors by 2020. High estimate assumes credits are reassigned after 8-year eligibility window expires for a specific plant, allowing 12 new subsidized reactors. None are assumed without subsidy. Value includes subsidies to reactors only; caps on contractors, transporters, federal facilities would be additional. See source (9) and Anthony Heyes. "Determining the Price of Price-Anderson," *Regulation*, Winter 2002-2003, pp. 26-30.

(6) Doug Koplow, "Title III - Oil and Gas, Review of Environmental and Fiscal Impacts of Selected Provisions," November 16, 2003. Available at www.earthtrack.net. For SPR, high estimate includes compounding of unpaid financing costs from earlier years. Low estimate assumes annual write-off of unpaid interest.

(7) Low estimate based on CBO, which assumes a default risk-adjusted cost of 10% of the loan guarantee cost. High estimate based on Koplow (source 6), comparing interest costs at government rates versus corporate rates during the first 8 years of the project. Life-cycle subsidies would likely be higher. Source for CBO Cost Estimate: CBO, "S. 14, Energy Policy Act of 2003, as introduced on April 30, 2003," May7, 2003.

(8) $800m loan guarantee assumed to have the same default-adjusted cost as Alaskan gas pipeline. Data on magnitude or beneficiary for loan guarantees in other clean coal sections of the bill were not available.

(9) Tax break extends well beyond 2013. JCT estimate of $167 million assumes no plants use the credit until close to 2013; they don't evaluate past that date. Total cost of the provision depends on how many plants use it, when they come on line, and whether credits may be assigned to new plants once existing plants have fully utilized the single-plant caps. High estimate reflects outlay-equivalent and reassignment of caps allowed. See Doug Koplow, "Understanding the Nuclear Production Tax Credit," November 2003. Available at www.earthtrack.net .

(10) Increased direct spending through royalty reductions, mandated reimbursements, and mandated studies. See Committee on Government Reform, Minority Office, Nov. 2003.

(11) Committee on Government Reform, Minority Office, November 2003. Based on estimates developed the Energy Information Administration in September 2003.

(12) Savings based on "Summary of Changes to Leaner Energy Bill," Senate Committe on Energy & Natural Resources, press release, February 11, 2004. Changes have neither been finalized or officially scored by CBO. Released legislation could differ in material respects from what has been presented in this press release.

(13) Outlay equivalent estimate only slightly higher than revenue loss since only one or two of the savings elements were associated with tax expenditures.

(14) Committee staff note that these reclassifications will save $1.5 billion, $1.1 billion, and $500 million respectively in mandated spending. This would reduce the CBO estimated cost significantly, shifting costs to the line item in section III or our table, "Budget authorizations subject to appropriation." The total estimated cost of the bill would not change.