



May 29, 2015

TO: Members, Subcommittee on Energy and Power

FROM: Committee Majority Staff

RE: Hearing entitled “Quadrennial Energy Review and Related Discussion Drafts”

I. INTRODUCTION

On Tuesday, June 2, 2015, at 10:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing entitled “Quadrennial Energy Review and Related Discussion Drafts.” The hearing will also address matters relating to Energy Diplomacy.

II. WITNESSES

Panel I

- Ernest Moniz, Secretary, U.S. Department of Energy

Panel II

- Rudolf Dolzer, Advisory Board Member, Association of International Petroleum Negotiators; Professor of International Law, University of Bonn;
- Jason Grumet, President, Bipartisan Policy Center;
- Scott Martin, Commissioner, Lancaster County, PA;
- Gerald Kepes, Vice President, Upstream Research and Consulting, IHS;
- Alison Cassady, Director of Domestic Energy Policy, Center for American Progress; and,
- Emily Hammond, Professor of Law, George Washington University Law School.

III. BACKGROUND

A. The Quadrennial Energy Review

In June 2013, President Obama initiated a quadrennial cycle of energy reviews through the President's "Climate Action Plan."¹ On January 9, 2014, President Obama issued a Presidential Memorandum directing the Administration to conduct a Quadrennial Energy Review (QER).² Planned annual installments of the QER over the ensuing four years are to focus on resource extraction and processing, energy transport and storage infrastructure, electricity generation, and energy end-use. On April 21, 2015, the first installment of the QER was released, focusing on energy transmission, storage, and distribution infrastructure (TS&D).

The QER is overseen by an interagency QER task force, co-chaired by the Director of the Office of Science and Technology Policy and the Director of the Domestic Policy Council. The task force is comprised of 22 agencies. The President directed the Secretary of Energy to provide support for the interagency QER task force, including support for the coordination of activities related to the preparation of the QER report, policy analysis, modeling, and stakeholder engagement. The Department of Energy's (DOE) Office of Energy Policy and Systems Analysis (EPSA) serves as the Secretariat of the multi-agency QER, and provides systems analysis to support the Administration's initiative. DOE's fiscal year (FY) 2015 Budget request included a \$19.3 million increase for EPSA "to enable a more robust energy policy development process and strengthened institutional support for grid modernization and Quadrennial Energy Review activities." DOE's FY 2016 Budget request included a \$3.8 million increase for EPSA, to support "follow-on phases of the Quadrennial Energy Review activities."

The first installment of the QER is intended to be an "actionable document," designed to provide unbiased data and analysis on energy challenges, needs, requirements, and barriers involving energy TS&D infrastructure.³ The QER makes a number of recommendations in the following areas:

- Increasing the resilience, reliability, safety, and asset security of TS&D infrastructure;
- Modernizing the electric grid;
- Modernizing U.S. energy security infrastructures in a changing global marketplace;
- Improving shared transport infrastructures;
- Integrating North American energy markets;
- Addressing environmental aspects of TS&D infrastructure;
- Enhancing employment and workforce training; and,
- Siting and permitting of TS&D infrastructure.

¹ See [The President's Climate Action Plan. \(June 2013\)](#).

² See [Presidential Memorandum Establishing a Quadrennial Energy Review. \(January 9, 2014\)](#).

³ See [Quadrennial Energy Review: Energy Transmission, Storage, and Distribution Infrastructure. \(April 2015\)](#).

B. Architecture of Abundance Discussion Drafts

In February 2015, the Committee on Energy and Commerce released the “Architecture of Abundance” framework for comprehensive energy legislation. The associated discussion drafts address four key policy areas:

- Modernizing infrastructure;
- Sustaining a 21st century energy and manufacturing workforce;
- Advancing energy diplomacy in a changing world; and,
- Promoting energy efficiency and government accountability.

1. Title III – Energy Diplomacy

Global energy markets have undergone remarkable changes over the last decade, and the U.S. is driving this transformation. Over the last few years, the United States has become the world’s leading producer of oil and natural gas, as our net dependence on energy imports has declined.⁴ In testimony before the Subcommittee, the Administrator of the U.S. Energy Information Administration warned that “despite these trends, the connectedness of the United States to global energy markets is actually increasing in some important respects.”⁵ As an eventual net energy exporter,⁶ the U.S. will play an increasingly important role in global energy markets.

On May 19, 2015, the discussion draft entitled “Title III – Energy Diplomacy” was released.⁷ The draft responds to fundamental changes in world energy markets implicating energy supply, distribution, and use. The draft seeks to advance energy diplomacy by improving coordination and planning, and removing barriers to trade among allies and partners of the United States. A summary of the discussion draft follows below.

Section 3101. Sense of Congress: This section includes the following findings: 1) North America’s energy revolution has enhanced energy security in the United States and changed the Nation’s energy future from that of scarcity to abundance; 2) North America’s energy abundance has increased global energy supplies and reduced the price of energy for consumers in the United States and abroad; 3) allies and trading partners of the United States, including in Europe and Asia, are seeking stable and affordable energy supplies from North America to enhance their energy security; 4) the United States has an opportunity to promote greater stability and affordability of energy supplies for its allies and trading partners through a more integrated, secure, and competitive North American energy system; 5) the United States also has an

⁴ See [U.S. Energy Information Administration](#). In 2014, the U.S. produced about 25.7 trillion cubic feet of dry natural gas and about 14 million barrels per day of petroleum and about 27% of the petroleum consumed by the U.S. was imported from foreign countries, the lowest level since 1985.

⁵ See hearing entitled ["21st Century Energy Markets: How the Changing Dynamics of World Energy Markets Impact our Economy and Energy Security,"](#) held on March 3, 2015, by the Committee on Energy and Commerce, Subcommittee on Energy and Power.

⁶ See [U.S. Energy Information Administration](#). Projections in EIA’s Annual Energy Outlook 2015 show the potential to eliminate net U.S. energy imports sometime between 2020 and 2030.

⁷ See discussion draft entitled [“Title III – Energy Diplomacy.”](#)

opportunity to promote such objectives through greater Federal agency coordination relating to regulations or agency actions that significantly affect the supply, distribution, or use of energy.

Section 3102. North American Energy Diplomacy: Section 3102 establishes an Interagency Task Force, consisting of the Secretary of Energy, the Secretary of State, the Secretary of Defense, the Secretary of Commerce, the Chairman of the Federal Energy Regulatory Commission (FERC), and the Director of the Office of Management and Budget (OMB), to coordinate the consideration of energy-related decision making and to improve planning and coordination with Canada and Mexico. This section directs the Interagency Task Force to report to Congress with a plan that identifies uniform and coordinated procedures and criteria to ensure that Federal regulations and agency actions that significantly affect the supply, distribution, or use of energy are evaluated with respect to their potential impact on consumers, the economy, and energy security and balanced appropriately with environmental considerations required by law. This section also directs the Interagency Task Force to report to Congress with a plan to enhance energy integration with Canada and Mexico to strengthen North American energy security.

Section 3103. International Energy Diplomacy: This section directs the Secretary of Energy, in consultation with the Secretary of State, to convene at least two Trans-Atlantic and two Trans-Pacific forums to foster dialogue among the governments of U.S. allies and trading partners, independent experts, and industry representatives with the goal to promote energy security.

Section 3104. Authorization of Cross-Border Infrastructure Projects: This section establishes a new process, effective January 20, 2017, for approving the construction, connection, operation, and maintenance of pipelines and electric transmission facilities that cross the national boundary of the United States. Under this section, the Certificate of Crossing would replace the requirement for a Presidential Permit for new pipelines and electric transmission facilities. This provision would not apply to the proposed Keystone XL pipeline; cross border segments currently operating; or Presidential Permit applications pending on the effective date until such application is approved, denied, or withdrawn. The Certificate of Crossing would be issued by the Secretary of State (in the case of liquid pipelines), FERC (in the case of natural gas pipelines), or DOE (in the case of electric transmission facilities) no later than 120 days after final action is taken under the National Environmental Policy Act, unless the proposal is found to be inconsistent with the public interest of the United States.

Section 3105. Strategic Petroleum Reserve Mission Readiness Plan: This section seeks to ensure that our strategic stockpiles of petroleum are stored safely and are accessible in the event of a national emergency by directing the DOE to conduct a long-range strategic review to specify the near and long-term roles of the Strategic Petroleum Reserve (SPR) and to recommend an action plan to achieve the optimal 1) capacity, location, and composition of petroleum products in the SPR, and 2) storage and distributional capabilities.

Section 3106. Authorization to Export Natural Gas: This section seeks to streamline the regulatory process for authorizing U.S. LNG exports by establishing a thirty day deadline for DOE to act on applications at the conclusion of the review required by the National

Environmental Policy Act. This section would grant the United States Court of Appeals, for the circuit in which the export facility will be located, original and exclusive jurisdiction and provides for expedited consideration for any civil action for the review of an order issued by DOE.

2. Additional Discussion Drafts

The Subcommittee will also review several Architecture of Abundance discussion drafts with Secretary Moniz, which have been reviewed in prior hearings, including: (1) Title II: 21st Century Workforce,⁸ (2) Strategic Petroleum Reserve Mission Readiness Plan,⁹ (3) Title IV Energy Efficiency and Accountability,¹⁰ (4) FERC Process Coordination,¹¹ (5) Hydropower Regulatory Modernization,¹² and (6) Energy Reliability and Security.¹³ Summaries of these discussion drafts can be found in prior hearing memoranda.

IV. ISSUES

The following issues may be examined at the hearing:

- Quadrennial Energy Review findings and legislative recommendations, and
- Architecture of Abundance discussion drafts.

V. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Brandon Mooney, Patrick Currier, or Tom Hassenboehler of the Committee staff at (202) 225-2927.

⁸ See [hearing entitled “Title II: 21st Century Workforce.”](#) held on April 23, 2015, by the Committee on Energy and Commerce, Subcommittee on Energy and Power.

⁹ See hearing entitled [“Strategic Petroleum Reserve Discussion Draft and Title IV Energy Efficiency.”](#) held on April 30, 2015, by the Committee on Energy and Commerce, Subcommittee on Energy and Power.

¹⁰ Id.

¹¹ See hearing [entitled “Discussion Drafts Addressing Hydropower Regulatory Modernization and FERC Process Coordination under the Natural Gas Act.”](#) held on May 13, 2015, by the Committee on Energy and Commerce, Subcommittee on Energy and Power.

¹² Id.

¹³ See [hearing entitled “Discussion Draft Addressing Energy Reliability and Security.”](#) held on May 19, 2015, by the Committee on Energy and Commerce, Subcommittee on Energy and Power.