

# ENERGY POLICY FOR THE COMMONWEALTH

Why Virginia Needs A  
Comprehensive  
Energy Policy Now!

# Why Virginia Needs An Energy Policy

- 70,000 manufacturing jobs lost in the past 6 years
- Energy cost increases will affect all Virginians
- Hurricane Katrina exposed the vulnerability and limited capacity of our current energy system
- Lack of energy policy will result in a degraded environment
- Recent polls indicate energy cost is a major concern of constituents
- Energy costs will severely impact Virginia's economy and budgetary needs

# Demand For New Developments In Energy Resources Will Increase:

- Emerging nations will compete for energy resources
- Existing supplies are limited, with some products, such as gasoline at maximum capacity
- Oil price increases drive development of alternative energy resources formerly more expensive to produce than oil

# Energy Policy Should:

- Work to increase supply
- Reduce demand (conservation)
- Minimize negative impact to the environment
- Employ Virginians to the extent possible:
  - -to produce Virginia energy
  - -to support Virginia consumers
  - -to support Virginia industry

# Energy Types and Uses

COAL: Electric generation and steel manufacture

- OIL: Electric generation, gasoline & diesel, petrochemicals, plastics, medicine, home heating
- NATURAL GAS: Electric generation, fertilizer, chemicals, paper/pulp, heat treating, plastics, home heating
- NUCLEAR: Electric generation
- RENEWABLES: Electric generation
  - Hydroelectric
  - Wind
  - Solar
  - Wave/Tide

# Coal

- Manufacturing Committee has no clear coal strategy
- VA is a net exporter of coal
- VA's coal mines provide much of the coal used by VA's power plants
- High cost of crude oil and natural gas opens the door for development of other resources
- Coal can be converted to gasoline and diesel
- Coal can be converted to natural gas
- Clean coal technology
- New regulations may eliminate coal as a viable energy source
- Extend coal tax credits

# Coal Policy

“That the General Assembly needs to develop a policy that maximizes the use of coal including coal conversion processes.”

# Oil and Gasoline

- VA has one refinery capable of refining 60,000 barrels of oil/day-insufficient to meet VA's needs
- VA's one refinery distributes most of its product in VA
- Additional supplies arrive via pipeline from the Gulf of Mexico and by barge and tanker shipments
- Refined gas and diesel will continue to be the primary transportation fuels for at least a decade
- Conservation vs. Transportation Funding

# Oil and Gasoline Policy

“It shall be the policy of the Commonwealth to support the expansion of any existing refinery to the maximum extent possible.”

- To that extent, the Commonwealth of Virginia will work with existing refining operations to maximize refined capacity
- Nothing in this section will relieve the requirements of an applicant to obtain all state and federal permits for building and operating this facility
- The Commonwealth shall study the feasibility and desirability of opening another refinery

# Energy Bill Status on Oil/Gasoline

- Examining methods to expand existing refineries
- Feasibility study on converting coal to fuel oil
- Feasibility study on potential for new refineries

# Natural Gas

- Key resource for manufacturing, chemicals, agriculture, home heating, electric generation
- Cleanest burning fossil fuel
- Demand post-Katrina is soaring-supply can't meet demand
- Pre-Katrina price higher in U.S. than any other country except Spain
- Post-Katrina price has more than doubled impacting all areas of the economy
- Anticipated shortages will threaten thousands of high-paying manufacturing jobs in VA
- Alan Greenspan has repeatedly stated the need to resolve our energy problems
- VA currently obtains about 2 billion cubic ft. of natural gas from coal bed methane and the remainder of supply is imported by pipeline

# Senate Bill 1054

- 2005 General Assembly passed SB1054 which directed the VA Liaison Office to lobby Congress to lift the moratorium on OCS natural gas drilling off the VA coast
- Gov. Warner vetoed the bill, but is studying its merits
- U.S. Dept. of the Interior estimates conservatively 30 trillion cubic feet of natural gas in OCS
- Canada is already in Atlantic OCS recovering 500 million cubic feet/day
- LNG imports
- Mark-up of new federal OCS bill awaiting action

# Natural Gas Policy

“It shall be the policy of the Commonwealth to promote LNG imports and to develop offshore natural gas resources.”

- Actual policy statement should be based on legislative actions in Washington ongoing at present

# Nuclear Energy

- Dominion Resources now operates 4 nuclear reactors in VA
- U.S. Navy operates over 20 nuclear reactors on board ships home-ported in Norfolk
- Nuclear power generation produces no pollution and has a remarkable safety record
- Advances in technology have made nuclear plant operation even safer
- After hydroelectric, nuclear is the cheapest form of power generation
- Nuclear power plants are a huge capital investment
- Nuclear power plants generate radioactive waste

# Nuclear Policy

“It shall be the policy of the Commonwealth to support the generation of electricity through the use of nuclear power.”

- To that extent, the Commonwealth of Virginia will pre-approve areas in the state that it deems compatible for the construction and operation of nuclear power plants
- Nothing in this section will relieve the requirements of an applicant to obtain all state and federal permits for building and operating this facility

# Renewables

- Ideal energy solution, but limited in production capability
- Hydroelectric, solar, wind, tide/current, others
- EXISTING PROGRAMS::
  - Hydroelectric-primarily on Roanoke River dams-is maximized
  - Limited solar electric and biodiesel production-still not cost effective
  - Landfill methane production
- PROPOSED NEW FACILITIES:
  - Highland County wind farm
  - New technologies

# Renewables Policy

“It shall be the policy of the Commonwealth to support the generation of electricity through the use of renewable power.”

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- Nothing in this section will relieve the requirements of an applicant to obtain all state and federal permits for building and operating this facility

# Conservation

- Manufacturing Study concentrated on solving the needs of VA's manufacturers
- Any comprehensive energy policy must also include conservation efforts
- To encourage voluntary development and compliance, policy should include options such as tax credits, deductions, businesses to voluntarily practice conservation and environmentally friendly practices, fuel efficiency incentives, etc.
- VA Liaison Office should be directed to lobby for more stringent CAFÉ Standards