

# Making Domestic Energy Affordable

## A Memo to President-elect Obama

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*I believe in the need for increased oil production. We're going to have to explore new ways to get more oil, and that include offshore drilling.*

—Barack Obama,  
Second Presidential Debate,  
October 7, 2008<sup>1</sup>

*I don't think that we can take nuclear power off the table. What we have to make sure of is that we have the capacity to store waste properly and safely, and that we reduce whatever threats might come from terrorism. And if we can do that in a technologically sound way, then we should pursue it.*

—Barack Obama,  
Democratic Primary Debate,  
September 6, 2007<sup>2</sup>

**PRESIDENT-ELECT OBAMA**, throughout the campaign, you pledged to find ways to provide relief for the rising energy prices that affect millions of American households and businesses. This was a leading issue for voters, especially during the summer when gasoline exceeded \$4.00 a gallon. Though gasoline prices have since plummeted in the global economic downturn, this respite will only be temporary unless you take strong steps now. The nation also faces continued increases in electricity costs and even the possibility of shortages and rolling blackouts, and you should take steps to ensure that new electric generation can meet the nation's need for power.

You have promised to pursue nuclear energy as long as it is safe and technologically sound.<sup>3</sup> The reality is that all of those conditions are

currently being met by America's 104 operating commercial nuclear power reactors. As you have also noted, nuclear energy is an important source of clean electricity.

But you have also promised a costly environmental agenda. If you do undertake such measures, you risk far higher energy prices. Moreover, you will put jobs and growth at risk while doing little to meet global warming goals. The voters connected strongly with your pledges to provide affordable energy. The following steps would help you to deliver on these promises.

- **Remove barriers to domestic energy.** You took the right step during the summer when you supported increased domestic oil and natural gas production. Along with others in Congress, you allowed the restrictions on energy leasing in 85 percent of America's territorial waters to lapse. These waters are estimated to hold oil equivalent to 30 years of imports from Saudi Arabia and enough natural gas to power American homes for 17 years.<sup>4</sup>

But that was just a first step, and you should do more to make better use of America's domestic resources. You should also remove the restrictions on onshore drilling, such as those that prevent access to the estimated 10 billion barrels of oil beneath a small portion of Alaska's Arctic National Wildlife Refuge. Even those areas where drilling for oil and natural gas is not restricted outright are subject to years-long regulatory delays and multiple opportunities for activist lawsuits. You should streamline these provisions to eliminate such frivolous and counterproductive delays.

These steps will help both to bring down energy costs for all Americans and to make the nation less reliant on unfriendly or hostile nations. You cannot reach

your goal to become free of our dependence on Middle Eastern oil within 10 years<sup>5</sup> without tapping our domestic resources. You should make sure that Washington does not stand in the way of any domestic energy source.

- **Reform the arduous permitting process for new nuclear power plants.** As you and others have recognized, the nation's energy, economic, security, and environmental objectives cannot be met without nuclear power. This has led to multiple initiatives to restart the industry in the U.S. However, many of these plans rely heavily on subsidies and are not sustainable. Instead, you should work with Congress to institute a fast-track program aimed at halving the time for granting construction/operation permits for certain new plants. Such a proposal would direct the Nuclear Regulatory Commission (NRC) to focus its efforts on fast-tracked applications.

To qualify, a new plant would have to be an NRC-certified design, located on a site that already has a plant, and operated by an experienced nuclear operator. Congress should provide the NRC with the appropriate resources and direct America's national laboratories to organize in support of the effort. This would demonstrate your commitment to safe nuclear power and provide the regulatory stability that investors need if the industry is to grow. Finally, it would provide the information necessary to bring about comprehensive regulatory reform that the nation needs for a nuclear renaissance to take hold.<sup>6</sup>

- **Modernize nuclear waste management.** The debate over managing nuclear waste in the U.S. has to be elevated beyond where one stands on Yucca Mountain or recycling nuclear fuel. To do that, you must change the very foundation on which our current waste management strategy is built. Our current system of ratepayers paying the federal government to dispose of waste through a fee has proven dysfunctional. It stifles technological advances and is both economically irrational and politically driven.

1. CNN, "Transcript of Second McCain, Obama Debate," October 7, 2008, at <http://www.cnn.com/2008/POLITICS/10/07/presidential.debate.transcript> (December 3, 2008).

2. 2007 Democratic primary debate, Dartmouth College, September 6, 2007, quoted in OnTheIssues.org, "Barack Obama on Energy & Oil," at [http://www.ontheissues.org/2008/Barack\\_Obama\\_Energy+\\_Oil.htm](http://www.ontheissues.org/2008/Barack_Obama_Energy+_Oil.htm).

3. *Ibid.*

4. Ben Lieberman, "Congressional Moratorium on Offshore Drilling in the Outer Continental Shelf Should Be Allowed to Expire," Heritage Foundation *WebMemo* No. 1016, August 8, 2008, at <http://www.heritage.org/Research/EnergyandEnvironment/wm2016.cfm>.

5. CNN, "Transcript of Second McCain, Obama Debate."

6. Jack Spencer, "Time to Fast-Track New Nuclear Reactors," Heritage Foundation *WebMemo* No. 2062, September 15, 2008, at <http://www.heritage.org/Research/EnergyandEnvironment/wm2062.cfm>.

Instead, you need to make nuclear power operators responsible for managing their own spent nuclear fuel. This would create a market for fuel management services in which all approaches could compete. It would allow nuclear power operators to fold the actual costs of nuclear energy into what they charge for electricity, allowing the most cost-effective and efficient methods of waste management to emerge and encouraging entrepreneurs to develop new and innovative waste management technologies. It would also promote technological innovation on the power generation side. If nuclear operators were responsible for the actual costs of managing spent fuel, they would demand technologies that produce more manageable waste.<sup>7</sup>

- **Determine the future of Yucca Mountain.** You have stated your opposition to the geologic repository at Yucca Mountain based on questions of safety and the opposition of the people of Nevada. That position is premature. Instead, you should allow the Nuclear Regulatory Commission to conduct its review of the Department of Energy's permit application for the Yucca Mountain repository. If they determine that the repository can be constructed and operated safely, then you should allow its customers (the nuclear power industry) to engage with the people of Nevada to develop a mutually agreeable solution.
- **Open foreign markets to U.S. commercial nuclear suppliers.** Creating jobs, supporting domestic manufacturing, and developing a strong energy policy have been themes of your campaign. Opening foreign markets to American nuclear suppliers is one way to make progress on each of these objectives. Many foreign markets are heavily protected against U.S. and other foreign sources of competition in the nuclear power and related industries. Opening these markets to U.S. firms would benefit U.S. manufacturing and America's nuclear industrial base and create thousands of new jobs.

Freer trade makes sense not only for the U.S., but also for countries around the world—especially with the

global drive to diversify to alternative sources of energy. You should work through the World Trade Organization and directly with other countries to help reduce barriers to trade, thereby promoting competition and reducing market distortions.

- **Be realistic about alternative energy.** You must be realistic about sources of alternative energy, especially the time that it will take for economically and technologically viable alternatives to be ready to displace conventional energy sources. The process will likely take at least two decades. This means that the age of fossil fuels—oil for transportation and coal for electricity generation—will be with us for some time, so we need to ensure that these energy sources are as plentiful and affordable as possible until such time as alternatives can carry the load. You cannot begin to shut the door on domestic oil drilling or coal-fired power plants based on the wishful thinking that alternatives to them are just around the corner. They are not.

You should be especially vigilant about avoiding policies that abandon free enterprise and instead mandate government-chosen alternatives. This includes the renewable fuel mandates already in effect as well as the wind and other renewable electricity mandates that you have proposed. If these energy sources made sense, they would be flourishing without government mandates. The fact that people must be forced to use them is a sign that they are otherwise too costly to compete and thus run counter to your energy-affordability agenda.

You should start by repealing the ill-conceived biofuels mandate that has already helped to drive up the price of food.<sup>8</sup> Moreover, alternative energy sources, including nuclear, should not be mandated or subsidized by the government, but they should not be blocked by it either, as has been the case with oil shale in Colorado, Wyoming, and Utah.

- **Do not enact global warming policies that will harm the economy with little environmental benefit.**

7. Jack Spencer, "A Free-Market Approach to Managing Used Nuclear Fuel," Heritage Foundation *Background* No. 2149, June 23, 2008, at <http://www.heritage.org/Research/EnergyandEnvironment/bg2149.cfm>.

8. Ben Lieberman and Nicolas Loris, "Time to Repeal the Ethanol Mandate," Heritage Foundation *WebMemo* No. 1925, May 15, 2008, at <http://www.heritage.org/research/energyandenvironment/wm1925.cfm>.

Global warming–based restrictions on the use of the fossil fuels—coal, oil, and natural gas—that currently provide 85 percent of America’s energy will be very expensive. For example, the Lieberman–Warner America’s Climate Security Act, the so-called cap-and-trade bill defeated in the Senate last summer, would have imposed significant costs on consumers and the overall economy.<sup>9</sup> Gasoline prices would have increased by 29 percent by 2030, electricity and natural gas prices would also have risen, and job losses would have extended well into the hundreds of thousands. You should particularly note that these are net job losses after including the overhyped “green jobs” that would have been created. Having the EPA pursue a similar policy through regulations under the Clean Air Act would prove even costlier.

Moreover, such measures provide few if any benefits. Even assuming the worst of global warming, they still would reduce the Earth’s future temperature by an amount too minuscule to measure. What these kinds of global warming measures *would* do is raise energy prices, which disproportionately hurts low-income households. They would also kill American jobs, especially manufacturing jobs.

Overall, the cost of ill-advised climate policy would end up taking at least as much from low- and middle-income households as your tax cuts and other spending programs have promised them. It would also undercut your push for greater domestic energy use by restricting the use of coal, the one energy source America has in great abundance. If you really want to address the

rising costs of energy, you should reject these kinds of measures that cause great economic harm and have scant environmental benefits.

- **Do not repeat the mistakes of the 1970s.** From 1970 to 1980, policymakers tried to solve energy problems with higher energy taxes, heavy-handed government regulation of energy markets, or attempts by Washington to pick winners and losers among emerging alternatives. In every instance, Washington took an already difficult energy situation and made it worse with shortsighted meddling. There is simply no excuse for repeating past mistakes, whether it be reinstating the windfall profits tax on oil companies, reimposing price controls or their functional equivalent, overregulating the nuclear industry, or mandating wind power or other politically correct alternatives. Remember: It was Ronald Reagan’s decisive steps that freed the nation from Jimmy Carter’s failed policies.

## Conclusion

Your promise to address the nation’s high energy costs resonated soundly with the voters, and your pledge to use safe nuclear power as a key part of our energy mix makes sense. You should not let the temporary decrease in gasoline prices distract you from keeping these promises. If you persevere and follow the right steps to open and use *all* domestic energy sources, including nuclear power, energy will become more affordable and plentiful for all Americans, and the nation will be less reliant on hostile nations for energy.

But you should not undercut these goals by shackling energy with costly restrictions and mandates, which have long been a regrettable Washington tradition; nor should you apply this problematic approach to global warming. A truly new energy policy would recognize the importance of free markets and a light touch from Washington in meeting the energy needs of the American people.

9. William W. Beach, David W. Kreutzer, Ph.D., Ben Lieberman, and Nicolas D. Loris, “The Economic Costs of the Lieberman–Warner Climate Change Legislation,” Heritage Foundation *Center for Data Analysis Report* No. CDA08-02, May 12, 2008, at <http://www.heritage.org/Research/EnergyandEnvironment/cda08-02.cfm>.

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