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Beware of Anti-Consumer Energy Bills On Tap in Congress

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A few months ago, the new Congress became vocal about fighting global warming and set out an ambitious schedule to enact legislation restricting fossil fuel use. But after taking a closer look and realizing the enormous cost and complexity of central planning of America's energy future, congressional leaders moved back their deadlines for action. Notwithstanding the almost daily alarmist hearings on the subject, Congress will not be passing any major global warming bills in the near term. In the meantime, however, Congress is considering a host of smaller-scale energy measures and may enact something by July or even Memorial Day. Though far less dangerous than a comprehensive global warming bill, these energy provisions are problematic enough to justify serious concern.

Efficiency Standards for Appliances. Energy efficiency can be good for consumers, but there is something very wrong when Washington tries to mandate it. One bill (S. 1115) would set federal efficiency standards for a number of home appliances, such as refrigerators, clothes washers, and dishwashers. The goal is to reduce energy use and related global warming emissions by setting arbitrary limits on how much electricity these appliances are allowed to consume.

While consumers would welcome lower electric bills from more efficient appliances, these measures also impose costs, and consumers benefit *only* if the energy savings outweighs the costs. For one thing, mandatory improvements in efficiency usually raise the purchase price of appliances, and sometimes the increase is more than enough to negate

the savings from increased efficiency. In addition, the reduction in energy use can come at the expense of reduced product performance, features, reliability, and longevity. New appliances would use less energy in order to meet government standards, but they might not work as well, could be more prone to breakdowns, and might not last as long as today's appliances.

Such regulations are not new. Many home appliances have been subject to federal efficiency standards since 1988 and, in some cases, several rounds of progressively tighter standards. The track record for these measures is decidedly mixed. *Consumer Reports* has documented some of the technical glitches in high-efficiency appliances.¹ Yet the pending bill would push for even tougher standards.

Efficiency Standards for Cars and Trucks. Many of the problems with appliance efficiency standards described above also apply to motor vehicle efficiency standards, but the biggest problem is safety. In theory, more fuel-efficient vehicles save consumers money at the pump and, at the same time, reduce greenhouse gas emissions and oil imports. But in order to meet tougher Corporate Average Fuel Economy (CAFE) standards, cars and trucks would need to be made lighter, which also

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makes them less safe in collisions. According to a 2002 National Academy of Sciences study, vehicle downsizing has cost 1,300 to 2,600 lives per year in the U.S.² Tougher miles per gallon requirements would likely add to the death toll, especially if they are ambitious and inflexible.

Beyond safety concerns, there is also the issue of consumer choice. A variety of smaller but more fuel-efficient models are already on the market for those who want them. In other words, there is no market failure justifying federal intervention. The car-buying public does not want or need Washington stepping in and forcing these smaller vehicles on everyone.

An Expanded Biofuels Mandate. Only Congress would take its biggest energy policy failure in recent years—the ethanol mandate—proclaim it a success, and then try to expand it. The 2005 energy bill required that ethanol, a fuel additive made mostly from corn, be mixed into the fuel supply. Ethanol costs more than gasoline and provides fewer miles per gallon, so the mandate has hurt consumers. Ethanol has also failed to deliver on its promise to reduce air pollution and greenhouse gas emissions and decrease dependence on oil imports. At the same time, the competition for corn between fuel and food uses has led to higher corn prices. This has led to increased prices for corn and other food items, such as corn-fed beef and poultry.

Now Congress is considering a big increase in the ethanol mandate, from the current 7.5 billion gallons per year by 2012 to 30 billion or even more (S. 23, S. 875, S. 987, HR 559). Increasing the ethanol mandate will only exacerbate the pain at the pump and at the supermarket.³ If ethanol is as great

as its proponents claim, then there is no need for a federal law forcing Americans to use it.

Renewable Portfolio Standards for Electricity. The same is true of measures to mandate that a certain amount of electricity be generated by wind power, solar, or any other so-called renewable source. One proposal, not yet in legislation, would require that 15 percent of electricity come from renewable sources by 2020. In effect, the electric utilities that produce America's electricity by coal, nuclear power, and natural gas would be required to diversify into alternatives.

The reason for a federally mandated “renewable portfolio standard” (RPS) is that these alternatives are far too expensive to win market share on their own. In effect, a mandate from Washington would force the American people to switch to more expensive electricity options. Whatever the global warming and other environmental benefits of these alternatives, such a measure would undoubtedly raise electricity bills.

Conclusion. These and most other measures in the works focus on interfering with markets and forcing certain energy choices on a reluctant public—hardly a pro-consumer approach. What is missing is any truly pro-consumer and pro-energy policy, such as removing the legal and regulatory hurdles to expanded domestic oil and natural gas production. Instead, most of Congress's proposed energy measures would do more harm than good.

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1. See “Spin City: Ratings of Washing Machines and Clothes Dryers,” *Consumer Reports*, July 1999, pp. 30–33; “Way Cool: A Guide to Buying Air Conditioning,” *Consumer Reports*, June 1998, p. 37 (“Mid-efficiency models . . . may be the least expensive to own overall because they're cheaper to buy and less likely to need repair.”); “Product Updates,” *Consumer Reports*, January 2001, p. 46 (“Maytag front loaders [a more efficient type] were among the less reliable brands and less reliable than Maytag top-loaders [a less efficient type].”); and “Sears Recalls Some Calypso Washers,” *Consumer Reports*, March 2001, p. 55.
2. National Academy of Sciences, “Effectiveness and Impact of Corporate Average Fuel Economy (CAFE) Standards,” 2002, p. 3.
3. Ben Lieberman, “The Ethanol Mandate Should Not Be Expanded,” Heritage Foundation *Backgrounder* No. 2020, April 11, 2007, at <http://www.heritage.org/Research/EnergyandEnvironment/bg2020.cfm>.