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On the One-Year Anniversary of EPAct and Release of National Transmission Congestion Study and On the Situation in Prudhoe Bay, Alaska

Remarks Prepared for Energy Secretary Samuel Bodman

Thank you for joining us today for the one-year anniversary of the Energy Policy Act of 2005. One year ago today, President Bush signed this landmark legislation into law--the first comprehensive energy legislation in decade. The Energy Policy Act, or EPAct, as we refer to it, is an ambitious plan to increase our energy efficiency, upgrade our energy infrastructure, and diversify and expand the amount of energy we produce here at home... all of which will enhance our long-term energy security.

As you may know, we have been holding events around the country over the last two weeks to highlight the first anniversary of the law's enactment.

After kicking-off the celebration with an event on Capitol Hill with Senator Pete Domenici and Congressman Joe Barton, I visited Illinois to announce \$250 million for two new bioenergy centers, which will accelerate basic research on the development of cellulosic ethanol and other biofuels. We visited a wind turbine manufacturer in Cedar Rapids, Iowa, to highlight the nation's efforts to improve wind energy technology and reduce the cost of wind generated electricity.

On Friday, in Atlanta, I announced details of how utility companies building the next six new nuclear power plants in the United States can qualify for a portion of \$2 billion in federal risk insurance. And yesterday, we released guidelines for federal loan guarantees that will help spur new investment for novel projects that will help strengthen our nation's energy security.

All these programs are helping to set the country on a path forward, by increasing clean energy sources that will power our robust economy for future generations.

Today, we are here to discuss another important EPAct achievement. It does not concern energy supply, but rather is about upgrading and modernizing our energy infrastructure, particularly the electricity grid, to meet the demands of our growing economy and population. I am pleased to announce that the Department of Energy has published the National Electric Transmission

Congestion Study. The report identifies three groups of congestion areas that merit further federal attention. The most severely congested areas are called “Critical Congestion Areas.” These areas are Southern California, and the Atlantic coastal area from the New York City area to northern Virginia.

A second group, “Congestion Areas of Concern,” consists of four areas that appear to require close observation and further study to determine the magnitude of their existing or emerging congestion problems. These are: New England, the Phoenix-Tucson area, the Seattle-Portland area, and the San Francisco Bay area.

The third group, “Conditional Congestion Areas,” consists of areas where congestion is not acute at present, but it would become so if large amounts of new electric generation were to be built without associated transmission capacity including Montana-Wyoming, the Dakotas-Minnesota, Kansas-Oklahoma, Illinois, Indiana, Upper Appalachia and the Southeast.

With the release of this study, we will now be seeking comments from interested parties on the possible designation of National Interest Electric Transmission corridors in relation to all three groups of congestion areas. If appropriate, I will designate certain areas as National Corridors in accordance with the law. This study, and comments on it from stakeholders, will inform future decisions by the Department concerning the designation of National Corridors.

We are also releasing today a report prepared by the Department that details other programs that have been undertaken since the passage of EPOA, as well as more information on the other announcements I mentioned earlier. The booklet is called, [*On the Road to Energy Security: Implementing a Comprehensive Energy Strategy*](#).

It is a well-designed, easy-to-read document that explains many of the highlights of EPOA, and provides a good sense of the progress we are making toward achieving the Act’s goals of greater energy security.

For instance, through EPOA, we are raising energy efficiency standards so that businesses and consumers will have more energy efficient products from which to choose when they build or re-outfit a business or redesign and renovate a home. In addition, the Department of Energy will soon be issuing a regulation requiring that all new federal buildings--whether office or residential facilities--meet enhanced energy efficiency requirements. We’re also moving ahead with bringing reliable, cost-effective renewable energy to market, whether it’s through integrated bio-refinery demonstration projects authorized under EPOA, or renewable energy production tax credits and other incentives.

Of course, there still remains much to do. Some of the provisions in the Act will take years before they realize their full potential. But with the various announcements we’ve made at this one-year mark, and with the other progress outlined in our booklet, I think we can be proud of what we have achieved so far, and we can be confident that we are moving in the right direction. And I expect that a decade from now, people will still see the tremendous benefits of this important law.

With that, let me thank you again for being here.

Now I'd like to introduce Kevin Kolevar, the Director of our Office of Electricity Delivery and Energy Reliability, who has joined me for this announcement. Kevin will provide you with greater detail on the Study and I will return to take questions when he has finished.

On the Situation in Prudhoe Bay, Alaska

Before I begin to take questions, I would like to give everyone a brief update on the situation in Prudhoe Bay, Alaska.

As you know, BP made the decision to shut down its crude transit pipeline from the Eastern Operating Area and replace nearly three-quarters of the 22 miles of the pipeline.

According to BP, it will take weeks or months to fix.

So we must deal with the issue at hand.

Yesterday, I directed my staff to reach out to not only BP, but also to the affected refiners along the west coast. In addition, just within the past few minutes I have talked with individuals from BP and with individuals from throughout the government.

From those conversations, there seems to be a belief that a complete shutdown of the Prudhoe Bay system may not be necessary. As we get a clearer picture over the next several days, we will better able to determine any necessary government actions.

However, even in a worst case scenario, should the shutdown of the Prudhoe Bay system prove to be necessary and appropriate, we believe that there are crude oil inventories and additional crude oil available that will help us alleviate any disruption from Alaska.

This morning my department's independent statistical arm, the Energy Information Administration is releasing its Short Term Energy Outlook. They were able to put together some information that is relevant and helpful as we look at the totality of the situation.

First off, it appears from those conversations that there is enough supply of crude oil to last for a couple of weeks.

And the news is by and large, good.

According to the EIA, the lost production from Prudhoe Bay production can be made up for in several ways including a drawdown of crude oil inventories or product stocks and substitution of Alaskan crude oil from other supplies.

Crude oil stocks on the West Coast at the end of July were almost 5.5 million barrels higher than July last year. Currently, the California stocks are at 55.5 million barrels. Last year at this time

they were at 50 million barrels.

Also, the U.S. stocks are up more than 15 million barrels over last year to 333.7 million barrels, up from 318 million barrels.

Similarly, gasoline and distillate fuel product inventories are above last year's levels for the U.S. (5.7 and 6.6 million barrels respectively) and on the West Coast (1.4 and 1.9 million barrels, respectively).

In addition, EIA currently estimates that 1.1 to 1.3 million bbl/d of crude oil spare production capacity is available, mostly in Saudi Arabia. Diversion of international imports to the West Coast is therefore possible to a limited degree.

Since West Coast refinery configurations are complex enough to handle various crude qualities, substitutes for Alaskan crude oil are available. Incremental production from Saudi Arabia as well as diverted shipments of crude oil from Ecuador, Colombia, and Mexico could offset some of the shortfall.

We appreciate that oil producing countries are monitoring our situation in Alaska and have already commented through press reports that they are able, if needed, to increase production to keep offset any disruption.

Also, as I said yesterday, we have the Strategic Petroleum Reserve, which, currently holds about 688 million barrels of crude oil, and may be used in the case of severe supply disruption.

In addition, if needed, we could request a waiver of the Jones act from the Department of Homeland Security which would allow more barges to transport crude oil around the country.

And I'd like to remind people that when the hurricanes struck the Gulf Coast, we lost more than 1 million barrels a day of production - and we made it through and recovered.

We know how to handle this type of situation.

In conclusion, I would like to reiterate that we believe that it is appropriate to review whether taking down the entire field is the best course of action.

Taking down the entire field is a big decision, as returning that area to full production could take a considerable amount of time.

Of course, it is imperative that every measure be taken to protect the environment. This industry has a proven record of implementing repairs to this type of infrastructure all around the world and doing so in an environmentally sound manner that allows for the continued or reduced production of petroleum.

I am confident, that by working together, we will have the fuel we need for families and businesses to work and to play this summer.

Location: Forrestal Building

U.S. Department of Energy, Office of Public Affairs, Washington, D.C.