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## Scoring Romney & Obama's Disappointing Energy Debate

Jerry Taylor and Peter Van Doren, - October 19<sup>th</sup>, 2012

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The presidential debate Tuesday night hit perhaps its most bumpy stretch during the extended argument about energy policy. The question that started it all was an unexpectedly excellent query directed at the president from a Mr. Phillip Tricolla: “Your energy secretary, Steven Chu, has now been on record three times stating it’s not policy of his department to help lower gas prices. Do you agree with Secretary Chu that this is not the job of the Energy Department?” The rhetorical mayhem that ensued provided an excellent mirror upon which to judge the state of the energy policy debate in America today ... and it is not pretty.

President Obama dodged the question and replied, in effect, that oil and gas production in the United States has gone up on his watch, but that conservation mandates and subsidies for renewable energy are necessary to both keep prices down and to prevent competitors like Germany and China – who have gone hog-wild with similar subsidies – from dominating the economic landscape of the 21st century.

The president gets an F for not answering the question, an A for pointing out the rise in domestic fossil fuel production without trying to take credit for it, and a D for arguing that subsidies and mandates are an answer when they clearly have proven no answer yet.

Now, he avoids an F on that matter because such policies could reduce gasoline consumption if the subsidies are large enough and the mandates stringent enough. But subsidies and mandates do not help the United States in the aggregate because the costs of reducing gasoline consumption in this manner exceed the cost of just consuming more gasoline. Spending \$5 a gallon equivalent, for instance, to avoid consuming \$4 per gallon gasoline makes no sense.

Finally, the president gets an F for offering Germany and China as renewable energy role-models even while Germany is cutting back on its renewable energy subsidies in response to steep fiscal costs and high prices. The renewable energy industry in China, meanwhile, is in economic free-fall and subsidies are falling by the way-side there as well.

Mitt Romney was up next. Now, in a perfect world, Mr. Capitalism would have said that he agrees with Secretary Chu; it’s not the government’s job to police prices in a free market. Price signals tell us something important; in this case, that oil is scarce relative to demand and high prices encourage producers to produce more and consumers to

consume less. The government's job is to get out of the way and allow both things to happen and that's the alpha and omega of government's proper role in energy markets. Nothing good can come of a world in which politicians feel free to use government power to hammer price signals that voters don't like.

Alas, we don't live in that perfect world. Mitt Romney responded that domestic oil and gas production would be even higher were it not for President Obama. Oil production on federal land this year, he said, is down 14 percent while gas production is down 9 percent ... all because the president cut in half the number of licenses given-out to those who wish to drill on federal lands. He complained that the president had prosecuted an oil company in North Dakota for contributing to the death of a couple of dozen protected migratory birds. He agreed with the president that America needed renewable and nuclear energy but promised to end the federal regulatory war against coal and build the Keystone XL pipeline. And he promised to deliver that omnipresent economic elixir known as "energy independence," an elixir promised by every presidential candidate since Richard Nixon.

Mitt Romney, likewise, gets an F for avoiding the question and another F for missing a golden opportunity to make an important principled point about the role of government when it comes to price matters.

He gets a D for his complaints about the decline in oil and gas production last year - not because his facts are wrong - but because they're terribly misleading. While it's true that oil production on federal lands was down last year, that's largely due to the fallout from the Deepwater Horizon spill in the Gulf. Even so, oil production on federal lands is 11 percent greater this year than it was during the last year of the Bush administration. Permitting is down under Obama, but it's not because the administration has been rejecting permit applications. The drop in applications to drill on federal land is mainly driven by the fact that shale oil and gas is primarily found on private and state lands, not federal lands, and that's where all the action is at present. Mitt Romney also gets a D for whining about federal prosecutions in the North Dakota oil patch given that anecdotes like this do not tell an accurate story regarding the Obama administration's general friendliness towards hydraulic fracking.

He gets an F for giving the president a pass on his renewable energy policies, policies that were tee-ed up for a major beat-down given the announcement that very day that yet another recipient of federal green energy corporate welfare - A123 Systems - is going belly-up at the taxpayer's expense. Given the recent bankruptcies at Abound Solar (where taxpayers lost \$71 million), Beacon Power (\$39 million), Nevada Geothermal (\$99 million), Solyndra (\$529 million), Ener1 (\$118 million), and Raser Technologies (\$33 million), one might think that Mitt Romney would have hit this issue out of the park were he so inclined. Alas, he was not.

Mitt Romney gets a B, however, regarding Keystone XL and pushing back against coal regulation. There is a good case for both arguments, but finishing the Keystone pipeline and modulating the EPA regulations at issue are wildly oversold as far as job creation/protection and energy production is concerned. While his campaign documents claim that finishing the Keystone Pipeline would create 100,000 jobs, the only independent analysis of job creation persuasively finds that the actual totals are 4,650 temporary jobs and 50 permanent ones. And the only coal-related regulation he's explicitly promised to roll-back (albeit through Congressional action) - the EPA's

regulation of greenhouse gas emissions for new power plants – would save precisely zero jobs because, unless natural gas prices more than triple, no one is going to want to build a coal-fired power plant in the first place.

Finally, Romney gets an F for harping on energy independence. Mr. Capitalism ought to realize that the case for free trade does not end when BTUs enter into the conversation and that energy independence provides few economic or foreign policy advantages despite widespread belief to the contrary.

Debate moderator Candy Crowley heroically tried to get back to the original question and asked President Obama whether \$4.00 gasoline was “the new normal” and whether it was “within the purview of the government to bring those prices down”? Alas, to no avail.

President Obama claimed to have opened-up more public land for drilling and that “We’re actually drilling more on public lands than in the previous administration.” He said his administration was encouraging – not discouraging – natural gas production, investing heavily in “clean coal” technologies, building (via regulation) a fuel-efficient auto industry and that those fuel efficiency regs will pay off in automotive exports and consumer savings. And for good measure, the president noted that Mitt Romney’s pro-coal stance is a pretty recent phenomenon; when he was governor of Massachusetts – and thus, answering to a different electorate – he made a political appearance at a coal plant, pointed to it, and said “This plant kills.”

President Obama gets an A noting that 41,671,120 acres of public land is currently leased for drilling whereas only 41,184,327 were so leased in the last year of the Bush administration. He gets a B for accurately reflecting the sentiment within the industry that, as the president of the American Gas Association notes, the administration “has been promoting responsible production and broader use of this domestic, abundant, affordable, clean and reliable energy source.” Obama, however, gets an F for bragging about his subsidies for “clean coal” (why should taxpayers be paying for R&D that should be paid for by the coal industry itself?), an F for the same with regards to his automotive fuel efficiency mandates (consumers should be allowed to buy whatever they want and auto companies should likewise be free to build whatever they want), and an A for – rightly – scoring Romney for his flip-flop on coal-fired electricity generation.

Next up was Mitt Romney. He charged that “In the last four years, you [President Obama] cut permits and licenses on federal land and federal waters in half.” Chaos then ensued when the president denied that and went on to claim that what he was really doing was taking back permits previously issued to oil and gas companies that were not being used.

Let’s give Romney a C for his permit charge; in the last year of the Bush administration, 6,617 permits were issued for drilling on federal land. That figure dwindled to 4,487, 4,009, and 4,244 in 2009-2011. So while the Romney complaint is (roughly) correct, it is misleading because, as noted above, the decline had little to do with people in the Obama administration rejecting permit applications. Over the entire course of the Obama administration, 93 percent of all permit applications were approved. During the entire course of the Bush administration, 75 percent were approved. President Obama, however, deserves an F for his defense of reclaiming permits from firms who were not exercising their rights to drill. Rest assured that firms that go through all the trouble to secure

federal drilling permits will exercise their rights to drill if/when it makes economic sense to do so. Forcing firms to make suboptimal production decisions is not a good idea.

Chaos ensued again when the president said that oil production on federal land was up. Romney said no, it's down, coal production is down, and – stealing a page from the president – we need an “all of the above [energy] policy” but that the president is too hostile to fossil fuels to deliver it. Proof of the president's failed energy policies, he said, can be found in gasoline prices at the pump; \$1.86 per gallon in Nassau County when President Obama took office and over \$4.00 per gallon today. Electricity prices, Romney charged, are likewise going up.

Mitt Romney gets an F for alleging that oil production on federal lands has declined under President Obama. He gets a C for noting that coal production is down, but not by very much; 1.17 billion tons in 2008 to 1.1 billion tons in 2011. He gets an F for embracing an “all of the above energy strategy” in that it's a code phrase for subsidizing absolutely everything in the energy sector whether those fuels are economically competitive or not. He gets an F for suggesting that gasoline prices primarily go up or down based on what happens in Washington, DC; econometric analysis finds that 98 percent of the variance in gasoline prices can be attributed to changes in crude oil prices. Those crude market prices are established by global supply and demand curves that are well outside of the reach of Congress or the White House to affect very much. Finally, Romney gets a C for accurately noting that electricity prices have been on the rise under President Obama; 9.71 cents per kilowatt hour in 2008 versus 9.95 cents per kilowatt hour in 2011. Alas, the grade is not higher because electricity prices are primarily matters of state, not federal, regulation and state policies have a lot more to do with those prices than do federal policies.

President Obama responded that the rise in gasoline prices has everything do with economic recovery and little to do with his alleged “war on oil” (give him an A for that) and that wind energy jobs are real and important and that Romney has argued otherwise (an F; the wind energy employs about 13,000 people according to the American Wind Energy Association [AWEA], which is pretty small potatoes compared to the 195,000 people working in oil and gas extraction alone).

Mitt Romney finished up the argument by retorting “I don't have a policy of stopping wind jobs in Iowa and that – they're not phantom jobs. They're real jobs.” Alas, his campaign has said that a Romney administration would let the wind energy production tax credit expire, costing 6,000 jobs next year according to the AWEA. While we have no problem with that, Romney was either being disingenuous about his actual energy policy on Tuesday night or his campaign was disingenuous last July when a spokesman made that very promise on his behalf in Iowa. So give him a D.

If we evaluate the debate as debate coaches, Obama won. If we evaluate the discussion as energy policy analysts, both get low grades. President Obama's energy agenda is, on balance, less economically defensible than Mitt Romney's, but Romney gave the worst parts of Obama's agenda a pass, attacked for the most-part imaginary problems, and took the lead in echoing the worst rhetorical nonsense that informs our energy policy.

Excuse us if we find something better to do next Monday when these candidates get together for a third and final time.