

COMPROMISE SYNTHETIC FUELS TITLE - S.932

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This is a proposal to resolve the differences between the Banking and Energy Committee versions of Title I of S.932.

Purpose and Goals

To test and demonstrate the commercial viability of synthetic fuels technology leading toward the development of a synthetic fuels industry of 1.5 million b/d capacity by 1995.

Organization

Authority is vested in an independent Synthetic Fuels Administration in DOE, with the Administrator appointed by the President, and is responsible for determining the terms and conditions of financial assistance agreements and the selection of recipients of financial assistance. The Administrator is subject to the direct supervision of the Secretary for all other matters. The establishment of an independent Administration is to provide focus on synthetic fuels development, insulate it from organizational changes and interdepartmental problems within DOE, and coordinate synthetic fuels policy with national energy policy.

Project Selection Criteria

The Administrator solicits proposals for a range of synfuels technologies for each domestic resource base. Projects which would demonstrate commercial viability are then 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 6 projects may utilize oil shale and no more than 6 projects may utilize coal as a feedstock. Each project must employ a different technology. No project shall be designed to produce 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

- Purchase Commitments/Price Guarantees. This is the preferred form of assistance. Commitments are limited to 50,000 b/d. Commitments exceeding 7 years are subject to Congressional review and one House veto within 30 days. The Administrator can convert to price guarantees by refusing delivery and paying the spread between contract price and the prevailing market price.

- Loan guarantees are available only to non-major companies whose participation would ensure a more diverse and competitive synthetic fuels industry. Loan guarantees limited to 75% of projects estimated cost and 60% of cost overruns. Loan guarantees exceeding \$500 million per contract are subject to Congressional review and one house veto within 30 days.
- 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 change a fee for this guarantee.
- No GOCOs. However, the Administrator may, upon a finding that there are no acceptable private applicants for a technology that has significant commercial promise despite the absence of a private proposal, request Congressional authorization to construct a GOCO.

Phase II

Three years from the date of enactment, the Administrator 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 whether further involvement is necessary, what types of incentives should be included, when it should be available, revised production goals, and a request for authorization.

Environment

A Synthetic Fuels Environmental Assessment program should be administered by the Assistant Secretary for Environment in DoE. The Program shall include generic environmental impact statements for each candidate technology, an intensified and expanded program of environmental R&D, a federal environmental and occupational health and safety monitoring program for each synfuel plant supported by this Act.

Authorized Appropriations

\$14 billion for all forms of assistance. 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 administrative costs to be increased according to inflation each year.

Effective and Termination Dates

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

	Senate Banking	<u>SUMMARY</u> Compromise (Tsongas)	Senate Energy
Goals	. Demonstration of Commercial Viability	. Phase I - Demonstration of Commercial Viability; Phase II 1.5 million B/D	1.5 million B/D by 1995
Organization	• Authority Vested in the President	• Authority Vested in an Independent Synthetic Fuels Administration in DOE responsible to the President.	• Authority Vested in an Independent Synthetic Fuels Corporation
Assistance	• Purchase Commitments/Price Guarantees • Loan Guarantees	• Purchase Commitments/Price Guarantees • Loan Guarantees (for non-major companies) • Limited Completion Guarantees	• Purchase Commitments/Price Guarantees • Loan Guarantees • Loans, Joint Ventures, GOCO's • Completion Guarantees
Phase II	. No Phase II	• Phase II Plan Submitted in 3 years; requires AEW Authorization	• \$68 billion Available upon receipt of comprehension plan (within 3 years) unless vetoed by either House
Funding	\$3 billion - Phase I	\$14 billion - Phase I	• \$20 billion - Phase I \$68 billion - Phase II