MEMORANDUM

FROM: Corey Little
TO: Mel
DATE: April 1, 2008
RE: Public Law 110-140, the Energy Independence and Security Act, provisions to address escalating fuel prices through conservation and alternative fuel sources

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Background: The House of Representatives passed the Energy Independence and Security Act on December 18, 2007 and it was signed into law by the President the following day. This legislation combined elements from a variety of energy and environmental legislation and included a number of provisions that could positively influence long term fuel prices.

Summary: The Energy Independence and Security Act:

- Requires a single Corporate Average Fuel Economy (CAFE) standard of 35 miles per gallon (mpg) by model year 2020;
- Allows a distinction between automobile manufacturers' passenger car and light truck fleets to be preserved;
- Requires the development of fuel standards for "work trucks" and commercial medium- and heavy-duty vehicles;
- Requires interim CAFE standards to be set beginning in model year 2011 and automobile manufacturers will be required to come within 92% of the fuel economy standard for each model year;
- Establishes a "CAFE Credits" program with credits awarded to vehicle models that exceed the CAFE Standard for a given year. CAFE Credits may be used by automobile manufacturers to comply with CAFE standards when a vehicle model falls short of the standard and may be sold or traded between manufacturers;
- Establishes a loan guarantee program for advanced automobile battery development, grant programs for plug-in hybrid vehicles, incentives for purchasing heavy-duty hybrid vehicles for fleets and tax credits for various electric vehicles;
- Increases the Renewable Fuels Standard (RFS), which sets annual requirements for the amount of renewable fuels produced and used in motor vehicles. The expanded RFS requires the production of 9 billion gallons of renewable fuels in 2008 and progressively increases to a 36 billion gallon requirement by 2022;

- Requires conventional biofuels to emit 20 percent fewer "lifecycle" greenhouse gas emissions compared to gasoline and, by 2022, requires 21 billion of the 36 billion gallon RFS requirement be produced from cellulosic sources, such as switchgrass, that produce fewer carbon emissions than biofuels produced from corn; and

- Establishes Department of Energy bioenergy programs to research and develop new forms of biofuels, increase the efficiency of biofuel production, improve biofuel delivery and infrastructure and improve the use of biofuels.

Pro(s): The Energy Independence and Security Act could result in decreased demand for gasoline and other fuels and, with the increased use of biofuels, could help decouple fuel prices from the price of oil.

Con(s): The Energy Independence and Security Act only has the potential to lower long term fuel prices and does not offer any immediate relief. Also, the RFS conventional (grain-based) biofuel requirements are driving up food prices as an increasing amount of grain is used in fuel instead of food production.