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Business In The Beltway

Senate Passes Watered-Down Energy Bill

Brian Wingfield, 12.13.07, 8:34 PM ET

It looks like Congress will give the president an energy bill this Christmas after all. But it's not the gift many lawmakers would have chosen.

On Thursday evening, the Senate, by a vote of 86-8, passed an energy bill that will raise fuel-economy standards by 40% and dramatically boost production of ethanol and other biofuels. But it is merely a shadow of the bill Democrats wanted just last week, which would have required utilities to get 15% of their electricity from renewable power. They also had proposed a nearly \$22 billion tax package that would have allowed Congress to extend existing production and investment incentives for wind and solar power, raising money from Big Oil to help offset the spending.

Earlier in the day, the Senate voted not to move debate on the bill forward. But after an afternoon of deal making, Democrats were able to win support for the measure by dropping the tax package, which would have raised taxes on BP, Chevron, ConocoPhillips, Exxon Mobil and Royal Dutch Shell. The renewable electricity mandate was omitted after the Senate blocked the bill on a procedural vote last week.

Because the new bill does not include those provisions, President Bush is expected to sign it into law. The House first must vote on it, but the measure is expected to easily pass that chamber. But it remains to be seen what will happen to the renewable energy credits. They will either expire as planned at the end of 2008, or lawmakers will have to find a way to offset their costs.

Last summer, each chamber of Congress passed sweeping--though very different--energy bills. Lawmakers boasted of more efficient vehicles, less dependence on foreign oil, cleaner fuel sources and punishment for oil companies that dared to engage in price gouging.

But now, because of the whittling by Congress, the "energy" bill seems to be more of an "oil independence" bill. It includes the first increase in vehicle fuel economy standards in decades, which Detroit finally succumbed to earlier this month. Under the new legislation, the fleetwide standard will be raised to an average of 35 miles per gallon by 2020, up from 25 mpg today.

The bill also includes a provision to increase biofuel production to 36 billion gallons per year by 2022. Of this amount, 21 billion gallons must come from biofuels other than corn-based ethanol. Last year, total ethanol production in the United States was about 5 billion gallons, according to the Renewable Fuels Association, an industry group.

The fuel economy and biofuel boosts are designed to weaken the country's exposure to volatile oil prices. The bill also includes energy efficiency requirements for appliances and buildings.

Faced with stiff Republican opposition and a veto threat by Bush, Democrats made misstep after misstep in trying to pass the energy bill. It was too ambitious. It tried to force utilities to increase production of renewable energy in the face of fierce opposition by the utility industry group, and it included a tax package that the White House has long indicated it would not support.

Republicans also felt like they were left out of the negotiating process in reconciling the House and Senate versions of the bill. Sen. Pete Domenici, R-N.M., complained bitterly that House Speaker Nancy Pelosi, D-Calif., had assembled the bill with Democratic leaders behind closed doors. A final mistake may have been angering Domenici himself. The top Republican on the Senate Energy and Natural Resources Committee, Domenici's opinion carries significant weight on energy matters, and during the last week, he waged a campaign to defeat the measure if it included the tax provision and renewable mandate for utilities.

His efforts paid off. It's not what Democrats had hoped for, but it's something.

