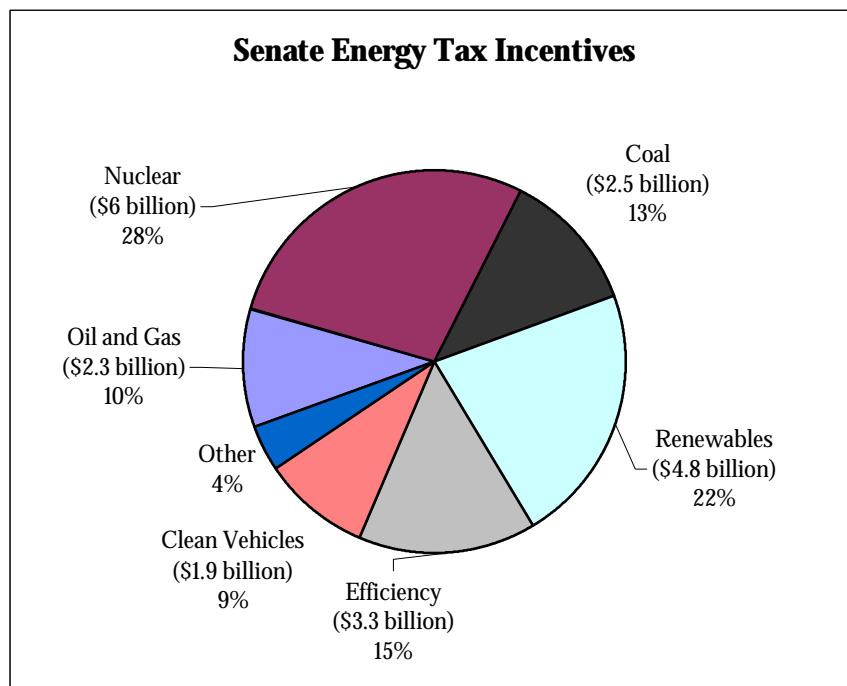


**SENATE ENERGY TAX PACKAGE MORE BALANCED THAN HOUSE BILL
BUT STILL CONTAINS \$11 BILLION FOR POLLUTING ENERGY SOURCES**

The Senate energy tax bill strikes a more balanced approach to energy tax policy than the House bill. While the House bill allocates only 5 percent (\$500 million) of the tax incentives to renewable energy and energy efficiency, the Senate energy tax package provides a respectable 45 percent (\$10 billion) to clean alternatives and conservation.

Unfortunately, the Senate bill still includes nearly \$11 billion in tax breaks (or 50 percent) for the oil, gas, coal and nuclear industries, which collectively received more than \$500 billion in federal subsidies between 1950-97. The nuclear power industry alone would receive a \$6 billion tax credit, which amounts to 28 percent of the total package.

Virtually none of the \$8 billion in tax breaks in the House package were included in the Senate tax bill, bringing the combined total of the two tax packages to more than \$30 billion.



Based in part on the Joint Committee On Taxation's June 14, 2005 Estimate with the exception of the Nuclear Production Tax Credit which takes effect beyond JCT's ten-year window for scoring.

Nuclear Power

\$6 billion

The Senate energy tax package provides a production tax credit to nuclear power that will cost taxpayers as much as \$6 billion. The bill provides an annual credit of up to \$125 million per 1000 MW plant for eight years, enabling a 1000 MW plant to receive a billion dollars in tax credits. The provision authorizes up to 6000 MW of new nuclear power for an annual credit of \$125 million per 1000 MW for a total of \$6 billion. Although the provision applies to all reactors built in the next 15 years, the Joint Committee on Taxation only scores tax bills over a ten-year period and therefore fails to capture the full cost of this provision. If this provision is included in the final bill, the Senate energy bill would subsidize construction of new plants through loan guarantees and would then subsidize them at the back-end through tax credits.

Coal

\$2.5 billion

Overall, the tax bill includes three investment credits for building new coal facilities, including gasification projects, coke facilities and electricity generating plants. Current law does not include any investment credits for coal. The investment tax credits for electricity generating and coal gasification projects could total as much as \$4 billion with a maximum of \$200 million per plant or project. The Joint Committee on Taxation estimates the provision will cost nearly \$2 billion over ten years. The provision subsidizes up to 6,500 MW of coal power generation capacity, of which 55 percent must be applied to IGCC, while the remaining 45 percent can be applied to general “clean” coal technologies. The energy bill already includes loan guarantees, grants, and research and development subsidies for the coal industry.

Oil & Gas

\$2.3 billion

Despite President Bush’s repeated statements that with oil prices hovering above \$50 a barrel there is no need for additional tax breaks to the oil and gas industry, the Senate tax bill includes \$2.3 billion in new tax breaks. None of these tax breaks were included in the House energy bill, which included an additional \$3.2 billion in oil and gas tax breaks. The largest oil tax break in the Senate bill is an enhanced oil recovery credit that would cost taxpayers more than a billion dollars.

Renewable Energy

\$4.8 billion

The bill includes a three year extension of the Section 45 tax credit for renewable energy sources such as wind, biomass, and geothermal. The credit provides these sources of energy with a \$1.9 cents per kilowatt hour credit for electricity generation. Unfortunately, the Committee does not rectify the decision in the last Congress to include refined coal and municipal solid waste—two decidedly polluting energy sources—as a part of Section 45, which was intended to incentivize clean, renewable sources of energy.

Energy Efficiency

\$3.3 billion

Unlike the House bill the Senate has included a suite of energy efficiency incentives. Included in the package are tax breaks for energy efficient buildings, homes, and appliances. Energy efficiency is the cheapest and quickest way of reducing our dependence on polluting sources of energy and of helping consumers with rising energy prices.

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