

10. Energy and the Environment

TOTAL U.S. energy consumption is expected to increase more rapidly than domestic energy supply through 2025. This means that more imports of energy—often from non-secure sources—will be needed to fill the gap between supply and demand. This growing shortfall of domestic energy supplies is the consequence of limited access to known resources; statutory and regulatory constraints; uncertainty in the energy industry that inhibits investment; and the failure of past federal efforts to coordinate energy, environment, and trade policies. In the long run, this imbalance presents serious challenges for the nation's economy and national security. Likewise, calls to add new restrictions on energy use in the name of environmental protection, especially a cap on emissions of carbon dioxide from fossil fuels, are unnecessary and would retard economic growth.

by *Ben Lieberman*

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Recommendations

1. Increase domestic supplies of energy. Current law prohibits exploration and drilling in many promising areas, including the Arctic National Wildlife Refuge (ANWR), the Atlantic, the Pacific, and the eastern Gulf of Mexico. Even where drilling is not prohibited outright, it is subject to a host of costly and complex requirements that hamper energy production. Congress should open up access to these untapped domestic resources and streamline the regulatory burdens, both to increase production and to lessen the nation's dependence on imports and vulnerability to disruptions in supply. The longer Members of Congress restrict energy production at home, the more they send American jobs and money overseas to make up the difference, and the more vulnerable America becomes to politically unstable supplies. The United States has the world's most advanced technology, toughest safeguards, and best workforce. More domestic energy production, not less, will strengthen the nation's economy.

2. Promote fuel diversity, so that the market—not government regulations and taxpayer subsidies—determines energy winners and losers. Coal, natural gas, nuclear power, oil, and renewable energy sources should all be included in the mix of fuel resources. To encourage diver-

sity and a vibrant market, Congress should stop giving taxpayer hand-outs to special interests that represent these fuel sources and remove unduly restrictive legal and regulatory impediments so that market signals determine the nation's current and future energy mix.

3. Reject calls to crack down on air pollution beyond existing requirements, and avoid any cap on carbon dioxide emissions. Such demands are nothing more than veiled schemes to implement a domestic version of the fatally flawed Kyoto Treaty, which would suppress needed energy production in response to overstated environmental concerns. The Bush Administration and Congress need to resist alarmist calls to regulate carbon dioxide—a clear, odorless gas and fundamental nutrient of the planetary food chain. Curbing carbon dioxide emitted from fossil fuel combustion would cause a major change in the electricity-generation fuel mix and adversely affect the nation's energy supply and economic strength. The only way to reduce carbon dioxide—which is not a pollutant—is to reduce overall energy use or dramatically reduce the amount of domestic coal used to generate electricity. The latter measure could force the premature closure of coal-fired steam-generating plants in many states and greatly increase energy costs.

4. Consider reforming the Endangered Species Act to involve property owners in the conservation process. In order to eliminate ESA's perverse incentives and meet Fifth Amendment requirements, Congress should consider compensation language that would reward good stewardship. The House has passed legislation aimed at balancing the needs of landowners and wildlife, and the Senate is weighing similar legislation. Because ESA has failed to recover species—it boasts a recovery rate of less than 1 percent of species—Congress should improve it in ways that benefit wildlife as well as landowners.

Facts and Figures

■ The availability of energy at reasonable prices is essential to economic growth and stability. Over the past decade, restrictive energy policies have eroded surplus supplies, compounding intermittent energy shortages and causing volatility in energy prices. Instability of supply, uncertainty of cost, and erratic spikes in prices will continue unless Washington adopts a long-term energy plan to encourage domestic energy development. High sustained oil and natural gas prices are a hidden tax on consumers, depress disposable personal income and savings, impede economic growth, and adversely affect U.S. competitiveness.

■ Trying to reduce energy consumption by promulgating rules can have damaging unintended consequences. The government's corporate

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average fuel economy (CAFE) standards are designed to improve mileage, but they raise safety risks and have perverse effects. For example, government and insurance industry statistics indicate that between 1975 and 1999 (following implementation of CAFE standards), at least 46,000 people died in car crashes who would have survived if they had been traveling in bigger and heavier cars.

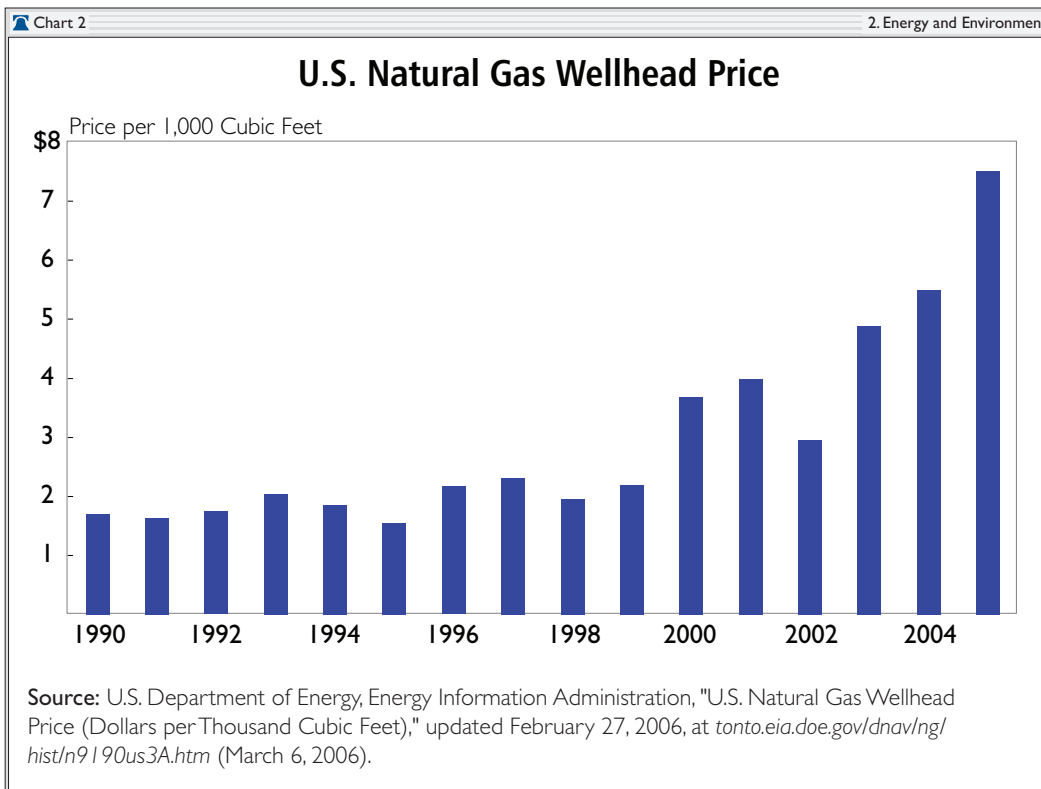
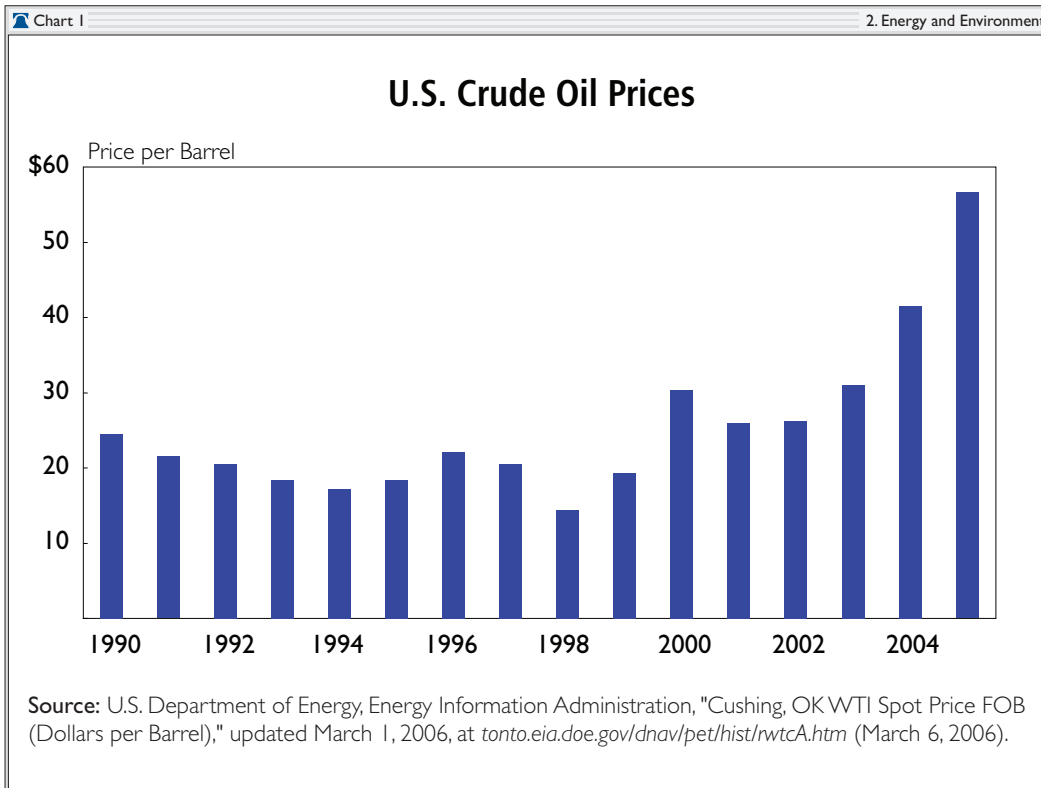
■ The nation's air quality is good and will continue to improve despite increased energy use. Since 1970, aggregate emissions of six principal air pollutants have been cut 48 percent, even as gross domestic production has increased 164 percent, energy consumption has increased 42 percent, and vehicle miles traveled has increased 155 percent. These improvements will continue without further costly regulations.

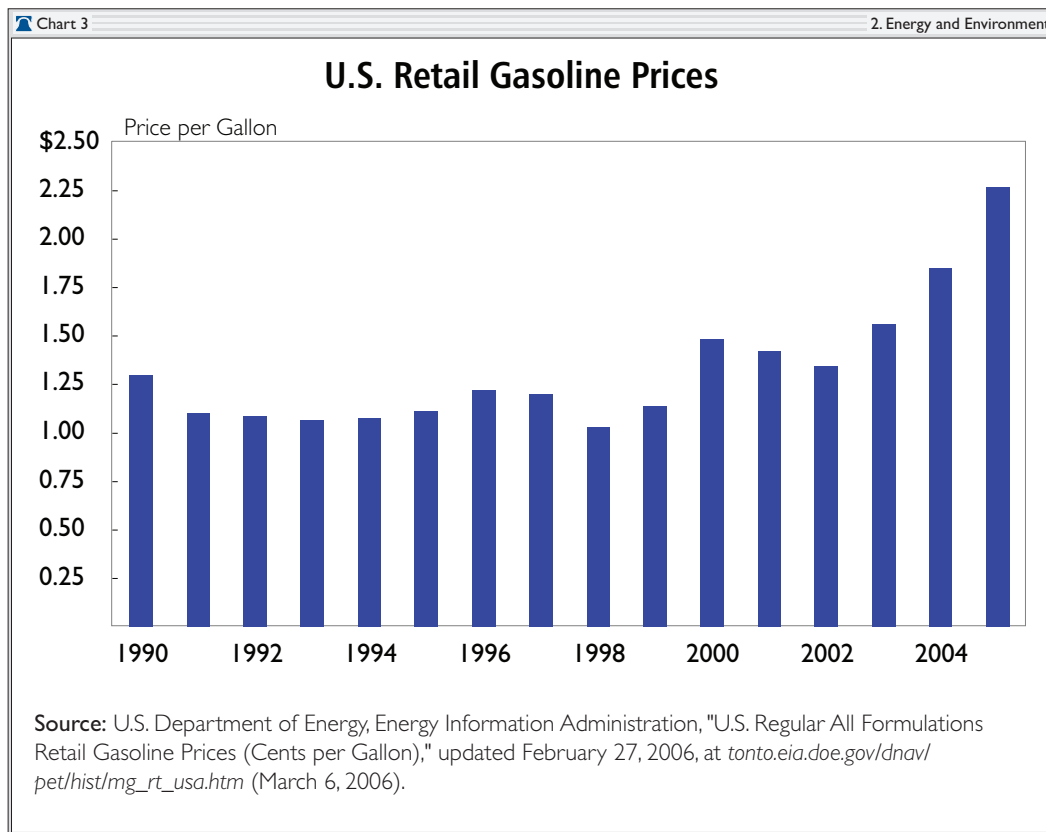
■ Despite the nation's vast natural gas reserves, Congress refuses to lift drilling moratoria in these areas. At the same time, federal policy has increased demand by placing tough restrictions on coal-fired electricity generation, making natural gas the preferred source for new power plants. Consequently, the natural gas needs of utilities and growing demand from consumers and natural gas-dependent industries have led to sharp price increases that will not be alleviated until domestic supplies are allowed to expand.

■ Studies by the U.S. Geological Survey estimate that drilling in just one remote 2,000-acre area of the Arctic National Wildlife Refuge could yield an estimated 10 billion barrels of oil—an amount roughly equal to over 20 years of oil imports from Saudi Arabia. Two thousand acres is a parcel no bigger than Dulles International Airport near Washington, D.C., and could leave 99.99 percent of the refuge untouched.

■ Coal and nuclear energy account for over 70 percent of U.S. electricity generation, and a sensible national energy policy must include the use of these resources.

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This chapter can be read online at issues2006.org/energy.

Additional Reading

Edwin J. Feulner, Ph.D., "Keeping Our Cool," Heritage Foundation *Commentary*, December 23, 2005, at www.heritage.org/Press/Commentary/ed121305c.cfm.

Nancy Marano, "The Arctic National Wildlife Refuge (ANWR)," Heritage Foundation *Regulation in Brief* No. 23, December 2, 2005, at www.heritage.org/Research/Regulation/regulation_brief12022005.cfm.

Nancy Marano, "The Threatened and Endangered Species Recovery Act," Heritage Foundation *Regulation in Brief* No. 21, October 6, 2005, at www.heritage.org/Research/Regulation/regulation_brief10062005.cfm.

Nancy Marano and Ben Lieberman, "Improving the Endangered Species Act: Balancing the Needs of Landowners and Endangered Wildlife," Heritage Foundation *WebMemo* No. 861, September 23, 2005, at www.heritage.org/Research/EnergyandEnvironment/wm861.cfm.

Ben Lieberman, "Opening ANWR: Long Overdue," Heritage Foundation *WebMemo* No. 692, March 17, 2005, at www.heritage.org/Research/EnergyandEnvironment/wm692.cfm.