



# Committee On Finance

Max Baucus, Chairman

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**For Immediate Release**  
**Tuesday, July 9, 2001**

Contacts: Michael Siegel, Joshua LeVasseur  
202-224-4515

**Statement of Senate Finance Committee Chairman Max Baucus  
Hearing on The Role of Tax Incentives in Energy Policy - Part I  
Tuesday, July 10, 2001**

This is the first in a series of hearings on the role of tax incentives in energy policy. As we all know, our nation is facing another energy crunch. The Finance Committee must be prepared to act in the face of the current situation. These hearings will prepare the committee for action on energy tax issues.

A number of tax incentives have been proposed to accomplish our energy policy objectives. Both the Chairman and the Ranking Member of the Energy Committee have introduced comprehensive tax legislation to accomplish their goals. I might say that we are lucky to have Senators Bingaman and Murkowski on the Finance Committee. They are energy policy experts and can help us bridge the gap between the Energy and Finance Committees. It is important that the Finance Committee examine the utility of tax incentives for advancing energy policy goals and we will do that during these hearings.

But it is equally important that we consider the whole range of policies that would be affected by tax provisions. We cannot afford to view tax, energy, environment, or transportation policy in a vacuum. Each in their own right is important. Nor can we afford to ignore budgetary constraints. During these hearings, we must balance our energy, environment, and transportation tax policies against revenue constraints. And if we forget, I know Senator Conrad will remind us.

The energy tax proposals span a wide range of issues. Therefore, I have decided to break up the hearings into three manageable parts. The subject of today's hearing is alternative motor fuels and alternative fuel vehicles. Tomorrow, we will cover supply and demand of conventional fuels and development of renewable energy resources. And later this year, we will continue to examine energy tax issues. We will hold a hearing on restructuring of the electric utilities industry and clean coal technologies. I also hope to conduct a hearing in Montana in August to

consider energy tax provisions important to rural and Western states, in particular.

Now I would like to turn to the subject of today's hearing. We have just finished celebrating America's independence over the July 4<sup>th</sup> holiday. Many Americans surely noticed high prices at the gas pumps. Folks who took family vacations for the Fourth of July and workers across the country continue to feel the pinch of high gas prices. This is particularly true in my home state of Montana where people must drive great distances just to get to their jobs.

To my mind, that raises an interesting point. We are an independent nation and we are proud of this independence. But we are dependent on foreign sources of energy. In 1992, we set goals in this country to become less reliant on traditional petroleum fuels. We said that 10 percent of fuels powering light duty vehicles should be alternative fuels by 2000. We said that 30 percent should be alternative fuels by 2010. Where are we now? Nowhere near those marks. By 2000, we had achieved only 3.6 percent replacement of traditional fuels with alternative fuels.

Today, we will examine the state of our energy policy and we will hear about the Tax Code provisions that move us toward our energy policy. We will hear about smart ways to further our energy, environment, and transportation objectives in the future.

We have a diverse panel of witnesses. Each comes to the table with a different area of expertise. We have scientists, environmentalists, technology experts, transportation experts, energy policy experts, and economists. I look forward to hearing about the energy tax proposals from such varied perspectives.

We will also hear about the relative success of ethanol in achieving market penetration. It really is the lone success story in the world of alternative fuels. And the signs indicate that ethanol will continue to grow in importance as an alternative fuel source.

In addition, the automotive industry has started to embrace alternative fuel vehicles. The tax incentives introduced in 1992 in sections 30 and 179A have encouraged large automakers to produce a limited number of alternative fuel vehicles. And there are over 1,700 of these vehicles on the road in my own state of Montana. Nonetheless, alternative fuel vehicles still make up only 0.4 percent of all vehicles nationwide.

Today we will learn how well tax incentives have worked. Can they be improved? Are there other tax incentives that would work better? Throughout today's hearing I will have three questions:

First, what were our goals and what tax incentives were enacted to advance those goals?

Second, how far have we gone toward achieving our goals?

And third, what can we do to achieve our goals in the future?