

# FACING OUR ENERGY REALITIES: A Plan to Fuel Our Recovery



Institute for 21st Century Energy | U.S. Chamber of Commerce



[www.energyxxi.org](http://www.energyxxi.org)





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As we traveled across the nation on our Energy Reality Tour, it became increasingly clear that Americans, and the business community in particular, are gravely concerned about the direction of our energy policy. For the past two years, the emphasis in Washington has been on erecting barriers to developing all energy sources and creating burdensome regulations that are hampering our economy and our energy security.

From Hartford to Anchorage, at every stop we heard the same message. People are frustrated with our energy situation, and they want progress toward a more secure energy future.

With that in mind, we went to work on a new plan that builds upon our *Blueprint for Securing America's Energy Future*. The second phase of our Energy Reality Tour will focus on building support for our plan across America—and on Capitol Hill—to set the country on the right path.

The dawn of 2011 finds the country facing a wide array of energy challenges, some that have existed for decades and some that have emerged only recently. Access to more domestic energy resources is intentionally being limited by policy and regulation. New energy technologies remain costly and are not widespread. Needed new energy projects, from conventional to renewable, are hamstrung by regulatory and legal delays. Traditional energy sources are being forced out of the market before economic and reliable alternatives are available to replace them at scale. And barriers are being erected at home and abroad that hinder technological innovation, economic efficiency, and trade. In short, we are suffering an energy recession.

Taken together, these challenges present significant risks to the nation's energy security, its economic competitiveness, and ultimately, over time, its global standing. Yet, we have an opportunity to produce millions of American jobs and catalyze the economic growth the country desperately needs by facing today's energy realities and pursuing sound policy choices. Energy policy has become more politicized, but even in the current political environment, there are solutions that enjoy significant bipartisan support and are achievable. The energy industry, made up of small and large companies representing every type of traditional, alternative, and groundbreaking technology, is ready to take on the challenge to secure America's energy future. It is time for the administration and Congress to commit to some common sense principles so can we begin our energy recovery.



## I. MAXIMIZE AMERICA'S OWN ENERGY RESOURCES

The United States is blessed with vast energy resources, dynamic capital markets, and a culture of innovation that sustains our global leadership. These assets, however, are not being developed or utilized to their full potential. As a result, our energy security, economic security, and, increasingly, our national security are suffering. We send more and more money overseas to import energy we can produce at home, we invest less in our energy future, and we graduate fewer and fewer engineers to design the future.

We can make better use of America's abundant energy resources through the following practical measures:

- » **Promote Energy Efficiency:** Greater use of the energy that is wasted every day is one of the best sources of "new" energy. Policymakers should promote greater energy efficiency to temper projected increases in energy demand.
- » **Produce More Domestic Energy:** As the economy begins to recover, it is clear that increased efficiency alone cannot satisfy future energy demand. Yet, we see more and more domestic energy resources being locked up. Fossil fuels provide more than 80% of America's energy and allowing greater development of these resources is absolutely necessary to fuel economic recovery, bring new employment to millions of Americans, and increase the nation's energy security. We can ill afford to turn our backs on the significant resources that we have here at home.
- » **Improve Access to Federal Lands:** The federal government also must do all it can to make available, in a timely and predictable manner, the significant resources on public lands, which are ripe for energy development, especially renewable resources.
- » **Allow Development of New Resources:** As rare earth elements become increasingly more critical to building new energy platforms, the United States must be willing and able to develop its potentially large reserves.

## II. MAKE NEW AND CLEAN ENERGY TECHNOLOGIES MORE AFFORDABLE

The biggest obstacle to greater use of new and cleaner energy is cost. There are several steps that can be taken to lessen this barrier without adding significantly to budgetary pressures.



»» **Commit to Innovation:** The United States continues to lead the world in energy research and development investment and innovation, but just barely. Our future economic competitiveness and energy security are dependent on continued financial and intellectual commitment to developing tomorrow's energy sources and applications while lowering the costs of the ones we use today. Government has a definite role investing in energy research and development, which should continue, but increasingly it is the private sector that develops transformative technologies. The research and development tax credit should be made permanent to encourage continued innovation. Most importantly, policymakers at all levels have to make improving and increasing education in science, technology, engineering, and math a national quest of the highest priority.



»» **Demonstrate New Technologies:** When our prodigious research and development infrastructure produces new technologies, traditional markets often find them far too new and risky to merit the investment necessary for deployment. A bridge is needed to enable the demonstration of these potentially breakthrough technologies on a larger scale. Financial mechanisms, like loan guarantees and other concessionary financial products, need to be available through a self-funding Clean Energy Bank, which can make new and clean energy technologies like nuclear and renewable power significantly more cost competitive while using little or no federal funds. Using the power of the market to prove new technology is far superior to endless subsidies our economy can ill afford or mandates that drive up energy costs.



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### III. ELIMINATE REGULATORY BARRIERS DERAILING ENERGY PROJECTS

Over the years, the government has created a seemingly impenetrable maze of rules and regulations that too often prevent the siting and construction of all types of energy projects. Removing these unnecessary barriers is a must.

»» **Create a Predictable Regulatory Environment:** For all forms of energy, both regulatory and fiscal policies need to be more predictable to accelerate capital investment. Revising or constantly changing regulations is impeding investment in energy projects of all types. Policymakers should place high priority on those measures that are revenue-neutral given the current fiscal climate.

» **Streamline, Not Weaken, Environmental Reviews:** When the National Environmental Policy Act was enacted in 1970, it represented a compromise that allowed for environmental reviews of federal agency actions while setting limits on the time and scope of such reviews to prevent delays. The subsequent four decades have seen these constraints weakened significantly, adding years of delay and millions of dollars to the cost of many projects with negligible environmental benefits. This favored tool of the NIMBY movement needs a thorough re-evaluation to rehabilitate it back to the workable and beneficial law Congress intended.

» **Prioritize Siting and Permitting of Interstate Transmission:** A particularly acute problem is our inability to site and construct interstate transmission lines, which will be essential to creating a robust electricity grid and accommodating demand growth, new facilities, and intermittent renewable power. It is no secret that building new lines today is a practical impossibility owing to organized obstruction. A federal preemption, similar to that existing for pipelines, must be created to cut through the burgeoning regulatory and legal obstacles.

## IV. DO NOT PUT AMERICA'S EXISTING ENERGY SOURCES OUT OF BUSINESS

Technological evolution has enabled society to continually produce and consume energy more reliably, cleanly, and efficiently. However, government efforts to force a transition through the premature retirement of existing capital assets significantly harms energy security and economic competitiveness and costs American jobs. The transition to a cleaner energy future must be carefully managed to ensure adequate and reliable energy supplies.

» **Ensure Adequate Supplies of Energy for a Smooth Transition:** The Clean Air Act and Clean Water Act have worked to reduce hazardous air and water emissions and create a safer environment, while helping to make energy extraction and use cleaner and more efficient. These watershed laws were born of political compromise over many years. Unfortunately, in recent years they have been used indiscriminately by the Environmental Protection Agency, certain states, and activists to threaten energy resources, facilities, and the hundreds of thousands of jobs they support in ways not originally envisioned by Congress. America must begin the difficult process of critically examining the application of these laws and amending them to provide the necessary predictability business needs to continue investments in cleaner, secure sources of energy.



## V. ENCOURAGE FREE AND FAIR TRADE OF ENERGY RESOURCES AND TECHNOLOGIES GLOBALLY

With each passing day, the energy economy continues to become more globally integrated. Like other traded goods and services, artificial restraints on the trade of energy resources and technologies stifle economic growth and innovation.

»» **Promote Free Trade:** Many countries limit free trade and foreign competition and participation within their energy sectors. This anti-competitive behavior is evident in restrictions on access to traditional energy commodities like oil, natural gas, and coal and emerging commodities like rare earth elements. The U.S. government must aggressively work with the world community to break down these barriers and understand and quantify their effects on global markets.

»» **Eliminate Trade Barriers:** Current tariffs on clean energy goods and services employed around the world only serve to increase their costs and retard the expansion of their use. The U.S. government should work with other countries to eliminate these barriers either through the World Trade Organization or in bilateral or multilateral trade deals.

»» **End Discriminatory Content and Trade Policies:** Domestically, we must lead by example in removing obstacles we have already created and refrain from erecting new ones. For example, Congress should immediately remove the restrictions on the importation of Canadian oil sands, erected under the guise of environmental protection, which not only threaten supplies from this stable source but actually result in a greater environmental footprint. “Buy American” provisions such as those in the 2009 American Recover & Reinvestment Act only served to slow energy projects and fail to recognize the global supply chain required for alternative energy projects. The United States must end these obstructions to economic growth and technological innovation and embrace free trade in the energy economy.



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The mission of the U.S. Chamber of Commerce's Institute for 21st Century Energy is to unify policymakers, regulators, business leaders, and the American public behind a common sense energy strategy to help keep America secure, prosperous, and clean. Through policy development, education, and advocacy, the Institute is building support for meaningful energy action at the local, state, national, and international levels.

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