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Obama's REP[©] Report Card_{1.0}



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President Obama's energy and environment proposals to which this Report Card relates are found at <http://www.barackobama.com/energy-info> as posted on October 15, 2012. (The web content has been captured by *caem* in a single PDF document that can be found on the REP Report Card [webpage](#).)

President Obama's plan consists of seven components:

1. Expand nuclear energy
2. Increased domestic oil production and reduce domestic dependence on foreign oil
3. Increasing Natural Gas Production
4. Investing in Clean Coal
5. Increasing the Use of Biofuels
6. Harnessing Wind Energy
7. Expanding Solar Energy Production

The White House also published three other potentially helpful documents to better understand their ecoviergy policies: **BLUEPRINT FOR A SECURE ENERGY FUTURE** (March 2011), **BLUEPRINT Progress Report** (March 2012), and the **FY2013 DOE Budget Recommendations**. However, these documents have *not* been analyzed as part of the Obama Campaign's proposals which contained no reference to these documents. Rather only proposals set out on the Obama Campaign website has been scored and graded in this Report Card to assist people interested in comparing the two presidential candidates' plans. Similarly, this Report Card does *not* reflect specific actions taken in President Obama's first term; except to the extent that the Campaign proposals provides a fair indication of the continuation of similar action relative to the identified components of his energy and environmental plan. Beyond those indications, however, the Obama Plan (OP) lacks any further specificity as to how he would accomplish the general goals outlined on his website. For example, the OP's statement that "*The Obama Administration supports responsibly tapping our near 100-year supply of natural gas . . .*" infers a need to spur production and indicates some environmental regulation but does not provide what action it would take to spur production or what specific past actions the Administration had taken (and thus might continue to take) that directly resulted in the increased domestic production it claimed as opposed to increased production by the private sector. It further offers little detail on the form of environmental regulation. Such general statements do not provide any objective action plan to which the *REP Attributes* might be applied.

The OP diagnoses that action is required to increase supply that includes all available fuels under its "**All of the Above.**" Fuel diversity supports a more competitive energy market with more substitutable goods, and thus a goal to increase renewables could be consistent with microeconomics where the renewable resource achieves its market share through an efficient market. However, the OP does not specify how it would increase market efficiency to remedy the need for increased production and more fuel diversity, such as proportional, tailored means to internalize fossil fuel externalities, repeal of subsidies and technology mandates, and reformation of compounded regulations that would have benefited the OP's *REP Scoring*. It is not appropriate for the REP Index to grade the OP based on the use of subsidies and mandates to increase renewable energy; to deploy clean technology; and to disadvantage fossil fuel in the energy market by the first term Administration when it does not describe similar policy tools in its campaign proposals. Finally the 7 components of the OP all address energy production and generation. It does not reference problems in the electricity mid-stream market (market and delivery infrastructure post-production) that restrain competition and distort consumers' supply perception and price signals or address consumption mandates, including efficiency standards. As a result, the score for the OP is further reduced to reflect its limited efficacy for being only a partial answer to ecoviergy issues. For example, the emphasis on increasing CAFÉ standards and ethanol mandates is a misguided diagnosis. It assumes that gasoline is underpriced and that without CAFÉ consumers will demand too much gasoline. The assumption on price is dubious given \$100 a barrel oil. Similarly, why do we need to increase our commitment to renewables? There are sound reasons to support research and development in carbon reducing technologies but the case is not made as to these reasons. Nonetheless, the recognition that pure reliance on private sector research will lead to suboptimal technology development is laudatory.

Plan: The Obama Plan – "All of the Above Strategy: President Obama's Approach to Energy Independence"

<i>Attribute</i>	<i>Plan Evaluation Comments</i>	<i>Score</i>
<p>1. Identification</p> <p><i>Does the Plan properly identify problematic symptoms in the relevant energy market?</i></p>	<p>Yes, as far as the OP goes. It focuses specifically on energy production and supply, particularly increasing the use of domestic resources, with a heavy focus on renewables. This focus infers that energy supply availability is a symptom imposing harm on the economy. Additionally, it infers that the past level of research and development is symptomatic, proposing suboptimal research and development by the government. It further implies inefficient pricing in asserting, for example, the need to spur renewable deployment and to raise CAFÉ standards. It also recognizes generally environmental impacts of energy production.</p>	4/5
<p>2. Diagnosis</p> <p><i>Does the Plan correctly diagnose the disorder causing identified ecoviergy problems, whether caused by market or government failures?</i></p>	<p>Mostly no. While there is a commitment to increase energy supplies, the OP fails to identify what is the cause of the above symptoms. If energy pricing is efficient, the price signal should spur production/generation. The OP has apparently determined pricing is not efficient, but does not attempt to diagnose the cause of the price distortions. It does not indicate any analysis whether energy production/generation is insufficient due to specified market failures or government failure – such as institutionalized subsidies and mandates that are at cross-purposes with new. Nor does it attempt to diagnose or measure market distortions that serve as market entry barriers, if any, to renewable resources and clean technology from gaining market share.</p>	2/5
<p>3. Cure</p> <p><i>Does the Plan propose functional solutions to the disorder that has been diagnosed?</i></p>	<p>No. The OP frames its policy in terms of Energy Independence as if reliance on foreign energy resources is the source of our ecoviergy issues. It then lists a goal of increasing use for each fuel source included in its <i>All of the Above Strategy</i>, but no specifics as to how except in a few cases. Those indicate government intervention in markets, i.e., use of command-and-control mechanism such as CAFÉ standards and biofuel mandates. It notes the use of public land for wind and solar projects, including offshore wind facility. OP's 10 year commitment of public investment in R&D for clean coal technology and inference to continue public investment in CCS research could reflect a proper role for government if cautious about crowding out private investment and choosing winners and losers. It did not address existing regulatory burden on coal generation that could affect reliability of supply. Increasing oil and natural gas are included in the <i>All of the Above Strategy</i> but again fails to commit to any government action, appearing to rely on the private sectors. Market reliance is good where applied across all fuel resources. Without more details in a plan of action, the policy framework proposed in the OP could easily imply a central planning perspective, except for oil and gas. However, increased use of all fuels listed in the OP could be achieved using a efficient market approach.</p>	10/20
<p>4. Proportionality</p> <p><i>Are the Plan's solutions cost effective and proportional to relevant harm?</i></p>	<p>No. Unfortunately the OP again lacks any specificity to evaluate whether the plans would be cost-effective. There is no commitment in any of the plan's discussion to balancing costs and benefits, particularly relative to public investment in wind, solar and nuclear. Studies on past CAFÉ standards have demonstrated their failure to achieve cost effective goals. Ethanol that continues to rely on corn fuel-stock has demonstrated its failure to be energy efficient. The OP pledges public support for specified technology research in carbon capture and sequestration, crowding out other possibly more cost-efficient technology to address carbon externalities. Nuclear requires large up-front capital investment which might not be cost-efficient in light of expanding shale gas reserves and so requires a strong cost-benefit analysis, with consideration of licensing process to allow next generation nuclear to compete for this fuel sector. The OP may be considering all these issues but makes no indication of such.</p>	5/10
<p>5. Daedality</p> <p><i>Do the solutions effectively address complexity & interconnectedness of the ecoviergy system?</i></p>	<p>Yes. The RP's greater reliance on energy markets would allow the elasticity needed for price signals that allows the cost responsiveness of affected economic sectors that include energy users and competing sectors, such as the food industry in the biofuel context. However, the RP fails to consider market dysfunctions that affect the efficient delivery of energy to consumers and mid-stream market interventions that also can restrain competition and affect more broadly the ecoviergy system.</p>	7/10

<i>Attribute</i>	<i>Plan Evaluation Comments</i>	<i>Score</i>
<p>6. Adaptation</p> <p><i>Do the solutions accommodate adaptability to changes in facts or technology?</i></p>	<p>No. The OP lacks sufficient detail in order to be able to assess how his implementation of the general goals that he outlines would support the goal of rapid adaptation to new information and changed circumstances. Aspects of command-and-control approach indicate constraints on ability of producers and consumers to adapt quickly to changes in information or technology as assumed within a free market structure. Lag time for nuclear licensing is a good example. Choosing winners for public investment in clean energy and CSS technology may miss or crowd out evolving scientific information and other developing energy technology that could moot carbon issues. The use of CAFÉ standards and ethanol mandates set costs without consideration of pricing efficiencies as they are impervious to supply/demand/price fluctuations. While the OP does explicitly adopt renewable portfolio standards or renewable tax credits, they can be anathema to microeconomics as these facilities are capital intensive requiring long term investments that rely on tax credits or other forms of subsidy.</p>	5/10
<p>7. Innovation</p> <p><i>Do the Plan's solutions promote effective innovation to address ecoviergy problems?</i></p>	<p>To a limited degree. President Obama's Plan recognizes the value of innovation in the ecoviergy system, especially in the areas of nuclear, clean coal technology, and renewables. The REP Methodology respects a role for government in research and development. Research in cutting-edge carbon reducing technologies that involve long-range research before results could be such an appropriate role. The discussion of nuclear suggests continued public investment in research on the development of safe nuclear power, which, with nuclear's unique environmental and national security issue, may be better performed by government. However, market entry issues faced by next generation nuclear is the current licensing process, about which the OP is silent. More problematically, however is the role of government in forecasting a winning technology over other developing technologies, which can result in crowding out private investment. There is no specific distinction made between "basic" research and "applied" research; between research and development; and between the relative roles of the public and private sector in each type of research.</p>	7/10
<p>8. Neutrality</p> <p><i>Does the Plan create a level playing field; address externalities; and is color blind as to market process outcomes?</i></p>	<p>Uncertain, although appears not. The general goal of the OP is to adopt an "All of the Above Strategy," and while the OP does not include specific goals or descriptive language which would indicate emphasis on the green economy, green jobs, and green subsidies, it notes public support and investment in the cleaner energy resources. It references "responsible tapping" of natural gas, but only CAFÉ and biofuels to address environmental externalities associated with fossil fuel. Additionally, the discussion of coal does not recognize the harmful effects that EPA is currently having in issuing rulemaking's that are highly critical of and damaging to the coal industry. Thus, while it is not evident on its face, the plan offers little confidence that we would move to a more neutral and colorblind ecoviergy system.</p>	5/10
<p>9. Efficacy</p> <p><i>Will the Plan's solutions promote a sound ecoviergy system?</i></p>	<p>Probably not. The OP recognizes the need for additional energy resources for an efficient and productive economy. In general, however, the OP is too general and merely suggests goals for the seven fuel resources chosen to promote for purposes of the campaign. Lacking specificity as to implementation, one must assume that he would largely use tools that are reminiscent of his approach to energy in his first term. While it may not be a fair assumption, if such an assumption is made this would bode poorly for movement toward a sound and productive ecoviergy system. The REP Index, however, makes no assumption.</p>	5/10
<p>10. Black Box</p> <p><i>Are there aspects of the Plan's ideas that are uniquely good or bad that are not captured by the first nine attributes?</i></p>	<p>No. Given the importance that energy issues have played in recent years, President Obama's recommendations for purposes of his campaign are quite limited to be able for the REP Index to assess and grade in order for the electorate a better understanding of his plan.</p>	5/10
	<p>Total REP Index Score</p>	55

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ENERGY is the central nervous system of the US economy. Sound energy *policy undeniably is essential for a prosperous and dynamic economy. Conversely, dysfunctional energy policy will yield a sluggish and static economy. Yet energy policy is at the center of much that is debated in Washington, DC. Largely because energy policy involves the intersection of so many important societal values, it is complex and controversial. To help think about it more constructively, we have coined the term “ecoviergy.”

ECOVIERGY is the study of the inseparable *economic* consequences of *environmental* and *energy* policies. The **Responsible Ecoviergy Policy** or **REP[®] Index** scores specific policy plans against microeconomic criteria that are the hallmarks of good policy. It was developed by **CRISIS & energy markets! a think tank** (*caem; kay-em*) and can be found at its website, www.caem.org, in addition to other **REP[®] Report Cards** and where subscriptions to comprehensive **Reports** for this plan and others may be purchased. *caem* also publishes the **Cumulative REP[®] Index Scores** where the scores of all plans analyzed by *caem* to date are available to the public for comparative analysis.

ECOVIERGY (e'co-vi-er-gee) n. – the study of the inseparable ECONomic consequences of enVIronmental and enERGY policies.

This **REP[®] Report Card** reflects the grade and scoring of the identified plan against the 10 Attributes listed inside. These Attributes are heavily grounded in microeconomics and the lessons of the history of energy policy. The plan's associated **REP Report** includes a more detailed description of how the plan's discrete components are analyzed against the 10 Attributes. After each component is analyzed and graded, each plan receives a **REP Index Score** on a scale from 0 to 100 based on the degree of the plan's overall adherence to the **REP Attributes**, with 0 representing a lack of adherence and a departure from the microeconomic principles that have proven to support economic growth, and 100 representing a plan's full adherence to those microeconomic principles. A microeconomic-principled policy provides accountability for the policy's successes or failures.

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