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House Energy Bill Promises Higher Prices, More Deaths, and Big Subsidies for Unproven Technologies

Ben Lieberman

Last summer's energy bill was loaded down with counterproductive measures that would have raised energy prices. Fortunately for consumers, that bill was never enacted. However, the Senate resurrected that bill's approach with a somewhat scaled-back version that includes new fuel economy standards for cars and trucks and a greatly expanded ethanol mandate, and the House will soon vote on its version of the legislation. This bill would still raise prices for families and businesses, slowing the American economy overall. The President should veto this bill if it reaches his desk.

Fuel Economy Standards for Cars and Trucks. The new bill contains a sharp increase in the federally mandated corporate average fuel economy (CAFE) standards. Under this proposal, each manufacturer's fleet of passenger vehicles would have to average 35 miles per gallon by 2020, a roughly 40 percent increase over current standards for cars and trucks.

In theory, consumers can save at the pump by being made to switch to more efficient vehicles, and at the same time reduce greenhouse gas emissions and oil imports. But doing so will raise sticker prices, and the costs could more than negate the energy savings.¹

Beyond costs, in order to meet the tough new CAFE standard, cars and trucks will need to be lighter, which makes them less safe in collisions. A National Academy of Sciences study concluded that vehicle downsizing costs 1,300 to 2,600 lives per year.² A tougher fuel economy standard would likely add to the death toll from vehicle crashes.

Federally mandated smaller vehicles also raise the issue of consumer choice. Washington is acting as if fuel-efficient cars and trucks are currently unavailable, but a variety of such models are already on the market for those who want them, including a growing number of hybrids. These vehicles fit the needs of some people but not others. Does the American car-buying public—from soccer moms to seniors—really want or need Washington stepping in and forcing smaller vehicles on everyone?

A Greatly Expanded Ethanol Mandate. The new energy bill includes a bevy of new programs aimed at creating a new industry based at ethanol made from sources other than corn, such as forest and field waste, switchgrass, and agricultural waste.

These second-generation biofuels are far from a proven technology. According to a recent *New York Times* report, "No fuel of the type in question has been produced commercially in the United States. Even in the view of people who back the idea, the technology to do it is immature, the economics are uncertain, and the potential for unintended consequences is high."³

Nonetheless, the mandate is extensive. Analysis of the bill shows that "[h]undreds of new factories

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214 Massachusetts Avenue, NE
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(202) 546-4400 • heritage.org

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will be required, perhaps a billion tons of plant material will need to be hauled around every year, and estimates of the required investment start at tens of billions of dollars.”⁴

With the industry and technology in their infancy, the future of second-generation biofuels is very uncertain. Congress should not make the same mistake it made with first-generation biofuels, such as ethanol, by hastily subsidizing the industry through mandates and other government preferences without fully measuring the costs and benefits.

Congress is not good at picking winners in technological development. If biofuels are to succeed as a competitive fuel source, congressional legislation should not be necessary to mandate its production. Congress should not force specific technologies on Americans, especially if they are unproven technologies. Instead, it should unleash the power of free enterprise, letting researchers and the markets dis-

cover the best new viable alternatives. Federal mandates limit choices and hinder free enterprise from finding the most efficient, cost-effective solution. The high costs of ill-conceived energy plans will simply be passed on to the consumers.

Conclusion. What Congress is touting as an energy bill really has no new energy in it. Rather, its main features are mandates that will drive up costs for consumers and businesses, decrease auto safety, and, *at best*, marginally benefit the environment. If Congress wants to pass an energy bill—especially in a time of increasing energy costs—it should start over by lifting restrictions on existing domestic energy reserves.

—Ben Lieberman is Senior Policy Analyst for Energy and the Environment in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

1. Hal J. Singer and Robert W. Crandall, “Don’t Drink the CAFE Kool-Aid,” Brookings Institution, September 6, 2007, at www.brookings.edu/opinions/2007/0906business_crandall.aspx.
2. See Ben Lieberman, “The Ethanol Mandate Should Not Be Expanded,” Heritage Foundation *Backgrounder* No. 2020, April 11, 2007, pp. 2–3, at www.heritage.org/Research/Energyandenvironment/bg2020.cfm.
3. Clifford Krauss, “As Ethanol Takes Its First Steps, Congress Proposes a Giant Leap,” *The New York Times*, December 18, 2007, at www.nytimes.com/2007/12/18/washington/18ethanol.html.
4. *Ibid.*