

July 27, 2005

Honorable Joe Barton
Chairman
Committee on Energy
and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Based on a preliminary review of the July 27, 2005, conference agreement for H.R. 6, the Energy Policy Act of 2005, CBO estimates that enactment would increase direct spending by \$2.2 billion over the 2006-2010 period and by \$1.6 billion over the 2006-2015 period. CBO and the Joint Committee on Taxation estimate that the legislation would reduce revenues by \$7.9 billion over the 2005-2010 period and by \$12.3 billion over the 2005-2015 period. The estimated direct spending and revenue effects of the act are summarized below. A table with additional details is enclosed.

	By Fiscal Year, in Millions of Dollars											Total
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Estimated Budget Authority	0	141	745	607	511	279	-63	-105	-153	-165	-159	1,638
Estimated Outlays	0	231	615	606	490	298	-44	-106	-154	-166	-160	1,610
Estimated Revenues	40	-588	-1,827	-2,069	-1,645	-1,787	-1,321	-840	-686	-611	-971	-12,305

SOURCES: CBO and Joint Committee on Taxation.

In addition, implementing H.R. 6 would affect spending subject to appropriation action. CBO has not completed an estimate of the potential discretionary costs of the legislation.

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The conference agreement for H.R. 6 contains several preemptions of state authority, which are defined as intergovernmental mandates by the Unfunded Mandates Reform Act (UMRA). CBO estimates, however, that the total cost of complying with the intergovernmental mandates would not exceed the annual threshold established in that act (\$62 million in 2005, adjusted annually for inflation).

H.R. 6 contains numerous mandates as defined in UMRA that would affect the private sector. Based on our review of the act, CBO expects that the mandates contained in the legislation's titles on ethanol and motor fuels (title XV), nuclear energy (title VI), electricity (title XII), and energy efficiency (title I) would have the greatest impact on private-sector entities. CBO estimates that the aggregate cost of private-sector mandates in the legislation would exceed the annual threshold established in UMRA (\$123 million in 2005, adjusted annually for inflation).

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Lisa Cash Driskill.

Sincerely,

Douglas Holtz-Eakin
Director

Enclosure: Table of Direct Spending and Revenue Effects by Title

cc: Honorable John D. Dingell
Ranking Member

Identical letter sent to the Honorable Pete V. Domenici.

ESTIMATED IMPACT OF THE CONFERENCE AGREEMENT FOR H.R. 6 ON DIRECT SPENDING AND REVENUES

	By Fiscal Year, in Millions of Dollars											2005-	2005-
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2010	2015
CHANGES IN DIRECT SPENDING													
Title I - Energy Efficiency													
Estimated Budget Authority	0	0	301	307	314	320	327	334	341	348	355	1,242	2,947
Estimated Outlays	0	0	256	306	313	319	326	333	340	347	354	1,194	2,894
Title II - Renewable Energy													
Estimated Budget Authority	0	7	7	7	7	7	2	2	2	2	2	35	45
Estimated Outlays	0	7	7	7	7	7	2	2	2	2	2	35	45
Title III - Oil and Gas													
Coastal Impact Assistance													
Budget Authority	0	0	250	250	250	250	0	0	0	0	0	1,000	1,000
Estimated Outlays	0	0	250	250	250	250	0	0	0	0	0	1,000	1,000
Other Provisions													
Estimated Budget Authority	0	33	38	45	50	52	46	38	41	38	36	218	417
Estimated Outlays	0	23	33	45	50	52	46	38	41	38	36	203	402
Subtotal, Title III													
Estimated Budget Authority	0	33	288	295	300	302	46	38	41	38	36	1,218	1,417
Estimated Outlays	0	23	283	295	300	302	46	38	41	38	36	1,203	1,402
Title IV - Coal Provisions													
Estimated Budget Authority	0	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	0	1	1	1	1	1	1	1	1	1	1	5	10
Title IX - Research and Development													
Budget Authority	0	0	50	50	50	50	50	50	50	50	50	200	450
Estimated Outlays	0	0	10	30	50	50	50	50	50	50	50	140	390
Title XII - Electricity													
Electric Reliability Standards													
Estimated Budget Authority	0	100	102	104	106	108	110	113	115	117	120	520	1,095
Estimated Outlays	0	100	102	104	106	108	110	113	115	117	120	520	1,095
Third-party Financing of Power Marketing Administration Transmission Projects													
Estimated Budget Authority	0	0	50	0	50	0	0	0	0	0	0	100	100
Estimated Outlays	0	0	10	20	30	20	20	0	0	0	0	80	100
Subtotal, Title XII													
Estimated Budget Authority	0	100	152	104	156	108	110	113	115	117	120	620	1,195
Estimated Outlays	0	100	112	124	136	128	130	113	115	117	120	600	1,195

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ESTIMATED IMPACT OF THE CONFERENCE AGREEMENT FOR H.R. 6 ON DIRECT SPENDING AND REVENUES

Continued

	By Fiscal Year, in Millions of Dollars											2005-	2005-
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2010	2015
CHANGES IN DIRECT SPENDING (Continued)													
Title XIII - Tax													
Estimated Budget Authority	0	0	-7	-24	-6	0	0	0	0	0	0	-37	-37
Estimated Outlays	0	0	-7	-24	-6	0	0	0	0	0	0	-37	-37
Title XV - Ethanol and Motor Fuels													
Estimated Budget Authority	0	0	-47	-133	-311	-509	-599	-643	-703	-721	-723	-1,000	-4,389
Estimated Outlays	0	0	-47	-133	-311	-509	-599	-643	-703	-721	-723	-1,000	-4,389
Title XVII - Incentives for Innovative Technologies													
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	100	0	0	0	0	0	0	0	0	0	100	100
Total, Direct Spending													
Estimated Budget Authority	0	141	745	607	511	279	-63	-105	-153	-165	-159	2,283	1,638
Estimated Outlays	0	231	615	606	490	298	-44	-106	-154	-166	-160	2,240	1,610
CHANGES IN REVENUES													
Title XII - Electricity													
Estimated Revenues	0	75	77	78	80	81	83	84	86	87	89	391	820
Title XIII - Tax ^a													
Estimated Revenues	40	-663	-1,865	-1,931	-1,286	-1,207	-1,162	-924	-772	-698	-1,060	-6,915	-11,525
Title XV - Ethanol and Motor Fuels													
Estimated Revenues	<u>0</u>	<u>0</u>	<u>-39</u>	<u>-216</u>	<u>-439</u>	<u>-661</u>	<u>-242</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1,355</u>	<u>-1,597</u>
Total Changes in Revenues	40	-588	-1,827	-2,069	-1,645	-1,787	-1,321	-840	-686	-611	-971	-7,876	-12,305

NOTE: Numbers may not add up to totals because of rounding.

a. Estimate supplied by the Joint Committee on Taxation.