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QUINN: America needs a competitive energy standard

Government shouldn't mandate clean fuel regardless of cost

By Hal Quinn

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Few issues capture and hold the attention of Congress and the administration as energy does, and yet an agreement on energy policy appears as distant today as it has been at any time in recent years. That's because the policies enjoying the latest political currency abandon the attributes most cherished by voters - energy security and affordability.

A case in point is the Clean Energy Standard, or CES, that a Senate panel is considering this week. Under a CES, the federal government mandates that an arbitrary portion of a power plant's fuel must consist of renewable sources. Washington would provide credits, i.e., cash or subsidies, for the use of renewable fuels and nuclear power and partial credit for less favored fuels. Coal, arguably the nation's most abundant and secure fuel, effectively is excluded despite generating more than 40 percent of U.S. electricity. With a CES, the government, not the marketplace, would pick winners, essentially deciding which fuels are best and how electricity should be generated - irrespective of local conditions and concerns.

Not surprisingly, the Obama administration favors a CES, and environmental activists are urging the Senate to enact one. For their part, Senate leaders have said an effective CES must advance four key goals of the electricity sector: It must lower electricity costs, reduce greenhouse gas emissions, make renewable fuels more competitive and strengthen energy independence.

A CES fails on all four goals. Start with the most basic problem with a CES - it will raise costs, not lower them. The Energy Information Administration has shown that states using no coal for electricity generation pay more than three times the amount for electricity that coal-using states do. The very premise of a CES is to favor costlier renewable fuels and make almost half of the nation's electricity generated from coal more expensive. One study that analyzed the costs of a similar plan found that artificially increasing renewable fuel use by 37 percent in 25 years would increase electricity costs by more than one-third for households and by a stunning 60 percent for industry.

With family budgets already stressed by high gas prices, a weak job market and stagnant wages, and with American industries facing tough foreign competition from low-cost producers, forcing higher energy costs on the country cannot be in the national interest. In today's global economy, it is a dangerous step toward deindustrialization and economic decline.

Nor would a CES do much to lower greenhouse gas emissions. The fuels favored by a CES for electricity generation - wind power, biomass and natural gas - offer negligible benefits at best. The "carbon neutrality" of biomass and natural gas has been called into question after studies found their life-cycle emissions result in no net benefit. A 2010 study of the costs of wind power by the Department of Energy found that even if generous subsidies could boost wind's share of the Eastern power market to 20 percent, U.S. carbon-dioxide emissions would drop by just 4.5 percent. Mandating the use of renewables already is proving to be a costly option in several states that have a CES.

It follows that a CES would make the U.S. more vulnerable to foreign competition, not less. An energy policy that discourages the use of coal - in the country with the world's largest supply of coal - makes us less able to control our own economic destiny. In fact, by putting the government in the driver's seat and kicking coal out of the car, a CES likely will slow the development of more efficient and affordable electric power for American households and industry.

That's because advanced coal technologies are capable not only of achieving dramatic efficiency increases but also of generating synthetic fuels that can boost our energy independence. Instead of foreclosing this possibility, we should be investing in it to make it a reality.

As the president has said, the United States needs all energy sources. But we don't need Washington to dictate the use of costlier fuels over others and compromise our economic interests to do so.

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