

## COMPROMISE SYNTHETIC FUELS TITLE - S.932

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This proposal combines the most effective elements of legislation drafted by the Senate Energy and Natural Resources and Senate Banking, Housing and Urban Affairs Committees.

### Purpose and Goals

The compromise proposal seeks to test and demonstrate commercial viability of various synthetic fuels technologies. It leads toward development of a synthetic fuels industry with a flexible goal of 1.5 million b/d capacity by 1995. Synthetic fuels include those produced from oil shale, coal conversation, and biomass.

### Organization

Authority is vested in an office of Energy Security, with the Director appointed by the President. This Office shall be responsible for determining terms and conditions as well as recipients of financial assistance. The President shall locate this Office in an appropriate department or agency. The employees would not be subject to civil service.

### Project Selection Criteria

The Director shall solicit proposals for a range of synthetic fuels technologies for each resource. Projects which would demonstrate commercial viability would be selected on a competitive basis, giving preference to projects involving minimum Federal assistance. Projects shall be no larger than necessary to demonstrate commercial viability of the technology. No more than six projects may utilize oil shale and no more than six projects may utilize coal as a feedstock. Each project must employ a different technology. Incentives cannot apply to more than 50,000 b/d. Preference is given to projects in states that have agreed to expedite permitting and licensing.

### Authorized Forms of Assistance

- o Price Guarantees/Purchase Agreements. This is the preferred form of assistance. Commitments exceeding seven years would be subject to one House veto within 30 days.
- o Loan guarantees would be available only to companies having insufficient financial strength in relation to project cost, and limited to the percentage of cost of the project actually at risk. Loan guarantees would be limited to 75% of projects estimated cost and 60% of cost overruns. Loan guarantees exceeding \$500 million per contract would be subject to Congressional review and one House veto within 30 days.
- o Limited Completion Guarantees. To protect contractors against subsequent changes in Federal regulatory policies, limited completion guarantees would indemnify contractors against increased costs due to delays or additional compliance costs. The Administrator may charge a fee for this guarantee.

### Phase II

Three years from the date of enactment, the Director shall submit a Phase II plan to the Congress or a request for an extension. The Phase II plan shall include an evaluation of Phase I, a determination of whether further involvement is necessary, a list of what types of incentives should be included, an estimate of when they should become available, a revision of production goals, and a request for authorization.

### Authorized Appropriations

An authorization of \$14 billion for all forms of assistance would be provided. Funds would be placed in an Energy Security Reserve Account and subject to annual appropriations up to \$4 billion in FY80, \$4 billion in FY81, and \$6 billion in FY82. \$25 million is authorized for annual administrative costs.

### Effective and Termination Dates

Initial solicitations shall take place within six months of enactment. All commitments must be entered into by October 1, 1983.

COMPARISON OF TSONGAS/HART COMPROMISE WITH  
BANKING COMMITTEE AND ENERGY COMMITTEE PROPOSALS

	<u>Banking Committee</u>	<u>Compromise (Tsongas/Hart)</u>	<u>Energy Committee</u>
Administration of Program	<ul style="list-style-type: none"> <li>o Authority vested in President, to be delegated to existing Federal agencies</li> </ul>	<ul style="list-style-type: none"> <li>o President establishes Office of Energy Security in existing Federal agency</li> <li>o Employees exempt from civil service</li> </ul>	<ul style="list-style-type: none"> <li>o Synthetic Fuels Corporation</li> <li>o Independent of the Congress and the President</li> </ul>
Financial Assistance	<ul style="list-style-type: none"> <li>o Price guarantees/purchase agreements</li> <li>o Loan guarantees (subject to Congressional veto if over \$.5 billion)</li> </ul>	<ul style="list-style-type: none"> <li>o Price guarantees/purchase agreements</li> <li>o Loan guarantees (subject to Congressional veto if over \$.5 billion, and limited to companies with insufficient financial strength)</li> <li>o Completion guarantees</li> </ul>	<ul style="list-style-type: none"> <li>o Price guarantees/purchase agreements</li> <li>o Loan guarantees (not limited)</li> <li>o Completion guarantees</li> <li>o Direct loans</li> <li>o Joint ventures</li> <li>o Government-owned, contractor-operated plants</li> </ul>
Phase II	<ul style="list-style-type: none"> <li>o Goals unspecified; President to recommend appropriate level of future involvement</li> </ul>	<ul style="list-style-type: none"> <li>o 1.5 million b/d production goal for 1995</li> <li>o Office of Energy Security recommends production strategy, including changes in financial assistance, and changes in goal</li> <li>o Recommendation in 3 years or later</li> </ul>	<ul style="list-style-type: none"> <li>o 1.5 million b/d for 1995</li> <li>o Synthetic Fuels Corporation prepares plan to achieve goal</li> <li>o Plan automatically in effect in 3 years unless Congressional veto</li> <li>o Future appropriations required</li> <li>o Could allow duplicate plants before a given process is demonstrated</li> </ul>
Phase I	<ul style="list-style-type: none"> <li>o No plants of duplicate technology</li> </ul>	<ul style="list-style-type: none"> <li>o No plants of duplicate technology</li> </ul>	<ul style="list-style-type: none"> <li>o Allows plants of duplicate technology</li> </ul>
Authorization	<ul style="list-style-type: none"> <li>o \$3 billion; \$1 in authority permits \$3 in loan guarantees</li> </ul>	<ul style="list-style-type: none"> <li>o \$14 billion; \$1 in authority permits \$1 in loan guarantees</li> </ul>	<ul style="list-style-type: none"> <li>o \$20 billion for Phase I</li> <li>o \$68 billion for Phase II</li> <li>o \$1 billion in authority permits \$1 in loan guarantees</li> </ul>