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American Energy Freedom: The Basis for Economic Recovery

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Abstract: *Electricity is the lifeblood of the U.S. economy—it is essential for all transportation, and for manufacturing all food and consumer products on which Americans rely every day. Many small businesses and families are still struggling to make ends meet during this fragile economic rebound, and the last thing they need is the rapidly increasing electricity, fuel, and food costs. Affordable energy is the key to lasting economic recovery, and a market-based energy policy is the best way to achieve it. An effective energy policy embraces and encourages the use of abundant and reliable domestic energy resources. Any energy policy that tightens supplies and raises prices will hurt everyone—but especially the lower and middle income—and needlessly prolong the economic misery. It is vitally important to thwart policy initiatives that raise energy prices, make American manufacturing uncompetitive, and send American jobs abroad.*

Thomas Edison set up the first central power station in the world at the Holborn Viaduct in London in 1882.[1] Later that year, on September 4, he established the first commercial electric power plant in the United States, the Pearl Street Power Station in New York City. It used six large coal-burning steam engines, each powering a "Jumbo Dynamo" generator that produced 100 kilowatts of electricity. Edison flipped the switch on that first day to provide electricity to 85 customers, enough to power 5,000 lamps. The cost was approximately $5 per kilowatt hour (kwh); today, the average cost is around $0.10 per kwh.[2]

Talking Points

- Energy is essential for all transportation, and for all food and consumer products on which Americans rely every day. *Affordable* energy is the key to lasting economic recovery.
- Many small businesses and families still struggle to make ends meet during this fragile economic rebound; the last thing they need is rapidly increasing electricity, fuel, and food prices.
- By simultaneously maximizing access to global energy supplies and exploration of domestic resources, America can achieve energy freedom—instead of being subjected to the whims of dictators, cartels, and oligarchs.
- But the federal government has blocked access to much of the country's natural gas and, like for oil, has increased imports of natural gas as the country loses manufacturing jobs to foreign competitors.
- Right now, the government is trading freedom and free enterprise for barrels of oil from hostile governments. America must do better.

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LEADERSHIP FOR AMERICA

When studying American history, in particular times of rapid economic growth, one often finds that poets, such as Ralph Waldo Emerson, speak of fuels that drive industrial revolutions. Such was the case in the mid-to-late 1800s in America. Then, as now, prosperity was directly linked to the efficient use of energy. The more energy-efficient a society became as a whole, the greater the wealth that each individual member of that society enjoyed.[3]

Yet, over the past four decades, the federal government has been restricting Americans' access to their own domestic energy reserves, increasing the cost of production and distribution of electricity and transportation fuels through price controls, energy taxes, overregulation, and drilling moratoriums—using the politicians' favorite tactic of fearmongering in the name of environmental protection.

Energy propels quality of life in an economy. Electricity is the lifeblood of the U.S. economy. Energy is essential for all transportation, and for all food and consumer products on which Americans rely every day. Moreover, *affordable* energy is the key to lasting economic recovery. Many small businesses and families are still struggling to make ends meet during this fragile economic rebound, and the last thing they need is rapidly increasing electricity, fuel, and food costs.

A market-based energy policy is the best way to keep the cost of energy affordable for families and small, medium, and large businesses—especially during the current economic recession. An effective energy policy embraces and encourages the use of affordable, abundant, and reliable domestic energy resources. Any energy policy that tightens supplies and raises prices will hurt everyone—especially the lower and middle income—and needlessly prolong the economic misery. It is vitally important to thwart policy initiatives that cause higher energy prices, make American manufacturing uncompetitive, and send American jobs out of the country.

Making a variety of energy sources available in a competitive market can manage supplies as demand increases over time. For example, making use of the plentiful domestic coal resources and hydropower is essential. Employing advanced nuclear power, waste-to-energy power, and solar energy can also help to meet the demands of an always-on, ready-to-go, high-tech society. Tapping domestic reserves for natural gas and oil can reduce costs for American manufacturing and transportation. Moreover, American businesses and policymakers need to think creatively. For ground transportation, alternatives to oil include innovative coal synfuels, nanotech enhanced batteries, and propane and compressed natural gas, which may prove to be useful for fleets of vehicles. But it is a mistake to think that intermittent wind or solar power can replace coal or nuclear energy for baseload demand.

History has often demonstrated that energy technology, production, and distribution are enhanced by a free marketplace, not by government regulation, mandates, or restrictions of opportunity. Federal regulation should not prevent states from maintaining their own energy portfolios, using the resources within their boundaries, which enables state and local economies to flourish independently and contribute to regional as well as national economic growth. Kentucky, for instance, benefits from its use of inexpensive coal, while Idaho benefits from hydroelectric power from its rivers. Conversely, residents of states that rely on more expensive sources of power, such as Connecticut, New York, or Massachusetts, ultimately pay more for their electricity.[4]

An efficient, affordable, and sustainable energy policy for America should include the following four tenets:

1. Mary Bellis, "History of Electricity: Early Life of Thomas Edison," About.com, at *http://inventors.about.com/cs/inventorsalphabet/a/electricity_5.htm* (May 11, 2011).
2. National Energy Education Development Project, "Intermediate Energy Infobook: History of Electricity," 2010, at *http://www.need.org/needpdf/Intermediate%20Energy%20Infobook.pdf* (April 19, 2011).
3. Steve Goreham, *Climatism! Science, Common Sense, and the 21st Century's Hottest Topic* (New Lenox, Ill.: New Lenox Books, 2010), p. 242, Figure 89.
4. American Energy Freedom Center, "2010 State Power Rankings," at *http://www.energyfreedomcenter.org/wp-content/uploads/2010/08/2010PowerRankings.pdf* (April 20, 2011).

1. **Strategic energy independence is achievable if local, state, and federal policymakers ensure access to affordable, diverse domestic energy resources.** A diverse, market-based national energy portfolio of fuel sources allows the private sector and state and local leaders to effectively provide affordable electricity and transportation, attract jobs, and foster business growth and improved quality of life for families. Any comprehensive national energy policy that relies on, or mandates, a future of expensive and unreliable fuel sources threatens to make the current economy energy deficient and future generations of Americans indebted to foreign governments for decades. Proposed international agreements for carbon-cap-and-trade schemes or carbon-dioxide regulations restrict Americans' own use of their country's resources and is tantamount to economic unilateral disarmament. Not only do carbon-cap-and-trade systems and Environmental Protection Agency (EPA) regulation of carbon dioxide raise energy prices for Americans, these practices are also detrimental to developing economies struggling to raise their own citizens out of poverty.
2. **Energy efficiency is best achieved through free markets.** State and local governments should allow power producers and consumers to determine pricing, technology deployment, and selection of fuels and supplies. State governments can and should audit their own properties and buildings for effective technologies, systems, surface treatment, and energy efficiency to save taxpayer money. Energy efficiency for government buildings should be determined by state and local governments, however, not by federal dictate. Beyond that, energy efficiency does not mean pitting one region of the country against another. Consumer demand and competition between industries, retail businesses, and commercial enterprises are the real drivers of energy-efficient products. Federal energy policies that cap or restrict use of certain types of fossil fuels, such as coal, natural gas, or oil, under the auspices of environmental protection, limit the ability of the people in the states to determine the best means to fuel their own economies for manufacture, agriculture, trade, and other services. The truth is that government mandates are not a productive or sustainable alternative to free markets.
3. **Affordable energy choices are the result of free and competitive markets.** Restrictive legislation and environmental regulations that, in effect, levy taxes on the production of electricity or petroleum raise the cost of doing business for companies and the cost of living for consumers. American families not only pay the price at the fuel pump, thermostat, and grocery store, but bear the full cost of any taxes imposed on businesses by government regulators. Lower-income families carry the biggest proportionate burden of these costs and struggle the most to make ends meet under regressive energy taxes. Most important, such restrictive policies that raise the cost of energy inhibit the financial freedom and spending power of American families, enterprises, and communities.[5] Ultimately, government-imposed costs for electricity harm America's international competitiveness for jobs and investment.
4. **Increased access to resources improves energy supply flow and enhances economic development and job growth in the states.** America has an abundance of onshore and offshore energy resources that can enable the affordable transportation of goods, whether locally, regionally, or internationally. States set standards that allow the private sector to access, inventory, and develop fuel reserves off their coasts or under their land through private leasing. While the states should set standards for outside access to resources within their boundaries, private energy companies are best able to determine the most effective and affordable means of providing electricity and transportation fuels for local commerce and economic development. Furthermore, the states should be able to share royalties from federal lease sales for the safe development of those reserves as established by precedent through the sale of Lease 181 in the Gulf of Mexico in 2006. Four Gulf of Mexico states receive 37.5 percent

5. Andrew Chamberlain and Feliz Ventura, "Paying for the 'American Power Act': An Economic and Distributional Analysis of the Kerry–Lieberman Cap-and-Trade Bill," June 30, 2010.

of the federal revenues generated by the lease sale. Restricting access to those affordable fuels leads to higher gasoline prices and electricity costs, which have a significant negative impact on job creation, transportation, and individual mobility. Such restricted access also unnecessarily increases dependence on imported oil.

The United States faces drastic circumstances today, with the weak economy, dangerous levels of debt, and a near-10 percent unemployment rate. Public policy should encourage research on development and production of innovative clean energy sources and technologies. Specifically, commercialization should be left to the private sector, and should not be subsidized by taxpayer dollars. Policy leaders at all levels of government should support electricity grid and infrastructure improvement, and encourage domestic energy production.

Above all, energy policy must build on the American values of independence, growth, and opportunity. By relying on free market principles, repealing unproductive mandates, and allowing the market to determine costs, Congress and the Obama Administration can allow the national economy to grow and reward greater energy efficiency.

U.S. Domestic Resources

Since 1973, an American President has warned of the perils and pitfalls of Americans' growing reliance on foreign energy in 25 State of the Union Addresses. While access to oil from neighboring allies such as Canada can be an economic benefit to U.S. energy production, Americans have become increasingly dependent on foreign oil from countries with hostile anti-American leaders. U.S. dependence on imported oil has more than doubled since the 1970s, resulting in an American energy supply system that is less safe, making people, places, and events more vulnerable to foreign threats.

Steven Hayward of the Pacific Research Institute uses the term "energy resilience," defined as a "diversified portfolio of energy technologies and global supplies that minimizes the economic and political risk of disruptions from any particular region or energy source."[6] Such energy resilience is a laudable goal for any national energy policy.

The United States has enjoyed the benefits of an economy powered by a fossil-fuel-based energy infrastructure that has provided affordable and reliable energy for the country's electricity and transportation needs. Americans chose to import more fuel from foreign nations rather than use domestic resources.

Drawing on the 1906 Antiquities Act, the Clinton Administration established several national monuments during a massive land grab in the 1990s without the consent of state governments. This executive action cut off access to more than 11 billion tons of recoverable, low-sulfur, high-btu coal—to the detriment of the state of Utah and its residents. More recently, the Department of the Interior developed an internal working document that identifies Bureau of Land Management lands as sites for national monuments or "special conservation" status. The document identifies land in Arizona, California, Colorado, Montana, New Mexico, Oregon, Utah, and Washington totaling approximately 13,535,000 acres.[7] In February 2009, the Department of the Interior cancelled 77 existing oil and natural gas leases in Utah, putting at risk millions of dollars in revenues for the state as well as more than 2,000 jobs.[8]

In a turnabout for states' rights, Utah governor Gary Herbert signed legislation in the spring of 2010 authorizing the state to use the power of eminent domain to seize federal lands and open them for energy production.[9] More states and energy

6. Steven Hayward, "The Energy Policy Morass," *The Weekly Standard*, April 26, 2010.
7. Robert Gordon, "War on the West II," Heritage Foundation blog *The Foundry*, February 23, 2010, at *http://blog.heritage.org/2010/02/23/war-on-the-west-ii* (April 20, 2011).
8. "Enough Dithering over Leases," *Deseret News*, July 18, 2010, at *http://www.deseretnews.com/article/700048742/Enough-dithering-over-leases.html* (April 20, 2011).
9. Bonner R. Cohen, "Utah Governor Herbert Signs Law Challenging Federal Lands Expansion," Heartland Institute *Environment and Climate News*, May 2010, at *http://www.heartland.org/full/27382/Utah_Governor_Herbert_Signs_Law_Challenging_Federal_Lands_Expansion.html* (April 20, 2011).

producers are looking into the reserves located on federal lands within their borders hoping to lease them for exploration and production. A number of companies in several states are attempting to extract vast amounts of natural gas using a technique called hydraulic fracturing, a process that has been done safely for 60 years and performed in more than one million well sites in the United States.

In Alaska, the Obama Administration blocked exploration of the barren North Slope, which holds approximately 12 billion barrels of oil and 73 trillion cubic feet of natural gas.[10] The Administration opposes opening 2,000 acres of the Arctic National Wildlife Refuge for exploration. More recently, the Administration broke its promise to allow continental coastal states to engage in offshore drilling for at least seven years.

6 Components of a Healthy National Energy Policy

1. Congress and the states must give consent for any federal land designations or land use restrictions by executive action. Through state and federal environmental mandates, developed allegedly for environmental or recreational protection, policymakers have limited development and distribution of coal, oil, natural gas, and uranium. However, the exponential growth of technology, which relies on perfect power without sags, surges, or interruptions, has increased demand for electricity. The U.S. Energy Information Administration (EIA) indicates that electricity demand will increase by 30 percent by 2035, with the largest increases in the commercial and residential sectors.[11]

Coupled with the restrictions placed on natural domestic reserves, the U.S. market is now tightening its own sources for producing electricity with the predictable increases in electricity prices. Electricity prices in states that have binding renewable-energy portfolio standards are almost 40 percent higher than in states without similar mandates.[12] The government has promoted the use of renewable and alternative fuels, but has not held down the costs—which, as always, are borne by the consumers. Mandates to use alternative fuels force consumers to use more expensive power alternatives.

The United States has 25 percent of the world's coal reserves. Thirty-eight states have large coal deposits. It is time to increase access to domestic energy resources and safely produce affordable fuels for electricity, manufacturing, and transportation.

States and local governments have several policy tools they can employ to unleash their resources. Some states require legislative approval or have legislative reporting requirements for cost-benefit analyses of any restrictive actions. Others allow the executive branch to exercise memorandums of agreements with the federal government or other states in the region. Many local governments tie school funding or transportation to revenues raised through energy production. It is critical that the states' interests be respected as the federal government considers policies that restrict access to natural resources that could provide revenue sources for states. For any environmental or energy policy, the key concepts must be accountability and transparency.

2. Congress should eliminate barriers to access and safely develop domestic energy reserves within the continental United States and Alaska. America can be considered number one in the world in energy resources thanks to its plentiful coal reserves. According to the EIA, "Although coal deposits are widely distributed, 82 percent of the world's recoverable reserves are located in five regions: the United States (29 percent), Russia (19 percent), China (14 percent), other non-OECD Europe and Eurasia (10 percent), and Australia/New Zealand (9 percent)."[13]

10. John Barrasso and Rob Bishop, "The War on Western Jobs," A Report by the Senate and Congressional Western Caucuses, 2010, at *http://barrasso.senate.gov/public/_files/War_on_Western_Jobs_Report_Final.pdf* (April 20, 2011).
11. U.S. Energy Information Administration, "Annual Energy Outlook 2010," April 2010, at *http://www.eia.doe.gov/oiaf/aeo/pdf/0383(2010).pdf* (April 20, 2011).
12. Institute for Energy Research, "Energy Regulation in the States: A Wake-up Call," 2010, at *http://www.instituteforenergyresearch.org/pdf/statereport.pdf* (April 20, 2011).

American coal provides reliable and affordable electricity, and provides 48 percent of the entire country's electric power generation. More natural gas is being found in shale (natural gas trapped in shale rock formations) and has been more economically recovered over the past decade through fairly new technologies in horizontal drilling and hydraulic fracturing. Approximately 87 percent of the natural gas consumed in the United States has been produced domestically. The Energy Information Administration reports domestic reserves of 2,552 trillion cubic feet, nearly one-third of which comes from shale. At today's consumption rates, this is a 110-year supply; and it is vital for manufacturing.[14] Industry accounts for 43 percent of the consumption of natural gas across all sectors. Natural gas is a feedstock for methanol which is used in a variety of manufacturing processes. Natural gas is also used for making plastics, fabrics, fertilizers, and pharmaceuticals.[15]

Oil is the basic energy source for transporting goods and people around the nation. Recent studies by industry groups have estimated that opening America's vast offshore resources to energy production would lead to millions of new jobs and an additional $8 trillion in GDP, while bringing in tax revenues of approximately $2.2 trillion over a 30-year production period.[16] It would also reduce the U.S. trade deficit by reducing imports of foreign oil.

3. Congress should stop the Environmental Protection Agency's attempt to regulate carbon dioxide through the Clean Air Act. Congress has made several attempts to cap carbon dioxide emissions including failed cap-and-trade schemes and renewable energy standards. To date, these legislative initiatives have failed because of the inherent energy tax embedded in the proposals.

The carbon-cap-and-trade scheme is an approach modeled after the failed policy of the European Union. The "endangerment finding" by the EPA is an attempt to use the 1990 Clean Air Act to regulate greenhouse gas emissions to stop Americans' use of abundant domestic coal, natural gas, and oil reserves without congressional authority. In a 5–4 decision in 2007, the United States Supreme Court ruled in *Massachusetts v. Environmental Protection Agency* that the EPA has the authority to designate greenhouse gases from mobile sources (such as cars and trucks) as pollutants if they meet the statutory criteria for regulation, i.e., health and environmental effects. In other words, greenhouse gases could be considered air pollutants to be regulated by the Clean Air Act if the EPA deemed them so.

The Supreme Court offered the EPA three options: (1) Issue a finding that greenhouse gases may reasonably be anticipated to endanger public health or welfare, (2) Issue a finding of no endangerment, or (3) Provide a reasonable explanation for why the EPA will not make such a determination. The Court stated that EPA would be constrained under section 202 of the Clean Air Act to give "appropriate consideration to compliance costs and technological feasibility."[17]

In 2008, the Bush Administration refused to pursue an endangerment finding, but did issue a 500-page advance notice of proposed rulemaking for greenhouse gas emissions. This set the stage for the EPA to regulate greenhouse gases. Under the Obama Administration, the EPA then issued an endangerment finding, thus allowing new regulation of greenhouse gas emissions. By default, the

13. U.S. Energy Information Administration, "International Energy Outlook 2010," at *http://www.eia.doe.gov/oiaf/ieo/coal.html* (April 20, 2011).
14. Geology.com, "What Is Shale Gas?" at *http://geology.com/energy/shale-gas/* (May 11, 2011).
15. NaturalGas.org, "Uses in Industry," at *http://www.naturalgas.org/overview/uses_industry.asp* (May 11, 2011).
16. Joseph Mason, "The Economic Contribution of Increased Offshore Exploration and Production to Regional and National Economies," American Energy Alliance, February 2009, at *http://www.americanenergyalliance.org/images/aea_offshore_updated_final.pdf* (April 20, 2011).
17. George F. Allen and Marlo Lewis, "Finding the Proper Forum for Regulation of the U.S. Greenhouse Gas Emissions: The Legal and Economic Implications of Massachusetts v. EPA," *University of Richmond Law Review*, Vol. 44, No. 3 (March 2010), p. 922, at *http://lawreview.richmond.edu/wp/wp-content/uploads/2010/03/Allen-AC.pdf* (April 20. 2011).

new regulation set up a regulatory chain reaction under all sections of the Clean Air Act (CAA):

> By definition, when EPA establishes GHG emission standards for new motor vehicles, carbon dioxide becomes an air pollutant "subject to regulation" under the Clean Air Act. As a CAA regulated air pollutant, carbon dioxide would consequently be subject to regulation under the CAA prevention of significant deterioration preconstruction permitting programs for stationary greenhouse gas emitting sources. To comply with the Clean Air Act, a facility must obtain a Prevention of Significant Deterioration (PSD) permit for any stationary source that could be a "major stationary emissions source"....[18]

As the Clean Air Act is currently written, an endangerment finding requires that the EPA regulate sources or establishments that emit 250 tons or more of a pollutant per year, which means the EPA would have to regulate millions of CO_2-emitters—including schools, small businesses, churches, restaurants, and manufacturers of lawnmowers and leaf blowers. The EPA instituted a rule that would "tailor" the permit program to exempt entities that emit up to 25,000 tons of carbon-dioxide-equivalent pollutants per year (but only for six years). Even with the tailoring rule in place, more than 1,200 small businesses—including brick manufacturers, small municipal utilities, small coal mines, and small paper and pulp mills—exceed the 25,000-ton limit of CO_2 equivalence.[19] Although smaller business may be protected for six years, most would still be indirectly hit through higher energy costs. The new regulation, using the endangerment finding as rationale, is a job killer.

4. Congress should make use of the Congressional Review Act. The 1996 Congressional Review Act explicitly allows Congress to review every new federal regulation issued by government agencies and, by passage of a joint resolution, overrule such regulations. The act was used in 2001 to overrule the Clinton Administration's ergonomics rule, which was an attempt by the Labor Department to enact a one-size-fits-all regulation to address chronic injuries in the workplace, and was estimated to cost between $4.5 billion and $100 billion annually at the time.[20] More recently, Senator Lisa Murkowski (R–AK) used the act to try to stop the EPA's greenhouse-gas-emission rules, but failed. However, her attempt did focus public attention—and pressure—on the EPA's massive regulatory agenda.

The new Congress should again try to enact a law or resolution to protect the U.S. economy from the EPA's power grab through clean, simple language excluding carbon dioxide, water vapor, methane, nitrous oxide, hydroflourocarbons, perfluorocarbons, and sulfur hexafluoride from being designated as air pollutants.

5. Congress should require an independent review of all scientific findings used to support current environmental regulations under the purview of the Department of the Interior, the National Oceanic and Atmospheric Administration, and the EPA. Congress should repeal or amend those regulations that fail to meet the scientific integrity review. In July 2010, the Obama Administration issued an executive order called the Ocean Policy Initiative that subjects all of America's waterways and the Great Lakes to federal zoning laws. A newly created National Ocean Council will oversee "coastal and marine spatial planning."[21] The National Oceanic and

18. *Ibid.*, p. 923.
19. U.S. Department of Commerce Small Business Administration, "Comments on EPA's Proposed Rule, 'Prevention of Significant Deterioration and Title V Greenhouse Gas Tailoring Rule,'" December 23, 2009, at *http://www.sba.gov/advo/laws/comments/epa09_1223.html* (April 20, 2011).
20. Cindy Skrzycki and Helen Dewar, "GOP to Challenge Ergonomics Rules / Clinton Decree Could Die in Congress," *San Francisco Chronicle*, March 3, 2001, at *http://articles.sfgate.com/2001-03-03/news/17591371_1_ergonomics-rule-congressional-review-act-senate-republican-leaders* (May 11, 2011).
21. Bonner Cohen, "Obama's Ocean Policy Initiative: Washington's Latest Power Grab," *The Daily Caller*, September 9, 2010, at *http://dailycaller.com/2010/09/09/obamas-ocean-policy-initiative-washingtons-latest-power-grab* (April 20, 2011).

Atmospheric Administration (NOAA) released a "Next-Generation Strategic Plan" that will use "[c]omprehensive planning to address competing uses to protect coastal communities and resources from the impacts of hazards and land-based pollution on vulnerable ecosystems."[22]

The EPA, a member of the National Ocean Council, could, for example, state that greenhouse gas emissions are harming the oceans, and use this avenue to regulate carbon dioxide if proposed cap-and-trade legislation does not become law. Essentially, this new unelected council bypasses Congress as well as state and local governments in determining land-based and water-based activities and allows new regulations to be established under the Clean Air and Clean Water Acts.

A few states have enacted the Verifiable Science Act,[23] which guarantees Americans the right to access scientific data used to develop public policy. The model language of the act incorporates rights and responsibilities as follows:

> Citizens have a right to access data from [government] funded studies in whole or in part, that are used for development of state law or regulation or enforcement action. Any regulations promulgated by the results of such studies shall be justified by pertinent, ascertainable, and peer-reviewed science.
>
> Any scientific documentation, statistics, reports, or research must be made available to the public through the (provisions of the Freedom of Information Act) whenever such scientific data is used, in part or in whole, as the basis for proposed statutes, regulations, guidance documents, policy statements, official reports, legislative studies, or any other pronouncements which might carry the weight of law or which might be intended to lead directly to new regulations or statutes.[24]

Similar federal legislation would be useful to provide transparency and accountability in the rule-making process by federal agencies.

6. Congress should repeal and block unrealistic and overly burdensome biofuel mandates. Ethanol production has received preferential tax treatment since the 1970s. Congress later imposed a tariff on imported ethanol, and in 2005 Congress mandated the use of ethanol as a fuel additive to improve vehicle emissions and extend the gasoline supply. This mandate specifically required 7.5 billion gallons of ethanol to be blended into the fuel supply by 2012.

In 2005, the U.S. was producing only 3.9 billion gallons of ethanol per year, primarily in the Midwestern agricultural states. According to the Renewable Fuels Association, the U.S. produced 10.6 billion gallons in 2009 and is projected to exceed 11 billion gallons in 2010.[25] Today, there are 187 ethanol plants in 26 states. In 2007, Congress increased the ethanol mandate further (in the Energy Independence and Security Act of 2007), setting an annual requirement for the use of renewable fuels reaching 36 billion gallons in 2022. Corn-based ethanol reaches 15 billion gallons in 2015, and the remaining 21 billion gallons must be met with advanced biofuels. The EPA classifies Brazilian sugarcane ethanol as an advanced biofuel despite the fact that Brazilian ethanol currently faces a 54 cent-per-gallon tariff imposed by the U.S. government.

Current law requires 12.6 billion gallons of ethanol to be produced in 2011 and exhibits the inability of the government to predict supply and demand. Because of the recession and reduced demand for gasoline, the United States ended up over-producing corn-based ethanol. Cellulosic ethanol production (made primarily from non-food sources) is not yet on track to provide industrial-scale quantities of fuel that the government is requiring. The Biofuels Interagency Working Group report finds that

22. *Ibid.*, p. 1.
23. American Legislative Exchange Council, Agenda for Liberty, 2003.
24. *Ibid.*, p. 154.
25. Renewable Fuels Association, "Statistics: Ethanol Industry Statistics," 2011, at *http://www.ethanolrfa.org/pages/statistics* (April 20, 2011).

the country is falling short of targets mandated by this legislation. The report states that "The U.S. is producing 12 billion gallons per year of biofuels, mostly from corn grain ethanol, but we are not on a trajectory to reach the Congressional 36 billion gallons per year goal by 2022 or to meet the 100 million gallons cellulosic biofuels target in 2010."[26]

This past October, not content to stop the gallon mandate, the EPA announced that it would further subsidize ethanol producers by increasing the allowable blend to 15 percent in transportation fuels for vehicles manufactured after 2007. In January 2011, the EPA also granted a partial waiver for use of E15 gasoline (a 15 percent ethanol blend) in light-duty motor vehicles for model years 2000 to 2006. Growth Energy, a coalition of U.S. ethanol supporters, had requested a waiver allowing them to introduce E15 into gasoline engines. (In order to protect the emission control systems of vehicles and engines, the Clean Air Act prohibits the introduction of fuels or fuel additives that are not similar to the fuels or additives used in certifying vehicles and engines to emission standards.)

What should Congress do? It is time for Congress to repeal existing ethanol mandates, cut the ethanol tax credits, and end the protectionist ethanol tariff that is a trade barrier for developing nations.

Promoting American Energy Freedom

By simultaneously maximizing access to global energy supplies and exploration of domestic resources with new technologies, America can achieve energy freedom—instead of being subjected to the whims of hostile dictators, cartels, and oligarchs. Americans can enjoy affordable and competitive energy prices on the world market by opening access to those energy reserves and investing in new technologies with commercial benefits.

America has, by far, the largest coal reserves in the world, which are vital for affordable electricity and jobs. With advances in technology, Americans can use coal gasification or liquefaction for transportation, manufacturing, and home heating. A 2008 report by the U.S. Department of the Interior indicates that 62 percent of domestic oil reserves and 41 percent of natural gas reserves on federal lands are inaccessible.[27] Unfortunately, policy leaders are beginning to repeat past mistakes. The federal government has blocked access to much of the country's natural gas and, like for oil, has increased imports of natural gas as the country loses manufacturing jobs to foreign competitors.

Americans can use nuclear power, recycled fuels, reprocessing of spent radioactive fuel, and other innovative forms of nuclear power to increase electricity capacity. The federal government is using environmental activism to block investments in such new technologies. Right now, the government is trading freedom and free enterprise for barrels of oil from hostile dictators. This country can—and must—do better.

*—**Alexandra Liddy Bourne** is Executive Director of the American Energy Freedom Center.*

26. Environment News Service, "Obama Advances Biofuels as U.S. Misses Production Targets," February 4, 2010, at *http://www.ens-newswire.com/ens/feb2010/2010-02-04-02.html* (April 20, 2011).
27. U.S. Departments of the Interior, Agriculture, and Energy, "Inventory of Onshore Federal Oil and Natural Gas Resources and Restrictions to Their Development: Phase III Inventory–Onshore United States," 2008, at *http://www.blm.gov/pgdata/etc/medialib/blm/wo/MINERALS__REALTY__AND_RESOURCE_PROTECTION_/energy/EPCA_Text_PDF.Par.18155.File.dat/Executive%20Summary%20text.pdf* (April 20, 2011).