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**USAF OPTIMISTIC CONGRESS WILL REVISIT LONG-TERM CONTRACTING RULE**

The Air Force's top energy official is optimistic that Congress will likely revisit the issue of whether it should allow the service authority to enter long-term contracts with fuel producers. Such contracts are key to the service's alternative fuel agenda and could lead to billions of dollars in synthetic jet fuel deals.

Kevin Billings -- acting assistant secretary of the Air Force for installations, environment and logistics -- said this week he expects Congress to reopen the debate on whether to allow the service to provide long-term contracts and other financial incentives to synthetic fuel makers. This comes as the service is pushing to certify its aviation fleet to fly on a coal-based synthetic fuel blend by 2011.

Air Force Secretary Michael Donley last month signed a policy memo committing the service to purchasing such fuel for 50 percent of its stateside missions by 2016 if it is available at a reasonable cost. Coal-to-liquids (CTL) fuel makers have repeatedly told the Air Force that they need contracts lasting more than five years in order to offset the extremely high costs of building CTL refineries.

However, lawmakers recently denied the Air Force the authority to grant fuel suppliers contracts lasting more than five years. Still, the coal-to-liquids lobby -- which includes mine and refinery operators -- continues to press lawmakers to allow the Air Force to grant minimum price guarantees, tax incentives and long-term contracting guarantees, according to Billings.

"My guess is that [Congress] will probably revisit the long-term contracting authority issues and the other things that the industry continues to believe is necessary," said Billings during a Jan. 14 interview at the Pentagon. Industry officials "haven't said that they don't [need long-term contracts] so I assume that they will continue to push that from their end."

While Air Force energy officials have no official stance on the matter, they will be watching the debate with "great interest," he added.

"These are not things the Air Force is advocating for or against, but, if you look at what people have talked about -- the suppliers who come in and [say what is necessary] to make the commercial [CTL] industry a reality -- long-term contracts are one of those things; some people have [also] talked about price floors and loan guarantees, there are a number of mechanisms out there," said Billings.

The fact that the United States contains some of the largest coal deposits in the world is one of the biggest reasons the Air Force is fond of using CTL jet fuel. Service energy officials have long maintained that using domestically produced coal-based synthetic fuel will help wean the service from its dependence on foreign oil. The Air Force's entire energy push is driven by the need to become more energy independent as oil prices fluctuate wildly and global demand for petroleum continues to skyrocket.

The service is the largest energy buyer in the federal government, spending nearly \$6 billion each year on jet fuel alone. Air Force officials have said that this spending power backed by the safety of long-term contracts could help to drive the synthetic jet fuel industry forward.

"We are going to do our part as a consumer to be prepared to use alternative fuels when they are available so that we can put them in our planes and ground vehicles," said Billings.

A December 2008 report by the influential Rand Corp. think tank urges the Defense Department and federal government to grant long-term contracts and investment tax credits to CTL plant investors as well as guarantees to pay a minimum-dollar amount for fuel purchased from these plants.

"From our perspective, there's a doubt that Congress will have to revisit the issue . . . and, we will expect relatively quickly," said Corey Hart, spokesman for industry lobby The National Mining Association. "We've been pushing long-term contracting authority for some time as our major priority and that likely won't change."

However, last October a separate congressionally requested Pentagon study concluded that the service could not use special long-term contracts meant for energy efficient projects on coal-based jet fuel because of the high amount of greenhouse gases emitted by CTL fuel production. -- John Reed