

Defense Environment Alert

SENATE MEASURE GIVES DOD LONG-TERM FUEL-PURCHASING AUTHORITY

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The Senate Budget Committee March 26 unanimously approved an amendment to the Fiscal Year 2010 budget resolution that expands the Defense Department's authority to enter into contracts of up to 20 years for purchases of alternative fuels -- marking a win for the Air Force and backers of the coal-to-liquids (CTL) industry who have long campaigned for such an extension.

The committee approved the measure with the addition of language inserted by Democrats requiring that any such purchases of alternative fuels not emit greenhouse gas (GHG) emissions greater than those produced by conventional petroleum -- potentially signaling the outline of a future compromise on the controversial requirement.

Long-time CTL proponent Sen. Jim Bunning (R-KY) successfully included the contract authority amendment in the pending budget resolution, which at press time was slated to be considered on the Senate floor beginning March 30. The budget resolution is used as a guide for subsequent authorizing and appropriations legislation.

The Budget Committee voted 23-0 to approve an amendment to the budget resolution that creates a domestic fuels reserve fund for DOD to procure alternative fuels from domestic sources under contracts for up to 20 years, provided the fund is deficit-neutral and it conforms with section 526 of the 2007 Energy Independence & Security Act, which bans the federal government from buying fuels that emit more GHGs from their production and use than conventional petroleum.

The measure was conceived by Rep. Henry Waxman (D-CA), now chairman of the House Energy & Commerce Committee, to stop the military from buying CTL fuels that environmentalists oppose because their lifecycle emissions can be double those of regular gasoline if CO₂ is not sequestered or re-used in the production phase. It has faced fierce opposition from the Air Force, a major prospective customer for CTL fuels, and congressional Republicans, on several counts.

But Bunning has signaled a willingness to compromise on the section 526 requirement, unlike some hard-liners such as Sen. James Inhofe (R-OK). In addition to agreeing last week to the section 526 requirement attached to his contract authority amendment by Committee Chairman Kent Conrad (D-ND), he has previously sponsored aviation legislation that similarly would have required alternative fuels for the jet fuel to produce lower lifecycle GHG emissions than conventional fuels, in an effort to promote fuels such as coal and tar sands fuels in a manner that was politically viable amid concerns over climate change (*Defense Environment Alert*, May 13).

Extending the contract authority for DOD to enter into long-term contracts with alternative fuels purchases is "a key provision" for the CTL industry, one industry proponent says. Both the Air Force and the CTL industry have long sought the authority for the military to enter into purchase orders for synthetic fuels longer than the five years currently allowed. The extended authority to 20 years would "really help" CTL developers, the industry source says, noting it would make it easier for the industry to obtain financing to develop such fuels.

"Not only is this a national security issue but a market price issue," Bunning said in a statement on his amendment. "It does not make sense to prevent the military from engaging in long-term contracts. . . . Longer term contracts provide price certainty and allow for more consistent budgeting."

But Bunning's spokesman stresses the amendment is not tied specifically to CTL fuels. The goal is to give DOD the flexibility to choose the alternative fuels that are the most cost-effective, whether they are CTL, biofuels, methane or other alternatives, he says.

Bunning in his press release on the matter says the measure will ensure that DOD is able to buy "a clean, cheap and secure source of domestic fuel."

"As the price of oil once again starts to climb we need to provide a safety net for our military so that they will have a stable fuel supply regardless of the politics of oil," Bunning said. "We can no longer allow our military to be held hostage by our dependence [on] foreign sources of fuel."

The industry source contends that Bunning is not sponsoring the measure "to just push CTL," although it will help in the fuel's development and that CTL is the fuel best positioned to help DOD meet its fuel supply because the technology for producing the fuel has been proven, the United States has the largest source of coal in the world, and the fuel can be produced in a way that emits less carbon dioxide -- the main GHG -- than conventional petroleum.

And this source says the section 526 addition to the amendment is "redundant" because of the existing requirement in the 2007 energy act, contending that Bunning was not trying to do an "end-run around" the section 526 requirement. While this source believes the CTL industry can meet the section 526 requirement, environmentalists have been skeptical, many believing that even with carbon capture and sequestration, the lifecycle carbon emissions from CTL fuels will likely be greater than conventional petroleum.