

# ISSUE BRIEF

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## 10 Questions for DOE Nominee Ernest Moniz

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Dr. Ernest Moniz, if confirmed by the Senate as next Secretary of Energy, will be taking over a Department wrought with controversy from the past four years. During a time when energy development should be driving the economy forward, pernicious subsidy policies, missing leadership on nuclear waste disposal, and unnecessary limits on conventional fuel development on federal lands have created pointless hurdles to growth.

Reversing this failed course should be a top priority for U.S. policymakers. Understanding Dr. Moniz's perspective on existing policies should be central to his confirmation process, and the following 10 questions for Dr. Moniz will help reveal this.

### 1. Do you believe the federal government should be a venture capitalist by administering loan guarantees?

Whether a company that receives a loan guarantee is profitable or not, the loan guarantee program is a failure. A company that goes bankrupt could not obtain private financing for likely good reasons. And those financially viable companies praised as successes of the loan program

could have received their funding without taxpayer support. Loans and loan guarantees direct labor and capital away from more competitive projects and reduce the incentive for investors or businesses to manage risk, innovate, and increase efficiency or they subsidize companies that would be successful without government support.

### 2. Should the Department of Energy (DOE) spend taxpayer dollars to lower the costs of technologies and subsidize energy companies?

The DOE budget funds applied-research programs on fossil fuels, renewable energy sources, and nuclear energy. But the private sector has more success in developing commercially viable technologies and businesses. The DOE also funds technologies that would not be valued in the marketplace if not for government intervention. When the government becomes involved in commercial decisions and attempts to force certain technologies into the market, it diminishes the role of the innovator and expands the role of the lobbyist.<sup>1</sup>

### 3. Energy Secretary Steven Chu supported increasing gas prices to European levels. Do you agree?

Energy is critical input to America's economy and when prices rise it hurts consumers through higher energy bills and higher prices of goods and services. America should have an energy

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policy that opens access to domestic and foreign markets to produce affordable, reliable energy. The best way for politicians to respond to higher gas prices is to allow the market to work and eliminate federal policies that exacerbate prices or constrict supply. When oil prices rise, suppliers will explore and drill for more oil, and entrepreneurs will explore and invest in alternative fuel technologies.

#### **4. Why is the DOE involved in decisions about exporting natural gas?**

Exporting natural gas would be a boon to America's economy. It would expand market opportunities for American companies and a rise in price would incentivize more exploration and production domestically. Yet the DOE has slow-walked export permits, despite a DOE-commissioned study unquestionably affirming that exports improve national economic welfare.<sup>2</sup> Congress should remove the DOE's duplicative and unnecessary role from the export-permitting process and lift restrictions on natural gas-recipient countries.<sup>3</sup>

#### **5. When should the DOE play a role in promoting energy efficiency?**

The federal role should be very limited. When businesses and families are not making energy-saving investments, many in Washington assume that, as Secretary Chu said, they "aren't acting in a way that they should act."<sup>4</sup> But this paternalistic view ignores the trade-offs and budget constraints that families and investors face and the preferences they hold. At most, the

DOE should work with the EPA to promote voluntary programs such as EnergyStar and efficient energy use in federal offices.

#### **6. What do you believe about the state of climate science and what would U.S. climate policies accomplish economically and environmentally?**

The debate on climate is far from settled and it is becoming more apparent that the earth is nowhere near headed toward climate catastrophe. Greenhouse gas emissions are a warming agent. But that fact does not begin to settle the scientific debate about climate change and climate sensitivity. What is certain, however, is that current and proposed U.S. policies would drastically hurt the economy and yet have negligible impacts on global temperatures.<sup>5</sup>

#### **7. What role should national labs play in research and development?**

Federal labs should allow basic research to reach the market organically. Government projects that have become commercial successes—the Internet, computer chips, the global positioning system (GPS)—were not initially intended to meet a commercial demand—just national security needs. Entrepreneurs saw an opportunity in these defense technologies and created the commercially viable products available today. The role of the DOE should be to conduct the basic research that the private sector would not undertake and create a system that allows the private sector, using private funds, to tap into that research and commercialize it.

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1. Nicolas D. Loris, "Department of Energy Budget Cuts: Time to End the Hidden Green Stimulus," Heritage Foundation *Background* No. 2668, March 23, 2012, <http://www.heritage.org/research/reports/2012/03/department-of-energy-budget-cuts-time-to-end-the-hidden-green-stimulus>.

2. National Economic Research Associates, "Macroeconomic Impacts of LNG Exports from the United States," December 3 2012, [http://www.ourenergypolicy.org/wp-content/uploads/2012/12/nera\\_lng\\_report.pdf](http://www.ourenergypolicy.org/wp-content/uploads/2012/12/nera_lng_report.pdf) (accessed April 8, 2013).

3. Nicolas D. Loris, "U.S. Natural Gas Exports: Lift Restrictions and Empower the States," Heritage Foundation *Background* No. 2767, February 11, 2013, [http://www.heritage.org/research/reports/2013/02/us-natural-gas-exports-lift-restrictions-and-empower-the-states#\\_ftn8](http://www.heritage.org/research/reports/2013/02/us-natural-gas-exports-lift-restrictions-and-empower-the-states#_ftn8).

4. U.S. Environmental Protection Agency, "National Awareness of Energy Star for 2011: Analysis of CEE Household Survey," 2012, <http://www.energystar.gov/ia/partners/publications/pubdocs/National%20Awareness%20of%20ENERGY%20STAR%202011.pdf> (accessed April 3, 2013).

5. David Kreutzer and Nicolas D. Loris, "Carbon Tax Would Raise Unemployment, Not Swap Revenue," Heritage Foundation *Issue Brief* No. 3819, January 8, 2013, <http://www.heritage.org/research/reports/2013/01/carbon-tax-would-raise-unemployment-not-revenue>.

**8. How does the DOE's current plan to build a single consolidated interim nuclear waste storage facility provide any confidence that a permanent repository will be built?**

The DOE's current nuclear waste management plan eliminates any incentive to build the permanent site the nation needs. The Nuclear Waste Policy Act (NWPA) gave the federal government responsibility for waste disposal and set a fee for utilities to fund that service. The government, however, has completely defaulted on its obligation and is now accumulating over \$500 million per year in liability costs that it owes back to the utilities. Interim storage is merely a quick fix for both problems. It gets the waste off the utilities' sites and eliminates the DOE's growing liability. But this does nothing to move the nation closer to permitting a geological repository.

**9. Will you commit to fulfilling the NWPA, including participation in the Nuclear Regulatory Commission (NRC) Yucca licensing through its completion, the NRC's waste confidence proceeding, and rebuilding the Civilian Radioactive Waste Program?**

The Obama Administration has attempted to terminate the Yucca Mountain project and prevent the NRC from doing its job to determine whether the project is safe. It has also stopped all efforts to develop an alternative geological repository, including failure to pursue the Yucca licensing proceeding as mandated by the NWPA. Indeed, the U.S. Court of Appeals has found that the NRC and the DOE have failed to fulfill their obligations under the NWPA.<sup>6</sup> Regrettably, the Administration's lack of leadership has eroded waste confidence such that the NRC has suspended all final decision making on new reactors and reactor license renewals until it reaffirms

confidence that spent fuel can be safely disposed of in a permanent repository.<sup>7</sup> Dr. Moniz should commit to meeting the DOE's obligations under the NWPA on all accounts, including support of the Yucca Mountain application.

**10. Given the federal government's abject failure to manage or dispose of nuclear waste, is it time to give the nuclear industry responsibility to manage it for itself?**

The President's Blue Ribbon Commission (BRC), on which Dr. Moniz served, was a consensus report that settled on lowest common denominator policies to manage nuclear waste. Dr. Moniz could have another opportunity to implement real reforms for real, long-term solutions. While he does not have to completely abandon the BRC's recommendations, Dr. Moniz should begin moving toward a more market-based approach to nuclear waste management. This should include transitioning responsibility for waste management to waste producers, instituting a system that connects payments to actual services provided, and introducing competition among nuclear waste management service providers.

**Do What Works, Not What is Politically Popular.** Interventionist energy policy has been in vogue in recent years. Despite headline-grabbing failures such as Solyndra, politicians and bureaucrats remain convinced that they are smart enough to orchestrate the energy industry to achieve more efficient and lower-cost outcomes than the market. Experience, however, shows that they are wrong.

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6. *U.S. v. Bianco*, 998 F.2d 1112 (2d Cir. 1993). *Somebody v. Somebody*, 10 F.3d. 1050 (3d Cir. 2011), July 1, 2011, [http://www.cadc.uscourts.gov/internet/opinions.nsf/872039F019B626D7852578C00053956D/\\$file/10-1050-1316111.pdf](http://www.cadc.uscourts.gov/internet/opinions.nsf/872039F019B626D7852578C00053956D/$file/10-1050-1316111.pdf) (accessed April 8, 2013).

7. The NRC can license new reactors only if it expresses confidence that the spent nuclear fuel from the reactors will be disposed in a permanent repository. This requirement is referred to as the "waste confidence" rule.