SOLUTIONS for America

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Meeting America's Energy and Environmental Needs

THE ISSUE:

America needs an energy policy that promotes environmental sustainability and economic growth. Yet many Members of Congress and the Administration are promoting policies and promulgating regulations that centralize power in Washington—an approach that leads to the high prices, energy shortages, and foreign dependence that politicians use to justify their failed big-government policies. Americans should demand an energy policy that is rooted in the free market, builds on private property rights, and relies on the initiative and entrepreneurial spirit of the private sector. This will not only promote economic growth, but also help Americans to achieve their environmental objectives. Ultimately, it is economic prosperity, not government dictate, that provides the means to protect the environment.

THE FACTS:

- **Running Out of Oil?** Three decades ago, proven world oil reserves were 645 billion barrels; five years ago, it was 1.28 trillion, and in 2009, it was 1.34 trillion. New, innovative technologies and sound policies to allow access will help to recover that oil and discover more. Unfortunately, the Administration's policies are keeping much of this resource off-limits, which means higher prices and more dependence.
- **Energy Subsidies and Mandates.** Solar and wind receive subsidies of over $23/Mwh (megawatt hour) compared with $1.59/Mwh for nuclear, $0.44/Mwh for conventional coal, and $0.25/Mwh for natural gas. This does not include the $27.2 billion allocated in the 2009 "stimulus" bill for energy efficiency and renewable energy research and investment. Congress mandated that renewable fuels be mixed into the gasoline supply and required production of 36 billion gallons of ethanol by 2022. Energy subsidies and mandates reduce competition, inflate prices, and stifle technological innovation, and Americans have to pay twice for the subsidies: first through higher taxes and second with higher energy prices.
- **Access to America's Natural Resources.** The federal government owns and controls 650 million acres of land in the United States, including large portions in the western U.S. For instance, the federal government owns approximately 85% of the land in Nevada, 69% of Alaska, 57% of Utah, and 53% of Oregon. The federal government does not adequately maintain its land, much of which could be put to much more productive use like ranching, mining, or forestry through private ownership.
- **Affordable Electricity.** The science behind global warming is anything but certain, but one thing is certain: The policies to cap carbon dioxide and mandate "clean" energy production are very expensive. The cap and trade bill passed by the House of Representatives would result in 1.9 million fewer jobs in 2012, $9.4 trillion in lost economic growth from 2012–2035, and a 90% increase in the price of electricity by 2035. Proposals for a renewable electricity mandate, which would require 20% of our nation's electricity (currently at 3%) to come from government-picked renewable sources, are not much better. They would destroy over one million jobs (on net), cut national income (GDP) by $5.2 trillion between 2012 and 2035, and increase electricity prices 36%. Neither policy would have any noticeable environmental impact, but both would result in more government control of the economy and thus more lobbyists flooding the halls of Congress to pursue their special interests.

- **Nuclear Power.** The U.S. gets 20% of its electricity (and 70% of its emissions-free electricity) from 104 nuclear power plants. Further, at less than two cents per kilowatt hour, nuclear energy is among the least expensive electricity produced in the U.S. and also, with no injuries or deaths as a result of commercial nuclear energy in the U.S., among the safest. Yet due to an onerous regulatory burden and the federal government's failed strategy to manage nuclear waste, no new plants have been permitted in over three decades.

THE SOLUTIONS:

- **Expand Onshore Oil Production into Previously Restricted Areas,** including Alaska's Arctic National Wildlife Refuge, where an estimated 10 billion barrels of oil—16 years of current imports from Saudi Arabia— lie beneath a few thousand acres that can be accessed with minimal environmental impact.
- **Open America's Outer Continental Shelf to Offshore Oil and Gas Exploration.** Offshore drilling bans prevent exploration in about 85% of our coastal waters. A reinvigorated offshore and onshore energy program could create 113,000 to 160,000 new jobs by 2030.
- **Peel Back All Energy Subsidies.** The federal government must stop picking winners and losers in the energy sector. Subsidies create complacency within the industry and reduce the incentive to innovate. In most cases, subsidies either transfer part of the cost for a market-viable investment to the public or divert direct investment away from more efficient projects. They distort the market and cost the many for the benefit of the few. Freeing energy industries from all government subsidies would allow companies to rely on innovation and efficiency, not taxpayer handouts, to remain competitive and allow competition among all energy sources, including renewables.
- **Reform the Offshore Oil and Gas Liability Regime.** Congress should establish a liability and claims process that fully assigns risk of offshore oil and gas operations, allows for victims to be fully compensated, and protects companies from frivolous lawsuits. Such a regime should include a multi-tiered insurance and liability system that relies on private insurance to cover liability for normal operations and a voluntary insurance pool for liability exceeding $1 billion; an industry-funded organization governed by an independent board to reduce the likelihood of spills by setting and enforcing safety standards at individual sites, collecting safety data, sharing best practices, and working with government regulators; and a pre-positioned industry-funded preparedness and response capability, certified by an independent organization, to deal aggressively and effectively with accidents if they do happen, as well as a more robust and integrated federal oversight and national response.
- **Allow the U.S. Department of the Interior to Provide the Appropriate Lease Sales When Possible for Oil Shale.** According to the Department of the Interior and the Bureau of Land Management, a moderate estimate of 800 billion barrels of recoverable oil from oil shale in the Green River Formation is three times greater than the proven oil reserves of Saudi Arabia. The technology to collect and refine oil shale is developing at a rapid pace, and private companies are willing to invest in it. When the private sector demonstrates that oil shale is economically feasible and can be done safely, the DOI should allow commercialization to move forward.
- **Amend the Clean Air Act to Exclude Carbon Dioxide and Other Greenhouse Gases from the Environmental Protection Agency's Purview.** The Clean Air Act was never intended to regulate carbon dioxide, yet that is precisely what the EPA is attempting to do. The result would be that schools, farms, restaurants, hospitals, apartment complexes, churches, and anything with a motor—from motor vehicles to lawnmowers, jet skis, and leaf blowers—could be subject to cost-increasing restrictions.
- **Introduce Market Principles into Nuclear Waste Management Reform.** The federal government's inability to fulfill its legal obligations under the 1982 Nuclear Waste Policy Act has often been cited as a significant obstacle to building additional nuclear power plants. Given nuclear power's potential to help solve many of the nation's energy problems, now is the time to break the impasse over managing the nation's used nuclear fuel.
- **Reform the Arduous Permitting Process for New Nuclear Power Plants.** The first step is to create a permit schedule that reduces the current four-year timeline to two years for traditional reactors. Second, establishing an alternative licensing pathway for new nuclear technologies could help build the necessary regulatory support on which their commercial success ultimately depends.
- **Maintain the Yucca Option.** Under any realistic nuclear waste management scenario, there will be a need for long-term geologic storage. The Nuclear Regulatory Commission (NRC) is currently reviewing the Department of Energy's application for a permit to construct the repository at Yucca Mountain. Congress should fully support this process.