

ENERGY

More than 80 percent of America's energy needs are met through conventional carbon-based fuels, which North America has in abundance.²⁵ The Administration is seizing powers from Congress and the states by unilaterally regulating emissions of carbon dioxide and energy use. Moreover, its actions on federal lands are stymieing energy production.²⁶ If Congress allows this to continue, it will significantly drive up energy costs for Americans and businesses without yielding any measurable benefit.

MAJOR POINTS

- Energy production, in particular shale oil and shale gas on private lands, has been one of America's greatest economic success stories in recent years. Households save money through lower energy bills when fuel supplies are abundant. However, energy production on federal lands is down²⁷ despite vast potential there.²⁸ Congress should open access to energy production on federal lands and offshore, reduce unnecessary regulations, and grant more regulatory authority over such lands to states.
- The U.S. and North America do not suffer from a shortage of energy resources, and there is no energy problem caused by a shortage. The U.S. has the world's largest resource base and any problems in energy have been caused by government policies. These policies must be reversed in order for the nation to meet its potential.
- Energy should be treated like any other good or service that is traded regularly around the world. Free trade in energy would draw investment, create jobs, and increase the supply of energy.
- Cronyism is rampant in the energy sector, and the government allocates special benefits to the well-connected rather than fostering a playing field that provides opportunity for all to compete. These subsidies obstruct the

long-term success and viability of the technologies and energy sources they intend to promote by distorting the actual costs of energy production and interfering with the price signals by which businesses monitor supply and demand. And, when the government plays favorites, valuable resources shift to less productive uses.

- The negative consequences of government interference in energy markets are perhaps best illustrated in the nuclear industry. Nuclear energy supplies 19 percent of America’s electricity (exceeded only by coal and natural gas). Yet protracted permitting, ill-conceived regulations, and other government-imposed market distortions stifle the industry’s growth.
- For far too long, the Department of Energy has attempted to use taxpayer money to drive technologies all the way to the market, crippling the role of entrepreneurs and wasting billions of taxpayer dollars in the process. Basic research that has promising commercial application will attract private investment. Some of those investments will succeed, and others will fail, but those investments should be made using private-sector dollars
- The federal government should ensure that energy programs for defense applications prioritize national security requirements over political interests. The Pentagon should pursue alternative energy sources only if they increase capabilities or reduce costs without sacrificing performance.

APPROPRIATIONS

Congress should prohibit agencies from expending any funds for:

- Implementation of hydraulic fracturing regulations from the Bureau of Land Management, the EPA, or any other federal agency. Funds should likewise be denied to EPA for any studies, guidance documents, or other policies intended to restrict hydraulic fracturing. Since companies obtain state permits for all wells, including federal wells, and must comply with all state regulations, federal fracking regulations are redundant.²⁹
- Designations of Wilderness Study Areas or other restrictive designations by the Department of the Interior, and Secretarial Order No. 3310, the Obama Administration’s unauthorized “Wild Lands Initiative.” Any new restrictive public lands designations should require congressional approval.

- Any new Department of Energy loans and loan guarantee programs (including Advanced Technology Vehicles Manufacturing and the Section 1703 loan guarantee program). Only outstanding commitments should be funded.
- Projects to commercialize wind, solar, nuclear, and natural gas technologies; biofuels, carbon capture and sequestration, integrated gasification combined cycle (IGCC), and advanced manufacturing programs.³⁰
- Implementation and enforcement of the Renewable Fuel Standard.
- The Federal Energy Regulatory Commission to study, design, implement, administer, or carry out climate-change or greenhouse-gas-related programs, projects, activities, and policies.

Congress *should* provide funds for:

- The Nuclear Regulatory Commission to approve the permit application submitted by the Department of Energy for the Yucca Mountain nuclear materials repository.

LEGISLATION

To achieve the necessary statutory reforms of Clean Air Act regulations, Congress must:

- Pass legislation that prevents the EPA and all other agencies from regulating greenhouse gas emissions, and that forces the EPA to withdraw its endangerment finding on greenhouse gas emissions.
- Require the North American Electric Reliability Corporation (NERC) to determine whether enforcement of any carbon dioxide regulations will jeopardize grid reliability. (Congress has charged NERC to ensure the reliability of the grid.)
- Pass legislation enforcing the timelines of the National Environmental Policy Act (NEPA) by deeming any energy project subject to NEPA as approved, as proposed, if the government fails to finalize the application after three years. This should include all future projects, as well as those currently in the NEPA review process.³¹
- Congress and the Administration should open all federal waters and all non-wilderness, non-federal-monument lands to exploration and production. Congress should force the Department of the Interior to conduct lease sales if a commercial interest exists, as well as force Interior to use its flexibility

under its current authority (whether it be streamlining of red tape or lower royalties) to attract interest to federal lands. Even achieving 10 percent of federal lands under lease for energy production (onshore and offshore) would be a tremendous step forward from the meager 2.8 percent today.

- Delegate authority to states for environmental review and permitting of energy projects on federal lands within their borders. States should return an appropriate federal share of revenues to the Treasury, and be compensated for management costs.³²
- Lift the ban on crude oil exports by reforming the Mineral Leasing Act of 1920, the Energy Policy and Conservation Act of 1975, and the Export Administration Act of 1979.
- Repeal Section 3 of the Natural Gas Act, which gives the Department of Energy's Office of Fossil Energy the ability to arbitrarily determine if liquefied natural gas exports to non-free-trade-agreement countries are in the country's "national interest."
- Pass legislation to prevent the use of cumulative environmental-impact analyses for energy exports. Such analyses would adversely affect exports of coal and set a dangerous precedent that could be used to halt many other major economic activities and provides no economic benefit.
- Repeal targeted tax credits for all energy sources and lower a broad range of tax rates. A more market-based energy sector would benefit consumers with reliable, affordable energy while eliminating government favoritism to special interests.³³
- Create an expedited process for nuclear power plants to obtain a Combined Construction and Operating License for applicants seeking to build nuclear power plants that meet certain conditions, such as building on the same site as an existing licensed site or adjacent to an existing licensed site.
- Establish a more effective management structure for America's national laboratories to work with industry while protecting taxpayer money and protecting the labs' ability to conduct the basic research necessary for the federal government.³⁴
- Establish a capabilities-based determination on the best way to ensure energy supplies for domestic military bases. An over-reliance on the commercial electricity grid is a concern for some military planners. While an

attack on the commercial grid could leave domestic military bases without power, this by itself does not justify alternative energy investments.³⁵

- End renewable energy mandates in the Department of Defense. Such mandates undermine the incentive for renewable energy producers to develop competitively priced products, thereby actually impeding the availability of alternatives to carbon-based fuels. In particular, under Section 2911(e) of Title 10 of the United States Code, the Defense Department is obligated to generate 25 percent of its electricity using renewable sources by 2025. This mandate, which is forcing the Pentagon to expend increasing resources on renewable energy rather than on military capability, should be ended immediately.
- Codify Executive Orders 13211, 13212, and 13302 to ensure that proposed agency actions do not adversely impact energy supplies or their availability or lead to higher prices for consumers, and that energy projects should be expedited wherever possible to ensure that the American public and businesses are not burdened by unnecessary government foot-dragging.
- Refuse to mandate more expensive Defense Department energy alternatives. Oil products may be expensive, but they are the least expensive option currently available. Forcing the military to purchase more expensive alternatives would leave fewer resources for training, modernization, and recapitalization, resulting in a less capable military.
- Repeal the Jones Act, which is a protectionist policy for the domestic shipping industry. The century-old act no longer serves a defense purpose and distorts trade and energy markets.³⁶

OVERSIGHT SUBJECTS

Congress should examine the following:

- How much the Department of Defense spends on alternative forms of energy, and whether these expenditures enhance or undermine the mission of the Defense Department—which has started more renewable energy programs than even the Department of Energy.³⁷
- Wasteful renewable energy programs and mandates.³⁸
- The disparity in energy production between federal lands and waters and lands owned and managed by states and private individuals.

- How the Department of the Interior can better manage its energy resources for the benefit of consumers and taxpayers and foster a climate that creates more jobs and investment in the United States.
- How energy development and energy supplies would be affected by Western states having control of more of the federal lands within their borders.