"All of the Above" Is Not a National Energy Policy

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A rational national energy policy should (a) transparently balance long-term goals and short-term needs, certainty and risk; (b) continuously re-evaluate legacy policies to make room for new ones; (c) have roots in benefit-cost analysis; and (d) favor idea-makers over wheel-squeakers.

Our national energy policy looks more like "try everything." This gap between the ideal and the real has at least five causes.

Stating goals vs. resolving conflicts

Our politicians declare six goals (become energy-independent, reduce pollution, maintain total reliability, create jobs, lead the world in technology, empower consumers), while promising three conditions (lower prices, lower taxes, personal privacy). Now add our personal goals and conditions: We want to live in quiet neighborhoods but use loud leaf-blowers; drive everywhere but have uncongested roads.

These equations don't balance, because the conditions conflict with the goals. They recall the New Jersey Senate race in the 1980s, where after hearing his opponent's long list of promises—strong defense, clean environment, great universities, safe cities, pleasant parks, no potholes, and lower taxes—the incumbent said: "That's not pie in the sky; that's a whole floating bakery."

Stating goals without resolving conflicts does not make an energy policy.

Zero-sum battles for market share

Whether the fight is for federal research grants, customer tax credits, or retail customers, our debates over policy are often zero-sum battles for market share: coal against nuclear against gas against renewables, renewables against each other, and producers against energy efficiency's common sense solutions, like compact fluorescent lightbulbs and air conditioner cycling.

The frequent solution to this circular firing squad leaves the Man from Mars scratching his head: Subsidies for X to counteract the subsidies for Y. Renewables have a hard time competing with oil, gas, coal, and nuclear in part because those sources have long enjoyed subsidies: accelerated depreciation and intangible drilling expensing, taxpayer-borne Persian Gulf presence, carbon's exemption from emissions taxes; and nuclear's half-century historic debt to federal research and development, its 10,000-year future debt to citizens who have to guard

the waste sites, and its Price-Anderson cap on accident liability. Rather than reduce the subsidies on legacy sources, we grant subsidies to new sources. This raises the price for everyone.

False dichotomy: Regulation vs. competition

Our discourse on regulation's role too often descends into dichotomy. Supporters of regulation are accused of "command and control," a phrase whose staying power owes more to alliteration than accuracy. Supporters of competition are accused of "letting markets run over people," an attack that ignores the life-savers (medicine, food) and life-enhancers (air travel, baseball, the Beatles) that markets make for people. It is not clear whether the disagreements are philosophical or financial, since so often the latter is framed as the former.

"Regulation vs. competition," like "Hatfield vs. McCoy," has lost its link to the facts. Theoretical bipolarity is undermined by daily reality: We like regulation that protects; we dislike regulation that obstructs. This view is less hypocritical than practical. Every utility industry needs, and has, a mix of regulation and markets. Some regulation is necessary to support markets—like licensing nuclear plant operators so that performance errors don't lead to public distrust. Some regulation is necessary to correct markets—like price caps that block the price-supply manipulators during shortages.

Regulation and competition, these apparent opposites, thus have a common purpose: performance—specifically, performance for the consumer. Regulation regulates business activities, but as Peter Drucker wrote, "[t]he purpose of business is to create a customer." All legitimate business activities perform for the customer. The same is true of regulation. Regulation performs for the consumer. The conversation, therefore, should be less about how regulation reduces profit, less about how markets abuse consumers, and more about how to design regulation and markets as parts of a single machine, that performs for the consumer.

Disagreement over the role of government

The philosophical-financial dispute between regulation and competition reflects disagreements over government's role. My cause is an investment; your cause is a subsidy. Consider current attacks on the Environmental Protection Agency for enforcing clean air statutes against coal plants. EPA does what it does—controls power plants directly—because carbon emissions are underpriced. It's simple economics: Pollution's cost is not reflected in the pollutant's price. But plenty of people oppose EPA's rules and oppose a price on carbon, while offering no other answer. This passive-aggressiveness logically implies a policy of polluting for free. Since polluting has a cost, polluting for free means, necessarily, that someone else—some asthmatic child today, some drought-bearing African village tomorrow—pays for your pollution. A "free market" that is free for some but costly for others is hard to defend on either philosophical or financial grounds. It's government's job to correct that error.

Blurriness over the meaning of "cost-effective"

All participants in the energy policy debate claim allegiance to cost-effectiveness (biggest bang for the buck), but the agreement ends there. Whose bang and whose buck? Local buck and national bang, or national buck and local bang? Who gets and who pays—the parents or the children? My children or your children? Elections make it harder: Every politician wants a positive bang-to-buck balance in every electoral cycle. But in the energy business, investments are often experiments, taking years to stumble to success. Cost-effectiveness doesn't occur biannually.

Conclusion

"Try everything" has a place, but it cannot be the policy. Where no single solution is certain, trying some things makes some sense—if each "try" is defined as an experiment, designed with purpose, limited in scope, compared with control groups, and assessed based on outcomes; then kept or discarded accordingly. "Try everything" fails if it means competing paths, non-intersecting, like track runners in their lanes, each out to beat the other. The better metaphor is building a house, with a plan based on satisfying needs while avoiding regrets; with foundation, walls, windows, floors, and stairs, each piece fitted to the others. Any plan needs to honor two principles. First, the foundation has to be wise use: using energy efficiency to maintain comfort and productivity at lower cost than "producing more." Second, we need to pair every cost-causer with a cost-bearer so that no fuel source wins by hiding facts.

With these principles in place, production options can support each other, either as transitions while new technologies mature, or as complements (like the gas-wind relationship). Competition among sources still can occur, to fill slots in the plan. But there must be a plan.