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Obama on Energy: New Speech, Same Old Gimmicks

Posted By [Nicolas Loris](#) On March 30, 2011 @ 5:22 pm In [Energy and Environment](#) | [2 Comments](#)

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Nearly a year ago, President Obama delivered a speech calling for an increase in oil and gas production. Since then, he has canceled more production than he has allowed. Today he delivered a speech at Georgetown University outlining a plan to cut oil imports by one-third by 2025.

President Obama [said when gasoline was \\$4 a gallon](#) ^[2], “you had a lot of slogans and gimmicks and outraged politicians waving three-point plans for two-dollar gas—when none of it would really do anything to solve the problem.” Then he offered his own four-point plan to reduce dependence on foreign oil by: increasing oil and gas development; a fleet of natural gas/electric/fuel-efficient vehicles; biofuel production; and by 2035, making sure “80 percent of our electricity will come from an array of clean energy sources, from renewables like wind and solar to efficient natural gas to clean coal and nuclear power.” Let’s take these points one by one.



[1]

1.) **Oil and gas exploration:** We commend the President for re-committing to oil and gas production onshore and offshore in the U.S., which can create jobs and help lower prices without the help of the taxpayer. But until his Administration’s actions match his rhetoric, we remain unconvinced. Obama mentioned drilling off Alaskan coasts, where there are an estimated 19 billion barrels in the Chukchi Sea alone, but those resources are inaccessible—because the U.S. Environmental Appeals Board invalidated the Environmental Protection Agency’s permit approval for that area after appeals from environmental groups.

The Administration needs to stop dragging its feet on permits in areas where we already have drilling rigs in place, like the Gulf of Mexico. The President criticized the industry for sitting on leases and not producing any oil or gas, but the reality is the industry wants to produce and sell oil. Kathleen Sgamma of the Western Energy Alliance [stressed that](#) ^[3] a “lease is not a green light to drill—it’s the first step in a long, expensive process that is fraught with bureaucratic red tape and lawsuits by environmental groups determined to stop domestic energy development.” Furthermore, even when there is no oil production, there is activity on the [leases, such as seismic and survey work to](#) ^[4] improve the success rate of extraction.

2.) **Improving the U.S. vehicle fleet:** President Obama emphasized strongly that increased domestic oil production will not reduce oil dependence on its own, saying Americans need to drive cars that run on electricity and natural gas and build more high-speed rail. This is not a plan to secure energy but to secure taxpayer dollars for pet projects that are either too expensive for the private sector to undertake or simply unwanted by consumers. Even with generous subsidies for production and consumption of electric vehicles, demand is low because [they are still too pricey](#) ^[5]. The same holds true for natural gas vehicles. If they were economical or met a market demand, they wouldn’t need special subsidies. In some cases, there could be bureaucratic obstacles that distort the marketplace. When that’s the case, those bureaucratic obstacles should be removed, not mitigated with subsidies. When the government selects political winners, it’s usually a good indicator that the technology or energy source is a market loser. Cars, buses and trucks that run on natural gas will prove to be a good investment for producers and consumers when they don’t need government support.

High-speed rail is no better. Heritage Senior Research Fellow Ron Utt explains [in detail that](#) ^[6] “President Barack Obama’s high-speed rail program promises to spend hundreds of billions of dollars in federal and state funds to provide mediocre passenger rail service to an extremely small fraction of travelers.”

3.) **More biofuels:** Using subsidies and mandates to artificially create a market for biofuels will only hurt consumers, who pay for pricier energy, and taxpayers, whose money is used to support their production. The biofuel industry is built on production quotas, subsidies, and protectionist policies. The most popular subsidized biofuel, ethanol, produces less energy per unit volume than does gasoline, contributes to [food price increases](#) ^[7], costs taxpayers billions of dollars, and [has dubious environmental effects](#) ^[8]. A new paper from The Cato Institute's Indur Goklany finds that global biofuel policies are increasing death and [disease by startling amounts in developing](#) ^[9] countries.

The President said the U.S. should be more like Brazil, because more than half its vehicle fleet runs on biofuels. But he made no mention of the 54-cent [tariff the U.S. government slaps on cheaper, more environmentally](#) ^[10] friendly Brazilian ethanol.

President Obama [made clear](#) ^[11] he was including biofuels from switchgrass, wood chips, and biomass. Despite the promise that cellulosic ethanol would be available by now in mass quantities, [it's not](#) ^[12]. Rather than more "investments" of taxpayer dollars, a more prudent approach would be to remove the subsidies and mandates for domestically produced ethanol and remove the tariffs on imported ethanol.

4.) **A clean energy standard:** President Obama told party activists last night in a preview [of his speech:](#) ^[13] "Let's, yes, increase domestic oil production, but let's also invest in solar and wind and geothermal and biofuels and let's make our buildings more efficient and our cars more efficient." Only a few of those ideas affect the transportation sector. Democrats and Republicans alike are guilty of claiming that we can end our dependence on foreign oil by increasing wind, solar, and nuclear production. Increasing production of these energy sources would affect electricity production, not transportation fuels. We use very little oil to produce electricity.

One thing it would do is drive up electricity prices, which ironically would make electric vehicles less enticing. A clean energy standard would force Americans to use more expensive energy sources. If these energy sources were cost competitive, they would not need a government-guaranteed share of the electricity market. The mandate may reward certain energy producers in the short term but would hurt both producers and consumers in the long run, because it eliminates competition, reduces the incentives to lower costs, and encourages government dependence.

It's important to understand that oil is a global commodity. Its price is set globally, not locally. Attempting to produce all our oil domestically without regard to economics will only hurt American energy consumers. Whether we are a net importer or net exporter has no bearing on insulating Americans from price volatility.

The objective of America's energy policy need not and should not be energy independence. This is not because Americans should be dependent on foreign sources for their energy needs, but because market-based policies are a better way to ensure that every American has access to affordable energy.

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[1] Image: <http://blog.heritage.org/wp-content/uploads/11-3-30-Obama-energy1.jpg>

[2] said when gasoline was \$4 a gallon: <http://www.marketwatch.com/story/text-of-obama-speech-on-energy-2011-03-30?pagenumber=1>

[3] stressed that: <http://www.deseretnews.com/article/705369583/Interior-report-shows-vast-amount-of-idle-gasoil-leases.html>

[4] leases, such as seismic and survey work to: http://www.ogj.com/index/article-display/6787741175/articles/oil-gas-journal/exploration-development-2/20100/march-2011/millions-of_acres.html

[5] they are still too pricey: http://thf_media.s3.amazonaws.com/2011/pdf/wm3116.pdf

[6] in detail that: <http://www.heritage.org/Research/Reports/2011/02/Time-to-End-Obamas-Costly-High-Speed-Rail-Program>

[7] food price increases: <http://www.cbo.gov/ftpdocs/100xx/doc10057/04-08-Ethanol.pdf>

[8] has dubious environmental effects: <http://www.bakerinstitute.org/publications/EF-pub-BioFuelsWhitePaper-010510.pdf>

[9] disease by startling amounts in developing: <http://www.jpands.org/vol16no1/goklany.pdf>

[10] tariff the U.S. government slaps on cheaper, more environmentally: <http://pajamasmedia.com/blog/ethanol%E2%80%99s-policy-privileges-heading-for-history%E2%80%99s-dustbin/?singlepage=true>

[11] made clear : <http://www.marketwatch.com/story/text-of-obama-speech-on-energy-2011-03-30?pagenumber=2>

[12] it's not: <http://www.masterresource.org/2010/09/wind-ethanol-economic/>

[13] of his speech:: <http://www.reuters.com/article/2011/03/30/us-obama-energy-idUSTRE72S3C820110330>

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