High-water mark for energy policy foolishness

The United States is facing at least three intractable energy-related problems: 1) global warming; 2) dependence on foreign energy; 3) global peak oil (the point when maximum global oil production is reached).

The root of these problems is our unwillingness to pay the external costs of fossil fuel use. External costs definition: "…when part of the cost of producing a good or service is born by a firm or household other than the producer or purchaser." (Dr. Paul M. Johnson, Auburn University) Examples include users not paying costs from global warming, air pollution, and the war we started in Iraq to control oil. These costs need to be part of the transaction at the time the energy is used.

It's widely accepted that M. King Hubbert accurately predicted U.S. peak oil would occur in the late 1960's. His model has been applied to global oil reserves and most believe that global peak oil will occur in the next ten to twenty years. Given the rapid increase in world petroleum demand – a 6.4% increase between 2003 and 2006 – global peak oil is a massive issue even if it doesn't occur for 30 years.

Global warming is arguably the worst of these problems. Professor Jonathan Foley, University of Wisconsin-Madison, states that a very conservative estimate is that 150,000 people per year are dying prematurely as a result of global warming due to increased disease, drought and flood.

Global warming is occurring because of the unrestricted depletion of a finite, shared resource – the earth's atmosphere. How to solve this type of problem? The "Tragedy of the Commons" model tells us the answer is agreement among all parties to reduce use of the resource. Yes, just as the Kyoto treaty created a forum for countries to reach agreement on greenhouse gas emission (GGE) reductions. Unfortunately, the U.S. has not agreed to limit our GGE's even though we're the largest per capita emitter of greenhouse gases among large economy countries.

Yesterday in the Mideast, President Bush urged OPEC nations to increase the amount of oil on the world market so prices come down. Our unsustainable fossil fuel use has caused global warming, five years of record trade deficits, led the administration to go to war, and this is our response? What comes after "urging", begging? What happens when OPEC is not able to increase supply? What control over our economy are we ceding because of our addiction to oil? This is our energy policy? Digging a deeper hole?

The best solution is to phase-in a federal tax shift from income to non-renewable energy. We'll then begin to pay for the external costs of fossil fuel use when the energy is used. The energy tax should be a BTU tax and not a carbon tax so the external costs of nuclear power are accounted for. We do not have long-term storage for nuclear waste so we don't know what it will cost.

A federal tax shift is not a new idea, but it's an idea whose time has come. The tax shift should be structured so it's as close as possible to revenue neutral for individuals, families and the government.

This tax shift will provide the needed incentive for energy conservation while making entire tiers of renewable energy projects economically viable. This "change of rules", similar to patent and anti-trust laws, we'll create a mighty economic engine to design and manufacture renewable energy products for domestic use and export. Phasing-in the shift will minimize possible inflation and allow all to plan ahead.

Let's take the moral issue out of the energy discussion. If you want to live in a 4,000+ square foot house, you'll be paying my taxes. Although, over time, Americans will change their lifestyles beyond what is required financially because we're smart enough to care about our environment and we care about others. Using less energy will become a goal for all, a badge of honor.

Here's an analogy from Professor Foley on global warming and the United States' unsustainable use of fossil fuels. We're the captain of the Titanic, we see the iceberg ahead and we keep our hand on the throttle. Tell me this isn't the case. I call it TITO: Titanic – iceberg – throttle open.

Hopefully yesterday's meeting in Saudi Arabia was the 'high-water mark' for foolish energy policy and we'll improve going forward. We need to meet the challenge – as Edward Murrow stated, "Difficulty is the excuse history never accepts."

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