COMMITTEE ON FINANCE — **Max Baucus, Chairman**

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Statement of Senator Max Baucus (D-Mont.)
Regarding Energy Tax Incentives

In the middle of the 20th century, then-Senator John F. Kennedy said: "The new frontier of which I speak is not a set of promises — it is a set of challenges."

In the 21st century, energy policy provides us another set of challenges. Prices for gasoline, heating oil, electricity, and natural gas have soared. Energy costs have hit working families hard. As well, people have increasingly acknowledged the challenge presented by the link between energy use and global warming.

I am pleased to bring the Finance Committee together today to help address these challenges. Today, we will consider tax incentives designed to promote clean and sustainable energy. And we will do so in a fiscally responsible way.

Under the leadership of our Colleague Jeff Bingaman, the Energy Committee has brought an energy policy bill to the Senate floor. It is now our job to add our tax policy to that bill.

Energy tax policy is not new territory for this Committee. In 2005, the Committee designed tax incentives for that year's major energy bill. And last December, we enacted energy tax provisions as part of the end-of-year package.

We are building on that strong foundation with the mark that we consider today.

The mark continues the Committee's commitment to clean energy and renewable fuels. The mark extends existing tax incentives for solar power, wind power, fuel cells, and energy-efficient homes and buildings. The mark provides a tax incentive for transmission projects related to renewable energy projects. And we provide more than $3.6 billion for renewable energy bonds.

My home state of Montana received approval for over 30 of these renewable energy bond projects last year. Chuck Grassley and I wrote the renewable energy bond program in 2005. And I am committed to seeing that it succeeds.

I also want to foster Montana's abundant wind power. Montana has a lot of farms. In fact, agriculture is the backbone of our economy.

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But in recent years, we've seen different types of farms popping up. From Judith Gap to the Golden Triangle, Montana is seeing more and more wind farms. I want these to succeed as well, so I'm pleased to include a five-year extension of the section 45 production tax credit. This will help wind energy.

But we can and should do more. And we do in this mark. We extend the frontier in three areas critical to our nation's energy future: cellulosic ethanol, hybrid cars, and carbon sequestration.

My friend Chuck Grassley can tell you how great ethanol is. Ethanol made from corn has become familiar territory, particularly in places like Iowa. Now cellulosic ethanol is the new frontier to explore. The Chairman's mark would provide a credit of up to $1.11 a gallon for up to 60 million gallons of cellulosic fuel produced from sawgrass, agricultural wastes, and other biomass.

Hybrid cars provide a tremendous opportunity to make our transportation sector cleaner. A high-mileage car with almost no emissions is territory well worth exploring. The proposal before us today calls for a new credit for plug-in vehicles of from $2,500 to $8,000.

America has vast reserves of coal. But we have concerns about global warming. It is thus imperative that when we use our coal, we need to try to prevent carbon dioxide from escaping into the atmosphere. Any clean coal facility built using the tax credits provided in this mark must capture and sequester at least 65 percent of its carbon dioxide emissions.

And we do our work in a fiscally responsible way. Lower budget deficits help to keep interest rates low. And that helps to make the economy more competitive. Paying as we go may be a tough task. But Senator Grassley and I have developed offsets that are fair and economically sound.

We include widely-supported provisions to reduce fuel fraud. And we propose to simplify and improve the tax code by eliminating the distinction between "foreign oil and gas extraction income" and "foreign oil-related income."

We propose to withdraw the tax breaks under section 199 from the large oil companies, while leaving the tax incentive for smaller oil companies. We have some evidence that the boost from section 199 that this Committee envisioned when we enacted the JOBS Act in 2004 has not been realized. But we have nonetheless taken care to protect small operators.

We may well hear from the major oil companies. But the majors are projected to collect up to a trillion dollars in profits over the next 10 years. We do not foresee that our offset will substantially change these companies' incentives to produce energy.

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Here is the territory that we are in: Gas prices are well over $3. The price of a barrel of oil is well north of $60. And concern about global warming is growing.

This bill will take us in the right direction. It moves us beyond the frontier. And it helps us to address the energy policy challenges of the 21st century.

I hope that the Committee can pass it quickly. And let us get it down to the Senate floor to join the energy bill today.

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