

Guest Editorial

Energy and The Environment: A Sensible, 'No Regrets' Proposal

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America, it seems, uses too much energy. Thus, the government prepares to issue a new round of federal energy efficiency standards for all manner of household appliances. The Sierra Club insists that the federal government increase Corporate Average Fuel Economy (CAFE) standards for automobiles and trucks. Other groups push electric cars.

The Clinton Administration, for its part, wants the federal government to subsidize the development and sale of "alternative" energy technologies, including solar panels, and is considering new regulations to drive down the use of fossil fuels. An energy tax was proposed five years ago, with little success, so this time other measures will be used to increase the cost of fuel and encourage Americans to do more with less.

Does this litany sound familiar? It should. A virtually identical list of policy prescriptions was trotted out to address the threats of oil depletion, foreign oil dependence, and even global cooling. It seems no matter what the danger, the solution put forward by the environmental establishment is always the same: increase government control over the economy to drive down energy use.



Green activists have yet to find an environmental problem that is not best addressed with more government spending and increased federal regulation. At times, environmental establishment leaders even seem to endorse the expansion of governmental authority for its own sake, as when then-Senator Tim Wirth (D-CO) commented in 1988 that "What we've got to do in energy conservation is to try to ride the global warming issue. Even if the theory of global warming is wrong, to have approached global warming as if it is real means energy conservation, so we will be doing the right thing anyway in terms of economic policy and environmental policy."

Given the failed legacy of federal intervention, one might think that those who are truly concerned with protecting Mother Earth would have learned their lesson. Governments are the greatest polluters on the planet. Those nations with the greatest governmental controls over their economy suffered the worst environmental catastrophes.

Even in market-oriented economies, most major environmental problems can be traced to governmental subsidies or a failure to protect property rights and market institutions. It is time for environmental activists to learn that environmental protection does not require more government. In most instances, it would do better with less.

THE "MIGHT BE" EXCUSE

This is no less true in the context of global warming than any other. Nearly every climate scientist will acknowledge that there is tremendous uncertainty about the nature and extent of humanity's influence on the global climate. Though it remains unproved, modern industry *might* be causing the earth to warm, that warming *might* be dangerous, and therefore efforts to prevent that warming *might* be justified.

Thus the argument for cutting greenhouse gas emissions boils down to a recitation of the precautionary principle: "It is better to be safe than be sorry." Typical of this approach is the statement from the President's Council on Sustainable Development that "Where public health may be adversely affected, or environmental damage may be serious or irreversible, prudent action is required even in the face of scientific uncertainty."

But the sort of action called for by Vice President Al Gore, the Si-

erra Club, and others is anything but “prudent.” Government-enforced emissions limits of the sort contemplated under the Kyoto Protocol would have a severe impact on American families. Whether Kyoto leads to the imposition of energy taxes, supply controls, or some other form of regulatory strictures, the impact will be the same: higher prices for all goods and services that rely upon energy use.

In other words, the price of just about everything will go up. Worse, the impact of such controls on the economy will curtail the ability of families to provide for their children, and businesses to create new job opportunities. Indeed, such controls will dampen the economic growth that is necessary to pay for *real* environmental improvement.

Fortunately, there is an alternative. If Vice President Gore and his environmental compatriots are truly more concerned with saving the planet than with inflating the power of Uncle Sam, there are many policy options that they can endorse without mortgaging America’s economic future or subjecting people to another round of bureaucratic controls. Indeed, in several areas, *reducing* government spending and regulatory controls is likely to reduce greenhouse gas emissions and spur research and investment in “cleaner” technologies.

A “NO REGRETS” PROPOSAL

A free-market “no regrets” policy would consist of the following three elements:

- 1) Removing regulatory barriers to innovation;
- 2) Eliminating subsidies to energy use; and
- 3) Deregulating energy-related markets.

Each element will produce tangible economic benefits by either reducing needless government spending or limiting regulatory burdens on the private sector. Each element will also remove government-induced market distortions which can produce greater greenhouse gas emissions.

For example, most firms are constantly seeking to cut costs so as to increase profits. Energy use, in many sectors, is a substantial cost. So, when new facilities are built, or old facilities are upgraded, they typically use energy more efficiently than before. Increasing energy productivity is one way for companies to cut costs and, incidentally, to reduce their emissions while maintaining, if not increasing, their productive output.

Environmental regulations, however, often get in the way of these

improvements. As a recent study by the Environmental Law Institute concluded, “technology-based emission limits and discharge standards, which are embedded in most of our pollution laws, play a key role in discouraging innovation.” Once a technology is anointed as the preferred pollution control method there is substantially less of an incentive to introduce newer technologies, even if they will improve environmental performance.

These problems are compounded by the substantial paperwork, and uncertainty, that are inherent in the permitting processes mandated under various environmental statutes. Title V of the Clean Air Act, for example, imposes substantial paperwork burdens on industrial facilities in addition to numerous opportunities for government regulators and activists to intervene and delay facility upgrades or modifications.

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The end result is that companies are discouraged at the margin from making investments that could reduce greenhouse gas emissions. Reducing these regulatory controls, therefore, could potentially increase environmental performance.

NEW ENERGY TECHNOLOGIES—RESTRICTED

Regulations on industrial facilities are not the only potential regulatory barriers to lower greenhouse gas emissions. All sorts of regulations, environmental and otherwise, prevent or delay the introduction of energy-saving technologies.

Transgenic crops, for instance, can be engineered so as to require less fertilizer and pesticide use, saving the energy use—and consequent emissions—associated with the production, distribution, and application of these chemicals. Regulatory strictures that delay the introduction of such new transgenic crops are potentially as greenhouse unfriendly as barriers to industrial innovation. Both artificially delay emission-reducing innovations.

To begin implementing the Kyoto Protocol, even though it has yet to be ratified, the Clinton-Gore Administration asked Congress for \$6.3 billion in new federal subsidies for “clean” energy sources, yet virtually

ignored the fact that the federal government spends hundreds of millions of dollars subsidizing fossil fuels every year. Fossil energy research and development at the Department of Energy received \$365 million in fiscal year 1997.

Eliminating these programs, and other subsidies to carbon-based fuels, serves to level the playing field for solar and alternative fuels without dipping Uncle Sam's hand into the taxpayer's pocket. If fossil fuels are such a threat, as the Vice President likes to claim, then why keep subsidizing their use?

One of the most important elements of a "no regrets" strategy is already underway at the state level: the deregulation of electricity markets by eliminating local and regional monopoly franchisee for utilities. Environmental groups consistently maintain that alternative energy sources are ready to compete in an open marketplace; deregulation will give them that chance.

There are good reasons to believe that the long-term result of deregulation would be a greater reliance on natural gas-fired turbines and cogeneration systems. Natural gas is not only an increasingly cost-competitive source of energy, it produces substantially less greenhouse gas emissions than other fossil fuels. Moreover, the opportunity to compete with more traditional fuel sources will spur greater investment in the development and marketing of alternative energy sources that are currently constrained in their ability to compete.

Energy markets are not the only area to look for "no regrets" deregulatory opportunities. Deregulation in other areas may also increase the energy efficiency. Airline transportation, for example, is an increasing source of greenhouse gas emissions. Greater demand for air travel means more flight means greater fuel use and increased emissions. However, deregulating air travel by allowing pilots to fly more direct routes between destinations — so-called "free flight" — could save substantial amounts of fuel and reduce emissions by as much as 17 percent.

An obvious objection to the above is that there is no guarantee that such free market "no regrets" measures will reduce emissions by an amount enough to change computer model projections of climate change. True enough, but neither does the Kyoto Protocol. The United Nations' Intergovernmental Panel on Climate Change's own researchers acknowledge that the reductions called for under Kyoto, while large enough to impose substantial economic costs, are too small to make a

significant difference in the climate a hundred years hence. So by that measure, Kyoto is inadequate too. Either option is a "first step," one is just far more prudent than the other.

The benefit of a no regrets policy is that it produces benefits whether or not the threat of climate change is real. Taxpayers benefit from reduced government spending, businesses benefit from reduced regulation, and we all benefit from the resulting increase in innovation and investment in dynamic sectors of the economy. And, if by some chance Al Gore's worst nightmare of a greenhouse apocalypse comes true, a no regrets policy leaves us in a better position to address it.

The choice is rather simple: Adopt a policy that will impose substantial costs to address an uncertain threat or adopt a policy that pays off whether the world warms or not. For those truly concerned about human welfare, the choice should be clear.

ABOUT THE AUTHOR

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Mr. Adler is the author of *Environmentalism at the Crossroads: Green Activism in America* (1995), and editor of *The Costs of Kyoto: Climate Change Policy and Its Implications* (1997). He is a frequent commentator on environmental issues on both radio and television, having appeared on CNN Headline News, ABC World News Tonight, Nightline, and National Public Radio's Morning Edition and Talk of the Nation, among many other programs.

Mr. Adler has published more than 100 articles on environmental and regulatory policy, appearing in such publications as *The Wall Street Journal*, *Los Angeles Times*, *Washington Post*, *The Public Interest*, *Regulation*, and *Policy Review*. He is a contributing editor to *Intellectual Ammunition*, published by the Heartland Institute, and a columnist for the *Washington Times* Sunday book section. Mr. Adler also contributed the chapters "Clean Fuels, Dirty Air" to *Environmental Politics: Public Costs, Private Rewards* (Praeger, 1992) and "Benchmarks" (with Peter Cazamias) to *The True State of the Planet* (The Free Press, 1995).