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Waxman–Markey Global Warming Proposal's Other Problematic Provisions

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The main focus of debate over the proposed Waxman–Markey American Clean Energy and Security Act of 2009 has been its cap and trade program. These global warming provisions have been targeted for good reason, as they amount to a massive energy tax that would cost this nation trillions of dollars and millions of manufacturing jobs in the years ahead.

Nonetheless, there are other costly and anti-consumer measures in the proposal that also deserve attention—including a renewable electricity standard, a low carbon fuel standard, and appliance efficiency mandates. These measures provide additional reasons why the Waxman–Markey proposal warrants critical analysis.

The Renewable Electricity Standard. The Waxman–Markey proposal requires that more electricity come from so-called renewable sources, chiefly wind energy but also others like biomass and solar. This renewable electricity standard (previous bills called it a renewable portfolio standard) is nothing more than a mandate for higher electricity bills.

For many years, wind energy has been the beneficiary of generous tax credits and subsidies (American's pay for it both as taxpayers and as ratepayers), but it still provides less than 2 percent of America's electricity. By comparison, coal provides about 50 percent—and does so with considerably less favorable treatment than wind—while natural gas and nuclear energy account for about 20 percent each. Proponents of wind power believe the nation should use more of it and thus have called for a federal man-

date in addition to all the handouts. The targets in the Waxman–Markey renewable electricity standard start with a tripling to 6 percent by 2012, increasing each year until it reaches 25 percent by 2025.

Of course, the reason wind energy needs all this government help is that it is too expensive to catch on otherwise. By some measures it is over 50 percent costlier than conventional coal.¹ The actual impact of Waxman–Markey on future energy bills is a matter of considerable speculation, as the renewable electricity provisions represent an unprecedented transformation of the American electricity supply and infrastructure. The Energy Information Administration optimistically projects cost increases of no more than 2.9 percent.² But the actual experience in Spain—a nation that is already implementing a similar policy—suggests costs 10 times higher.³

One often-overlooked factor is wind's unreliability. Wind can stop blowing at any time, and it often does during hot summer days when electricity demand peaks. Since people need electricity 24/7, additional wind power would need to be backed up with conventional sources ready to carry the full load at any time, further raising costs and undercutting the rationale for this alternative.⁴ This is particularly

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true of the southeastern U.S. and some other areas where wind is particularly weak—a good reason why each state legislature should be able to decide for itself whether to impose such a mandate rather than having a one-size-fits-all national standard.

The new transmission lines necessary to bring more wind from where it is produced to where it is needed is another substantial cost. By some estimates it could reach \$80 billion.⁵ And like most other costs, it would be paid by the public.

The Low Carbon Fuel Standard. Though gasoline was above \$4 a gallon as recently as last summer, Waxman–Markey seeks to add costly new gasoline regulations in the form of a low carbon fuel standard.

There are already convoluted federal Clean Air Act regulations dictating the recipe for gasoline. These requirements were designed to reduce tailpipe emissions, but they have proven to be unnecessarily costly and complex for the task.⁶ On top of that, the 2005 and 2007 energy bills required that renewable fuels (chiefly corn-based ethanol) be added to the gasoline supply. For 2009, 11 billion gallons must be used, going up to 36 billion in 2022. Ethanol costs more than gasoline, and the diversion of corn

from food to fuel use has raised food prices, not only of corn itself but of related items such as corn-fed meat and dairy.⁷

Now, Waxman–Markey seeks to add a low carbon fuel standard, which purports to reduce the amount of carbon dioxide emissions attributable to motor fuels. Among other things, the proposal would require the addition to the gasoline supply of supposedly lower-carbon alternatives such as cellulosic ethanol and biodiesel. The problem is that these alternatives are very expensive. One study estimates that the Waxman–Markey proposal would add 61 cents per gallon.⁸

The standard could also harm domestic oil production. Compared to some sources of imported oil, certain domestic sources either require more energy to extract, are of a lower grade that require more energy to refine, or both. Since the carbon used to produce and refine oil would be part of the low carbon fuel calculation, these domestic supplies would be at a comparative disadvantage. Further, a low carbon fuel standard would all but preclude promising domestic alternatives such as shale oil (because of its supposedly high carbon contribution) as well as oil currently being produced in Canada from tar sands.⁹

1. Gilbert Metcalf, “Federal Tax Policy Towards Energy,” Massachusetts Institute of Technology, January 2007, Table 8, at http://web.mit.edu/globalchange/www/MITJPSPGC_Rpt142.pdf (May 12, 2009).
2. U.S. Department of Energy, Energy Information Administration, “Impacts of a 25-Percent Renewable Electricity Standard as Proposed in the American Clean Energy and Security Act Discussion Draft,” at <http://www.eia.doe.gov/oiaf/servicerpt/acesa/index.html> (May 12, 2009).
3. Gabriel Calzada, “Study of the Effects on Employment of Public Aid to Renewable Energy Sources,” Universidad Rey Juan Carlos, March 2009, p. 31, at <http://www.juandemariana.org/pdf/090327-employment-public-aid-renewable.pdf> (May 12, 2009). According to this study, the investments in renewable electricity in Spain would require a 31 percent increase in electricity rates (or higher taxes) to be recouped.
4. Drew Thornley, “Texas Wind Energy: Past, Present, and Future,” Texas Public Policy Foundation, October 2008, pp. 8-15, at <http://www.texaspolicy.com/pdf/2008-09-RR10-WindEnergy-dt-new.pdf> (May 12, 2009).
5. Press release, “Study: Billions Needed to Deliver Wind Power to Eastern Interconnection,” Joint Coordinated System Plan, February 9, 2009, at http://www.midwestiso.org/publish/Document/20b78d_11ef44fc9c0_-7c4b0a48324a/2009-02-9%20JCSP%20Study%20Quantifies%20Cost%20of%20Delivering%20Wind%20NR.pdf?action=download&_property=Attachment (May 12, 2009).
6. Ben Lieberman, “Correcting Mistakes of the 1990s Should Top the Energy Agenda for 2006,” Heritage Foundation Backgrounder No. 1921, March 20, 2006, at <http://www.heritage.org/Research/EnergyandEnvironment/bg1921.cfm>.
7. Congressional Budget Office, “The Impact of Ethanol Use on Food Prices and Greenhouse-Gas Emissions,” April 2009, p. 9, at <http://www.cbo.gov/ftpdocs/100xx/doc10057/04-08-Ethanol.pdf> (May 12, 2009).
8. George C. Marshall Institute, “Economic, Environmental, and Energy Security Consequences of a National Low Carbon Fuel Standard,” April 2009, p. 3, at <http://www.marshall.org/pdf/materials/644.pdf> (May 12, 2009).
9. Jeff Keuter, “National Security, Energy Security, and a Low Carbon Fuel Standard,” George C. Marshall Institute, April 2009, pp. 15-27, at <http://www.marshall.org/pdf/materials/643.pdf> (May 12, 2009).

Thus, at the same time it would be jacking up the cost of driving, a low carbon fuel standard could also give a comparative advantage to oil imports from unfriendly regimes while reducing domestic production.

Appliance Efficiency Standards. Federal laws dictating how much energy home appliances are allowed to use have frequently harmed consumers, but Waxman–Markey contains a host of new ones.

Improved energy efficiency is a worthwhile goal, but not when Washington tries to mandate it with arbitrary requirements. Consumers who think the resultant energy-efficient appliances will save them money may be disappointed. These standards almost always raise the purchase price of appliances, in some cases to the point that the extra upfront costs are never recouped in the form of energy savings. For example, the Department of Energy conceded that its most recent air-conditioner standard would be a money loser for many consumers, but went ahead with it anyway.¹⁰

Efficiency standards can also adversely affect product performance, features, and reliability. For example, *Consumer Reports* noted that several high-efficiency clothes washers meeting the latest federal standard “left our-stain soaked swatches nearly as dirty as they were before washing” and suggested that “for best results, you’ll have to spend \$900 or more.”¹¹

Some standards also restrict consumer choice. For example, the 2007 energy bill effectively phases

out the traditional incandescent light bulb in favor of more efficient compact fluorescent bulbs. Compared to the old-fashioned but still-popular incandescent lights, compact fluorescent bulbs are more expensive, have a light quality some find inferior, do not fit into certain fixtures, and contain small amounts of mercury, which can be a health and safety concern if the bulbs break. In any event, consumers are clearly better off when they have the choice between light bulb types, not when government steps in and decides what is best.

The Waxman–Markey proposal contains a host of new standards for everything from household lamps to portable electric spas. It also makes it easier to set more stringent requirements for appliances like air-conditioners that are already regulated. The overall effect would be higher costs, compromised quality, and restricted choice for homeowners with a negligible impact on the environment.

Ample Reason for Criticism. The cap-and-trade provisions in Waxman–Markey are more than enough reason to be highly critical of this proposal. Nonetheless, the renewable electricity standard, low carbon fuel standard, and appliance efficiency mandates are truly terrible in their own right and would only heighten consumer anger if this misguided proposal ever becomes law.

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10. Federal Register, Vol. 66, No. 14 (January 22, 2001), p. 7201.

11. ConsumerReports.org, “Washers & Dryers: Dirty Laundry,” June 2007, at www.consumerreports.org/cro/appliances/washing-machines/washers-and-dryers-6-07/overview/0607_wash_ov_1.htm (May 12, 2009).