A federal energy policy: can it happen here?

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Of all the issue areas that Congress dives into from time to time, none reveals the inability of our legislative branch to fashion an internally consistent national policy quite like energy. The usual items in an energy bill--tax credit extensions, fuel subsidies, fresh regulatory requirements (and loopholes), new rules on offshore drilling, etc.—are designed to reward specific industries and influential constituencies. This year's energy bill promises to follow that timeworn path left by Congresses of yesteryear.

But an energy bill has to be more than the sum of its subsidies to constitute effective policy. This is especially true as we enter a time of growing resource and environmental limits that threaten to bite us in the collective behind if we don't curb our profligate consumption of energy.

Now is not the time to continue subsidizing every form of energy that can be produced in the United States, as the current Congress seems intent on doing. In previous bills, Congress has taken great pains to make sure that every energy constituency—coal, oil, nuclear or renewables--gets its fair share of the federal pie, regardless of need or environmental impact. This is the cheap energy paradigm at work—promoting economic growth by artificially lowering energy prices.

But while this paradigm may have been defensible before U.S. oil output reached its maximum in 1970, it has no place in today's energy-constrained world. Artificially lowering the cost of all energy sources will not only encourage waste and overconsumption, it will hasten the arrival of that traumatic day when the flow of cheap oil and natural gas cannot meet the demands of a hypermobile society.

It's no secret that Congress lacks the stomach for offending powerful energy lobbies like Big Coal. But it's simply not possible to institute policy changes, especially those intended to reduce carbon dioxide discharges into the atmosphere, without picking a fight with the coal industry, the electric utilities, and what's left of the U.S. automotive industry. Therefore, if Big Coal pronounces itself satisfied with the energy bill's contents when it is passed, you can be certain that Congress declined to incorporate any provisions that would cause coal's share of the energy pie to shrink, such as a carbon tax or renewable feed-in tariffs.

What makes the United States singularly incapable of producing a coherent energy policy aimed at cutting energy consumption and using low-carbon alternatives to fossil fuels? I believe there are three factors explaining this lamentable state of affairs. The first is that your average American citizen has the energy IQ of beach sand, and, in this regard, your average Member of Congress is the mirror image of his or her constituents. For proof, I would direct your attention to Sen. Chuck Schumer of New York, who regularly appears on news programs to suggest that gasoline is overpriced at $3.00 per gallon and that motorists are being fleeced by dastardly oil companies.

Actually, at that price gasoline is a steal, and it would be so even at $4.00—the amount Canadians pay--or $5.00. Packing 125,000 Btu's of energy, a gallon of gas will power the average car 25 miles, yet it costs less on a volumetric basis than milk, apple juice, Evian, coffee from Starbucks, Mountain Dew, Listerine, and Red Bull. Try getting that performance with a gallon of Gatorade in your tank. It will set you back $10 and you still wouldn't be able to back your car out of the garage.

It should be noted that retail gasoline prices in Germany are the equivalent of $7.00 per gallon, yet its economy remains healthy. Why is that? Because Germany, unlike the underachieving U.S., has a national energy policy designed to transition the nation smoothly into a post-fossil fuel energy environment. By taxing fossil energy and providing long-term price support for wind and solar electricity production, the Germans are plowing today's wealth into building up a sustainable energy system that can withstand the future economic dislocations resulting from Peak Oil and climate change.

Indeed, no other country has made as much progress as Germany in building up a renewable energy infrastructure for delivering low-carbon electricity to homes, businesses, and rail networks. But other countries that lack domestic supplies of fossil energy, like Spain, the Netherlands and Denmark, are also moving aggressively to harness their renewable resource base. They too are light years ahead of the United States in this regard.

A second problem confronting policymakers is the unequal distribution of energy resources across this vast country of ours. A handful of coal-producing states—West Virginia and Wyoming come to mind--are net fossil energy exporters, and will view with hostility any policy proposal that will place limits on energy extraction within their borders. Their power is magnified by the markets they serve, which include large swaths of the Midwest and South.

On the other side of the coin are the West Coast states, Florida and New England, which are populous regions that which have no domestic coal interests to protect. Nor does the automotive industry have a big presence in these states. Not having to appease Big Coal or Big Auto enables state governments in these regions to plot a more aggressive course toward achieving emissions reductions and fuel diversity goals, as is being done in California and Florida.

One would expect members of Congress to promote the principal energy industries in their region. This predisposes them to enter into strategic alliances with other members representing different energy interests, usually of the "I'll watch your back if you'll watch mine" variety. Though these alliances are necessary for lubricating the deal-cutting and building support for the entire package, often it comes at the expense of public policy objectives.

Indeed Congress is institutionally incapable to pass a comprehensive energy bill that attempts to diversify the nation's energy resource base and scale back its carbon footprint unless it contains elements that work in the opposite direction (e.g., gasifying coal and expanding offshore drilling).

Further complicating matters is the very nature of the U.S. Senate itself, a body organized to magnify the power of individual states to block "national interest" initiatives from changing the status quo. Each state is equally represented in the Senate, no matter how populous. And Senate tradition grants committee chairpersons enormous deference to bottle up or water down legislation that might impose unwanted changes on the states they represent.

Another Senate tradition, the right of unlimited debate, is enforced by a rule that expressly allows a minority of senators to thwart the will of the majority. To shut off debate on a measure, especially one in which powerful economic forces and regional interests are pitted against each other, bill proponents have to line up not 51 but 60 votes. Under the rule, debate continues even if 59 senators vote in favor of ending it and only one votes against the motion.

The energy bill passed by the Senate in June came tantalizingly close to incorporating a 10-year tax package that would have raised $29 billion, mostly from oil and gas companies and redirected it toward renewable energy development. The tax package was designed to be self-supporting; that is, it would not have trigged additional borrowing to underwrite the pro-renewable energy incentives.

Would such a tax package raise prices at the pump? A little. But remember too that $29 billion equates to about nine months' profit for Exxon Mobil alone. And, from a social equity perspective, it's always better to base energy subsidies and incentives on a real-time transfer of wealth than to saddle future taxpayers with even greater levels of indebtedness.

Nonetheless, the oil and gas companies objected to the closing of their favored tax loopholes, and they called upon their senatorial friends in the Oil Patch states to kill off this measure. To accomplish this, these senators made common cause with their counterparts from the Southeast and Rocky Mountain states, where Big Coal is very strong. Thought this minority bloc was outvoted 57-36, they managed to prevent the tax package from being attached to the larger energy package. In any other legislative venue, losing a vote by a margin of 21 would be considered a stinging defeat, but on the floor of the U.S. Senate, it counts as a win.

In his most recent installment of Lyndon Johnson's biography, author Robert Caro points out that there have been only a few periods in the nation's history where the Senate lowered the floodgates and allowed legislation reflecting the popular will to come washing through its portals. Those rare instances resulted from significant political realignments that put one party with an activist agenda firmly in power.

The closest the United States came to a coherent national energy policy was during the mid-to-late 1970's. During that period there was a prevailing sense of anxiety over the nation's energy security, and both the legislative and the executive branches responded to the national mood with decisive actions. In a five-year period Congress passed laws creating automobile fuel efficiency standards, prohibiting new gas-fired power plants, and requiring utilities to purchase electricity generated by independent entities. By the debased standards of current governance, those were amazingly productive years.

However, once the price oil dropped in the 1980's, the urgency of the previous decade evaporated, and successive administrations began dismantling the policy initiatives adopted in the Ford and Carter years. When the Reagan Administration lowered fuel efficiency standards in 1986, Chrysler Corporation chairman Lee Iacocca said: "We are about to put up a tombstone 'Here lies America's energy policy.'"

It would take nothing short of a sea change to overcome Congressional inertia and recover the ground lost in the last 25 years or so. But though the prospects for a truly coherent national energy policy are improving -- and the need has never been greater -- both the citizenry and the current Congress are far too complacent to entertain changes that might involve belt-tightening and discipline. Given the current political dynamic, it would be unrealistic to expect this Congress, with its narrow majorities, to be the one that jump-starts the federal government into meaningful action.

Yes, we will see some progress on the energy front this year and next, but they will represent the sum of state government initiatives undertaken to counter the policy vacuum that persists at the federal level.

Sources:

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National Environmental Trust: History of Fuel Standards, One Decade of Innovation, Two Decades of Inaction. URL: http://www.net.org/documents/cafe_history.pdf

RENEW Wisconsin is a nonprofit organization that acts as a catalyst to advance a sustainable energy future through public policy and private sector initiatives. Michael Vickerman's commentaries also posted on RENEW's Web site, RENEW's blog, and Madison Peak Oil Group's blog.

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