

BACKGROUND

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How to Keep Promises to Expand Energy Production and Create American Jobs

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Abstract

President Barack Obama's energy policy during his first term runs counter to his campaign promise to expand energy production and create jobs during his second term. During his first term, he delayed, restricted, and regulated some energy sources while subsidizing, mandating, and giving special tax treatment to others. To keep his promise to increase energy production and create jobs, the President should shift from the paternalistic—and failed—energy policy of “Washington always knows best” to a free-market energy policy in which energy producers and consumers decide what works best. Such a policy would also relieve taxpayers of the burden of subsidizing the energy sector.

One of President Barack Obama's central promises during the presidential campaign was to produce more American jobs by expanding energy production. The problem is that the energy policy that he pursued during his first term is having the exact opposite effect. With one hand, President Obama used delaying tactics, restrictions, and regulations to limit some resources, while with the other, he doled out subsidies, mandates, and special tax treatments to micromanage the energy sector. As a result, energy production on federal lands is down, the coal industry is shrinking, renewables are dependent on government support, and a once promising nuclear industry is at a virtual standstill.

The one encouraging development is the expansion of oil and gas production on private lands as a result of horizontal drilling and hydraulic fracturing. However, this success emerged organically from the private marketplace, not from any specific government policy to promote these technologies and processes. To his credit, the President stayed out of the way and allowed the marketplace to work, although regulations proposed by the Obama Administration could change that.

KEY POINTS

- During the 2012 presidential campaign, President Obama promised an energy policy that would increase energy production and create jobs in his second term, but during his first term he accomplished largely the opposite.
- President Obama's energy policy has focused on delaying and restricting the use of conventional energy through federal regulations and slow-walking permitting, while increasing taxpayer support for renewable energy.
- One bright spot in American energy development has been the dramatic increase in oil and gas production on state and private lands.
- To create jobs and meet current and future energy needs, President Obama's energy policy during his second term should unleash the free market and American ingenuity.
- To this end, the Obama Administration should increase access to publicly held lands, eliminate market-distorting subsidies and mandates, scale back ineffective or obstructive environmental regulations, and position America to trade energy resources and technologies more freely with other nations.

This paper, in its entirety, can be found at <http://report.heritage.org/bg2759>

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Instead of attempting to control the energy sector from Washington, the President should learn from hydraulic fracturing and trust private-sector investment and innovation and consumer choice to drive American energy policy.

An energy policy that allows the private sector to meet America's energy needs will provide Americans with the most secure fuel choices at the lowest prices. The energy marketplace will work if the President and the Administration will just allow it. To achieve this, President Obama should open access to all domestic resources, reduce the bureaucratic regulatory overreach where the costs overwhelmingly outweigh the benefits, open international energy markets, and remove subsidies for all energy sources.

The following sections, summarized in Table 1, use statements by President Obama to introduce his positions on today's major energy policy issues. While energy policy is often more complex than can be captured in a single quote, each quote provides insight into how the President approached the issue during his first term. Each section also includes recommendations on how the President should shift his policies to keep his promises to expand energy production and create jobs in his second term.

Coal

So if somebody wants to build

*a coal-powered plant, they can. It's just that it will bankrupt them because they're going to be charged a huge sum for all that greenhouse gas that's being emitted.*¹

Recommendation. Congress should stop the needless regulatory avalanche that threatens to shrink the percentage of coal in America's energy portfolio. This includes repealing, preventing, or freezing unnecessary regulations and empowering the states to pursue economic growth and environmental protection. Congress should also remove all preferential treatment for clean coal technologies.

Rationale. Coal has been shrinking as a part of America's electricity generation, in part because of cheaper natural gas, but also because of the federal government's heavy regulatory hand. New and proposed regulations are forcing existing coal-fired power plants to shut down prematurely and make construction of new coal-fired plants almost impossible. This is also adversely affecting coal mining operations.

Recommended Reading. Nicolas D. Loris, "The Assault on Coal and American Consumers."²

Hydraulic Fracturing

We must proactively address concerns that have been raised regarding potential negative impacts associated with hydraulic

*fracturing ("fracking") practices. That is why the Administration is taking steps to address these concerns.*³

Recommendation. Congress should prevent federal agencies from creating additional layers of red tape that would slow energy production and much-needed economic growth in the United States.

Rationale. Hydraulic fracturing (fracking) is a process that has helped to tap vast amounts of oil and natural gas and created hundreds of thousands of jobs. Cheap natural gas is saving consumers money and attracting many energy-intensive manufacturing facilities to locate to the United States. Although there has been much concern that fracking may contaminate drinking water through gas migration and through the use of chemical additives, the process has proved to be safe and has been successfully regulated at the state level for decades. Federal attempts to further regulate fracking are redundant and unnecessary.

Recommended Reading. Nicolas D. Loris, "Hydraulic Fracturing: Critical for Energy Production, Jobs, and Economic Growth."⁴

Climate Change and Carbon Reduction

Climate change is one of the biggest issues of this generation, and we have to meet this challenge by driving smart policies that lead

1. "Will Obama's Comments 'Bankrupt' the Vote Among Coal Miners?" Fox News, November 4, 2008, <http://www.foxnews.com/story/0,2933,446524,00.html> (accessed November 17, 2012).
2. Nicolas D. Loris, "The Assault on Coal and American Consumers," Heritage Foundation *Backgrounder* No. 2709, July 23, 2012, <http://www.heritage.org/research/reports/2012/07/the-assault-on-coal-and-american-consumers>.
3. The White House, "Blueprint for a Secure Energy Future," March 30, 2011, p. 13, http://www.whitehouse.gov/sites/default/files/blueprint_secure_energy_future.pdf (accessed October 17, 2012).
4. Nicolas D. Loris, "Hydraulic Fracturing: Critical for Energy Production, Jobs, and Economic Growth," Heritage Foundation *Backgrounder* No. 2714, August 28, 2012, <http://www.heritage.org/research/reports/2012/08/hydraulic-fracturing-critical-for-energy-production-jobs-and-economic-growth>.

TABLE 1

President Obama and Major Energy Policy Initiatives

FIRST TERM POLICIES		RECOMMENDATION
Coal	Increased regulations on the coal industry. Subsidized technology to capture and sequester carbon dioxide (CO ₂).	Reverse regulatory “war on coal” and repeal all coal subsidies.
Hydraulic Fracturing	Proposed the first air-emissions rules for hydraulic fracturing and considered expanding the role of the Environmental Protection Agency (EPA) and Department of the Interior in regulating hydraulic fracturing.	Allow states to continue to regulate hydraulic fracturing.
Climate Change and Carbon Reduction	Supported capping CO ₂ emissions. Supported cap and trade and clean-energy mandates and began imposing policies similar to cap and trade through administrative rulemaking.	Reject all attempts to cap, tax, or regulate CO ₂ emissions.
EPA	Supported the EPA’s current mission and vowed to stand with the agency as it carries out its work.	Decrease the EPA’s scope by reducing onerous and unnecessary regulations and by reforming major environmental laws, such as the Clean Air Act, Clean Water Act, and National Environmental Policy Act.
Energy Independence	Pursued energy independence through mandates, subsidies, tax preferences, and regulations.	Pursue affordable, abundant, and flexible energy supplies by increasing domestic supply and opening international markets.
Gas Prices	Imposed efficiency mandates on the American people to drive down demand. Increased subsidies for alternative fuel sources.	Increase supply by opening domestic sources and keeping international markets free. Allow consumers to decide which types of vehicles to drive.
Renewable energy	Used subsidies, mandates, regulations, and other government interventions to artificially create demand for the technologies.	Remove government support for all types of energy (conventional and renewable) and allow producers to meet consumer demand. Create the regulatory certainty necessary for the entrance of new technologies.
Keystone XL pipeline	Delayed the decision on the permit to build the pipeline.	Approve the pipeline immediately, recognizing that the extensive environmental review already conducted is sufficient.
Energy Subsidies	Imposed a tax penalty on the oil industry. Increased taxpayer support and other preferences for politically connected or preferred energy sources.	Remove all energy subsidies because they waste taxpayer money, create government dependence, and misallocate labor and capital.
Renewable Fuels Standard	Supported the Renewable Fuels Standard (RFS) mandate. Increased government spending on biofuels.	Repeal the RFS, forcing biofuels to compete in the open market. Remove mandates and any other barriers to biofuels entering the market.
Nuclear Energy	Supported nuclear power in theory, including subsidies for the industry.	Reform nuclear waste policy and implement regulatory reform for new reactors.
Yucca Mountain	Attempted to terminate Yucca project without any technical or scientific reason and contrary to the 1982 Nuclear Waste Policy Act as amended.	Allow the Nuclear Regulatory Commission to finish its review of the Yucca permit. Then, transfer the permit to a Nevada-based interest that could negotiate directly with the nuclear industry to determine a future pathway for the project.
Energy Production on Federal Lands	Imposed greater restrictions on energy development on federal lands. Opened some new lease sales that were previously cancelled or delayed, but kept the majority of territorial waters off-limits.	Open all non-wilderness, non-monument federal lands to energy development and expand state permitting of energy development.
Energy Exports	Approved federal permit to export liquefied natural gas (LNG), but delayed issuing export licenses to ship LNG to countries without free trade agreements.	In a timely fashion, approve permits to export natural gas, coal, and other energy sources and allow cheaper energy to be imported from abroad. Negotiate and approve more free trade agreements.

*to greater growth in clean energy generation and result in a range of economic and social benefits.*⁵

Recommendation. Congress should prohibit the Environmental Protection Agency from regulating carbon dioxide (CO₂) and other greenhouse gas emissions under the Clean Air Act and should prevent regulators from using any agency or law to regulate the U.S. economy based on climate change findings.

PRICING AND REGULATING CARBON DIOXIDE EMISSIONS WOULD FUNCTION AS A MASSIVE ENERGY TAX THAT WOULD HIT CONSUMERS AGAIN AND AGAIN, PARTICULARLY HARMING LOW-INCOME FAMILIES.

Rationale. Because carbon-emitting fossil fuels produce 82 percent of the energy used in the United States, pricing and regulating carbon dioxide emissions would function as a massive energy tax that would hit consumers again and again, particularly harming low-income families, who spend a disproportionately higher percentage of their income on energy. While the earth is likely warming and manmade emissions are likely playing a minor role, the warming is not catastrophic. Further, a unilateral approach would do nothing to mitigate global temperatures,

and developing countries with rapidly rising emissions, like China and India, will not curb their CO₂ emissions.

Recommended Reading. David W. Kreutzer and Roy W. Spencer, “Carbon Dioxide Regulation and the American Conservation Ethic.”⁶

EPA

*You’ve got a president who is grateful for your [the EPA’s] work and will stand with you every inch of the way as you carry out your mission to make sure that we’ve got a cleaner world.*⁷

Recommendation. Congress should intervene to stop the EPA’s regulatory overreach and to reform the major environmental laws that grant the EPA its power.

Rationale. Congress is spending more and accomplishing less to conserve America’s environment and use the nation’s natural resources wisely. The EPA’s crushing regulations are artificially driving up the cost of energy, preventing the creation of jobs while providing little or no environmental benefit. The Clean Air Act, Clean Water Act, and National Environmental Policy Act are outdated, and unelected bureaucrats at the EPA have used them to apply a heavy regulatory hand. This was made abundantly clear when the agency rammed through regulations

using the Clean Air Act to regulate CO₂ and other greenhouse gas emissions after Congress rejected capping CO₂ emissions.

Recommended Reading. Jack Spencer, ed., *Eight Principles of the American Conservation Ethic.*⁸

Energy Independence

*That’s why if we really want energy security and energy independence, we’ve got to start looking at how we use less oil, and use other energy sources that we can renew and that we can control, so we are not subject to the whims of what’s happening in other countries.*⁹

Recommendation. Policymakers’ primary concern should be ensuring that the U.S. energy market has the ability to operate by introducing and expanding market-oriented policies that allow producers and consumers to balance supply and demand.

Rationale. Energy independence should not be the goal of energy policy. The goal should be to create an energy market that allows producers and consumers to respond to energy prices. Even so, it is important to recognize that the United States already has a high degree of energy independence. Most electricity consumed in the United States is produced domestically, with a small amount imported from friendly nations. The U.S. is more dependent on foreign

5. Francesca Rheannon, “Democrats and Republicans: A Terrifying Choice on Energy [and Sustainability]?” CSWire, September 16, 2012, <http://www.commpro.biz/corporate-social-responsibility/democrats-and-republicans-the-choice-on-energy-and-sustainability/> (accessed October 17, 2012).

6. David W. Kreutzer and Roy W. Spencer, “Carbon Dioxide Regulation and the American Conservation Ethic,” in Jack Spencer, ed., *Environmental Conservation: Eight Principles of the American Conservation Ethic*, The Heritage Foundation, July 2012, pp. 93-99, <http://www.heritage.org/research/projects/environmental-conservation>.

7. Barack Obama, “Remarks by the President to EPA Staff,” Washington, D.C., January 10, 2012, <http://www.whitehouse.gov/the-press-office/2012/01/10/remarks-president-epa-staff> (accessed October 17, 2012).

8. Spencer, *Eight Principles of the American Conservation Ethic*.

9. Barack Obama, “Remarks by the President on American Energy,” Nashua Community College, Nashua, New Hampshire, March 1, 2012, <http://www.whitehouse.gov/the-press-office/2012/03/01/remarks-president-american-energy> (accessed October 17, 2012).

countries for transportation fuels, but America's two single largest suppliers are Canada and Mexico.

However, oil is a global commodity. Whether the U.S. is a net importer or net exporter will not insulate Americans from price volatility any more than U.S. self-sufficiency in food production prevents supply problems in other parts of the world from affecting domestic U.S. food prices.

Although energy independence is a catchy sound bite, it should not be the policy goal. The biggest threat to America's reliable and affordable energy is government intervention through unnecessary regulations, subsidies, preferential tax treatment, and other market-distorting policies.

Recommended Reading. Stuart M. Butler and Kim R. Holmes, "Twelve Principles to Guide U.S. Energy Policy."¹⁰

Gas Prices

*But we've also got to continue to figure out how we have efficient energy, because ultimately that's how we're going to reduce demand and that's what's going to keep gas prices lower.*¹¹

Recommendation. The government should not be involved in energy efficiency initiatives, which restrict consumer choice, drive up sticker prices, and have unintended negative consequences. Further,

policymakers should remove barriers to oil exploration and production and reform the regulatory process. Environmental review and leasing processes should be reformed to make them more timely and reliable.

Rationale. Prices communicate essential information, and the best way for politicians to respond to higher gas prices is to allow the market to work. If oil prices rise, suppliers will explore and drill for more oil, and entrepreneurs will explore and invest in alternative fuel technologies. Consumers may switch to public transportation or purchase more fuel-efficient vehicles over the intermediate to longer term. Consumers do not need government-imposed fuel efficiency standards to make those choices.

PRICES COMMUNICATE ESSENTIAL INFORMATION, AND THE BEST WAY FOR POLITICIANS TO RESPOND TO HIGHER GAS PRICES IS TO ALLOW THE MARKET TO WORK.

The government should stop its paternalistic behavior of trying—and failing—to save consumers money with energy efficiency initiatives. Further, reforming the regulatory process and increasing oil supply by removing barriers to oil exploration and production will do more to lower prices and generate economic activity.

Recommended Reading. Nicolas D. Loris, "Ten Actions Congress Can Take to Lower Gas Prices."¹²

Nicolas D. Loris and Derrick Morgan, "Cap-and-Trade for Cars Means Higher Prices and Less Choice for Car Buyers."¹³

Renewable Energy

*This is the ultimate solution to our energy challenge. It's not going to be a smooth, easy ride. Some of the clean-energy technologies that are discovered, they won't pan out. Some companies will fail. There's going to be experiments and research that take time. But as long as I'm President, I will not walk away from the promise of clean energy, because our future depends on it.*¹⁴

Recommendation. Congress should create a framework that allows the environmental review and permitting process to proceed in a timely fashion. This should include devolving the permitting process for all energy projects to the states.

Rationale. Just as with all other energy sources and technologies, the federal government should not artificially prop up renewable sources of energy with subsidies and mandates, nor should they stifle these projects with burdensome regulation. The U.S. Chamber of Commerce identified 351 energy projects stalled by "not in my backyard" lawsuits,

10. Stuart M. Butler and Kim R. Holmes, "Twelve Principles to Guide U.S. Energy Policy," Heritage Foundation *Backgrounders* No. 2046, June 26, 2007, <http://www.heritage.org/research/reports/2007/06/twelve-principles-to-guide-us-energy-policy>.

11. "Full Transcript of the Second Presidential Debate," *The Washington Post*, October 16, 2012, <http://www.washingtonpost.com/blogs/wonkblog/wp/2012/10/16/full-transcript-of-the-second-presidential-debate/> (accessed December 27, 2012).

12. Nicolas D. Loris, "Ten Actions Congress Can Take to Lower Gas Prices," Heritage Foundation *Backgrounders* No. 2689, May 31, 2012, <http://www.heritage.org/research/reports/2012/05/ten-actions-congress-can-take-to-lower-gas-prices>.

13. Nicolas D. Loris and Derrick Morgan, "Cap-and-Trade for Cars Means Higher Prices and Less Choice for Car Buyers," Heritage Foundation *Backgrounders* No. 2715, December 17, 2012, <http://www.heritage.org/research/reports/2012/12/cap-and-trade-for-cars-means-higher-prices-and-less-choice-for-car-buyers>.

14. Obama, "Remarks by the President on American Energy."

regulatory red tape, and endless lawsuits by environmental activists who want to quash these projects. Perhaps most surprising is the fact that almost 40 percent (140) of these stalled projects involve renewable energy.

Recommended Reading. Nicolas D. Loris, “Changing the Definition of ‘All of the Above’ Energy Policy.”¹⁵

Keystone XL Pipeline

*I’m disappointed that Republicans in Congress forced this decision, but it does not change my Administration’s commitment to American-made energy that creates jobs and reduces our dependence on oil.*¹⁶

Recommendation. Under its authority to regulate commerce with foreign nations, Congress should accept the State Department’s environmental assessment and approve construction of the Keystone XL Pipeline.

Rationale. If President Obama had approved the permit for construction of the Keystone XL Pipeline, up to 830,000 barrels of oil per day would be coming from Canada to the Gulf Coast refineries as early as 2013. However, President Obama rejected the permit, claiming that the Department of State did

not have the necessary information to recommend approval and that the decision was rushed. In reality, the State Department has already conducted a thorough, three-year environmental review with multiple comment periods. The State Department studied and addressed risks to soil, wetlands, water resources, vegetation, fish, wildlife, and endangered species. It concluded that construction of the pipeline would pose minimal environmental risk.

Recommended Reading. Nicolas D. Loris, “Unnecessary Keystone XL Pipeline Delay Obstructs Energy, Jobs.”¹⁷

Nicolas D. Loris, “Keystone a Key Ingredient Missing from Obama’s Economic Recovery Recipe.”¹⁸

Energy Subsidies

*Instead of taxpayer giveaways to an industry that’s never been more profitable, we should be using that money to double-down on investments in clean energy technologies that have never been more promising—investments in wind power and solar power and biofuels; investments in fuel-efficient cars and trucks, and energy-efficient homes and buildings. That’s the future.*¹⁹

Recommendation. Congress should eschew new subsidies and remove existing subsidies for all energy sources.

Rationale. Energy subsidies waste taxpayer dollars, promote economic inefficiency, and create technological stagnation. Subsidizing energy sources merely shifts labor and capital away from economically viable projects that would actually help to grow the economy to politically popular projects. Furthermore, subsidies increase the incentive to lobby for more subsidies, thereby perpetuating technological mediocrity by removing the incentive to innovate, reduce costs, and compete in the marketplace. Energy industries should be freed from all government subsidies and special policy treatment that benefit certain types of energy production at the expense of others. This would compel companies to rely on innovation and efficiency, not American taxpayers, to remain competitive and thrive in the free market.

ENERGY SUBSIDIES WASTE TAXPAYER DOLLARS, PROMOTE ECONOMIC INEFFICIENCY, AND CREATE TECHNOLOGICAL STAGNATION.

Recommended Reading. Nicolas D. Loris, “No More Energy Subsidies: Prevent the New, Repeal the Old.”²⁰

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15. Nicolas D. Loris, “Changing the Definition of ‘All of the Above’ Energy Policy,” The Heritage Foundation, The Foundry, October 10, 2012, <http://blog.heritage.org/2012/10/10/changing-the-definition-of-all-of-the-above-energy-policy/>.
 16. Barack Obama, “Statement by the President on the Keystone XL Pipeline,” The White House, January 18, 2012, <http://www.whitehouse.gov/the-press-office/2012/01/18/statement-president-keystone-xl-pipeline> (accessed October 17, 2012).
 17. Nicolas D. Loris, “Unnecessary Keystone XL Pipeline Delay Obstructs Energy, Jobs,” Heritage Foundation *Backgrounder* No. 2632, December 13, 2011, <http://www.heritage.org/research/reports/2011/12/unnecessary-keystone-xl-pipeline-delay-obstructs-energy-jobs>.
 18. Nicolas D. Loris, “Keystone a Key Ingredient Missing from Obama’s Economic Recovery Recipe,” Heritage Foundation *Backgrounder* No. 3472, January 25, 2012, <http://www.heritage.org/research/reports/2012/01/keystone-pipeline-rejection-and-obamas-economic-recovery-plan>.
 19. Barack Obama, “Remarks by the President on Oil and Gas Subsidies,” The White House, March 29, 2012, <http://www.whitehouse.gov/the-press-office/2012/03/29/remarks-president-oil-and-gas-subsidies> (accessed October 17, 2012).
 20. Nicolas D. Loris, “No More Energy Subsidies: Prevent the New, Repeal the Old,” Heritage Foundation *Backgrounder* No. 2587, July 26, 2011, <http://www.heritage.org/research/reports/2011/07/no-more-energy-subsidies-prevent-the-new-repeal-the-old>.

Nicolas D. Loris and Curtis Dubay, "What's an Oil Subsidy?"²¹

Renewable Fuels Standard

*Biofuels are an important part of reducing America's dependence on foreign oil and creating jobs here at home. But supporting biofuels cannot be the role of government alone. That's why we're partnering with the private sector to speed development of next-generation biofuels that will help us continue to take steps towards energy independence and strengthen communities across our country.*²²

Recommendation. Congress should repeal the Renewable Fuel Standard (RFS) and eliminate targeted tax credits for all transportation fuels and technologies.

Rationale. If ethanol and advanced biofuels were economically viable alternatives for gasoline and diesel, the U.S. would not need to mandate their production and use. One example of the mandate's failure is a provision in the 2007 Energy Independence and Security Act that requires the production of 500 million gallons of ethanol in 2012 from cellulosic ethanol, primarily from non-food sources, such as wood chips, switch grass, or corn stover. To date, no such fuel has been produced because cellulosic ethanol is not commercially viable, and

the EPA has fined refineries for not meeting the law's requirements. The EPA reduced the original goal for cellulosic biofuel production in 2012 to 8.65 million gallons—less than 2 percent of the original goal. The fact that cellulosic ethanol production is nowhere near providing industrial-scale quantities of fuel demonstrates the government's inability to determine what is commercially viable and beneficial for consumers. Further, the ethanol mandate in the RFS increases corn prices and food prices. This harms consumers and distorts the domestic and international commodity markets.

IF ETHANOL AND ADVANCED BIOFUELS WERE ECONOMICALLY VIABLE ALTERNATIVES FOR GASOLINE AND DIESEL, THE U.S. WOULD NOT NEED TO MANDATE THEIR PRODUCTION AND USE.

Recommended Reading. Nicolas D. Loris, "Two Cheers for Ethanol Subsidies Expiring—but Costly Mandate Remains."²³

Nuclear Energy

To meet our growing energy needs and prevent the worst consequences of climate change, we need to increase our supply of nuclear power and today's announcement

*[on the loan guarantee to new Georgia reactors] helps to move us down that path.*²⁴

Recommendation. The U.S. needs a market-based nuclear energy policy. This begins with a nuclear waste policy that gives utilities and other waste producers the primary responsibility for waste management. The nation also needs a regulator that can issue permits for new plants on a predictable basis at a reasonable cost and that is capable of regulating multiple types of reactors and other industrial facilities such as used fuel treatment plants.

Rationale. The nation's 104 operating nuclear power reactors provide 19 percent of U.S. electricity consumption. These plants operate safely, cleanly, and very affordably. The technology should be expanded consistent with market demand.

Today, five reactors are under construction and 10 applicants are seeking permits for new plants. Yet beyond the five reactors under construction, very little else is moving forward because America's obsolete nuclear energy policy has become a major impediment. The greatest hurdle for American nuclear power remains a broken nuclear waste policy. The common thread of successful nuclear waste management regimes throughout the world is that waste producers are responsible for waste management. The

21. Nicolas D. Loris and Curtis Dubay, "What's an Oil Subsidy?" Heritage Foundation *WebMemo* No. 3251, May 12, 2011, <http://www.heritage.org/research/reports/2011/05/whats-an-oil-subsidy>.

22. News release, "President Obama Announces Major Initiative to Spur Biofuels Industry and Enhance America's Energy Security," The White House, August 16, 2011, <http://www.whitehouse.gov/the-press-office/2011/08/16/president-obama-announces-major-initiative-spur-biofuels-industry-and-en> (accessed October 17, 2012).

23. Nicolas D. Loris, "Two Cheers for Ethanol Subsidies Expiring—but Costly Mandate Remains," Heritage Foundation *WebMemo* No. 3460, January 17, 2012, <http://www.heritage.org/research/reports/2012/01/ethanol-subsidies-expiring-but-the-costly-mandate-remains>.

24. News release, "Obama Administration Announces Loan Guarantees to Construct New Nuclear Power Reactors in Georgia," The White House, February 16, 2010, <http://www.whitehouse.gov/the-press-office/obama-administration-announces-loan-guarantees-construct-new-nuclear-power-reactors> (accessed October 17, 2012).

U.S. government needs to get out of the nuclear energy business. Today, the U.S. Department of Energy is too involved in determining which technologies move forward, and Congress is too quick to mitigate the problems with current policy by offering subsidies.

Recommended Reading. Jack Spencer, “Blue Ribbon Commission on Nuclear Waste: Missing Opportunity for Lasting Reform.”²⁵

Jack Spencer and Nicolas D. Loris, “A Big Future for Small Nuclear Reactors?”²⁶

Yucca Mountain

We’re done with Yucca. We need to be looking at other alternatives.

—Carol Browner, top energy advisor for the Obama Administration²⁷

Recommendation. The Administration should immediately restart the Nuclear Regulatory Commission’s review of the Yucca Mountain permit. If the commission approves the permit, the permit should be transferred to a Nevada-based entity that can then negotiate directly with the nuclear industry on what, if anything, to do to move the project forward.

Rationale. A nuclear waste repository at Yucca Mountain could be a critical piece of America’s nuclear waste policy. Not only has the nation spent approximately \$15 billion on the repository, but no technical or scientific evidence has been produced to merit its termination. Yet without proposing any backup plan, President Obama terminated it, despite the 1982 Nuclear Waste Policy Act, as amended, which makes Yucca the site for the nation’s waste repository. This has created significant regulatory uncertainty in the nuclear industry and has all but stopped progress on new plant permits. A market-based approach would help to determine the real value of the Yucca Mountain repository and create the conditions in which it could move forward.

Recommended Reading. Jack Spencer, “Yucca Mountain and Nuclear Waste Policy: A New Beginning?”²⁸

Federal Lands Production

We have increased oil production to the highest levels in 16 years.

Natural gas production is the highest it’s been in decades. We have seen increases in coal production and coal employment. But what I’ve also said is we can’t just

*produce traditional sources of energy. We’ve also got to look to the future.*²⁹

Recommendation. Congress should open America’s federal waters and all non-wilderness, non-monument federal lands to energy development and expand state permitting to develop those resources.

ALTHOUGH OIL AND GAS PRODUCTION HAS INCREASED ON PRIVATE AND STATE LANDS, ENERGY PRODUCTION DECREASED 13 PERCENT ON FEDERAL LANDS FROM FISCAL YEAR (FY) 2010 TO FY 2011.

Rationale. Although oil and gas production has increased on private and state lands,³⁰ energy production decreased 13 percent on federal lands from fiscal year (FY) 2010 to FY 2011. Allowing access for exploration and creating an efficient regulatory process that allows energy projects to move forward in a timely manner would increase revenue through more royalties, leases, and rent and would create jobs while lowering energy prices in the process. These are sensible policy ideas even without a debt crisis, but in the current fiscal climate, this is a no-brainer.

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25. Jack Spencer, “Blue Ribbon Commission on Nuclear Waste: Missing Opportunity for Lasting Reform,” Heritage Foundation *Backgrounder* No. 2600, August 22, 2011, <http://www.heritage.org/research/reports/2011/08/blue-ribbon-commission-on-nuclear-waste-missing-opportunity-for-lasting-reform>.
 26. Jack Spencer and Nicolas D. Loris, “A Big Future for Small Nuclear Reactors?” Heritage Foundation *Backgrounder* No. 2514, February 2, 2011, <http://www.heritage.org/research/reports/2011/02/a-big-future-for-small-nuclear-reactors>.
 27. Lisa Mascaro, “Obama Administration: ‘We’re Done with Yucca,’” *Las Vegas Sun*, January 29, 2010, <http://www.lasvegassun.com/news/2010/jan/29/obama-administration-were-done-yucca-mountain/> (accessed October 17, 2012).
 28. Jack Spencer, “Yucca Mountain and Nuclear Waste Policy: A New Beginning?” Heritage Foundation *WebMemo* No. 3085, December 16, 2010, <http://www.heritage.org/research/reports/2010/12/yucca-mountain-and-nuclear-waste-policy-a-new-beginning>.
 29. “Full Transcript of the Second Presidential Debate.”
 30. U.S. Energy Information Administration, “Sales of Fossil Fuels Produced from Federal and Indian Lands, FY 2003 Through FY 2011,” March 2012, <http://www.eia.gov/analysis/requests/federalands/pdf/eia-federalandsales.pdf> (accessed January 4, 2013).
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Recommended Reading. Nicolas D. Loris, “Energy Exploration Would Create Jobs and Raise Revenue Without Raising Taxes.”³¹

Free Trade and Energy Markets

*The way we’re going to create jobs here is not just to change our tax code but also to double our exports. And we are on pace to double our exports, one of the commitments I made when I was president.*³²

Recommendation. Open access to energy markets by approving export terminal permit applications in a timely manner and remove the restrictions that prevent exports of liquefied natural gas (LNG) to countries without free trade agreements with the United States. Further, the federal government should allow imports to reach the U.S. market without delay or market distortion.

Rationale. Given the private sector’s desire to export natural gas, coal, and refined petroleum products, energy exports could play a critical role in reaching President Obama’s goal of doubling exports, as dubious

as that goal may be. Exporting energy would provide a huge boon to the U.S. economy because it would expand market opportunities for American companies and the higher prices would incentivize more exploration and production, offsetting some of the price increase. Providing other countries with cheaper energy would not only lower the prices of imports, but also promote economic development in those countries, enabling them to import more American goods.

Further, the federal government should not prevent other countries from providing Americans with affordable, reliable energy, as it has done by blocking the Keystone XL Pipeline and by levying a tariff on imported ethanol.

Finally, as the historical champion of free trade, the U.S. should initiate and approve more free trade agreements. Open markets are consistent with the public interest because they attract foreign investment and ease energy exports.

Conclusion

America’s greatest energy success during President Obama’s first term

was the boom in oil and natural gas production on private and state-owned lands. This energy revolution was not the result of any specific federal policy, but rather emerged organically from the private marketplace. The President deserves credit for staying out of the way.

Applying this same approach to other energy sources, technologies will yield similar outcomes. It will allow them to succeed or fail on their own merits. The President and Congress should begin with opening federal lands to energy development, reducing overreaching and punitive regulations, allowing free trade in energy and related technologies, and removing subsidies for all energy sources and technologies. Such a framework would enable President Obama to keep his campaign promise to create jobs by expanding America’s energy production.

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31. Nicolas D. Loris, “Energy Exploration Would Create Jobs and Raise Revenue Without Raising Taxes,” Heritage Foundation *WebMemo* No. 3357, September 8, 2011, <http://www.heritage.org/research/reports/2011/09/energy-exploration-would-create-jobs-and-raise-revenue-without-raising-taxes>.

32. “Full Transcript of the Second Presidential Debate.”