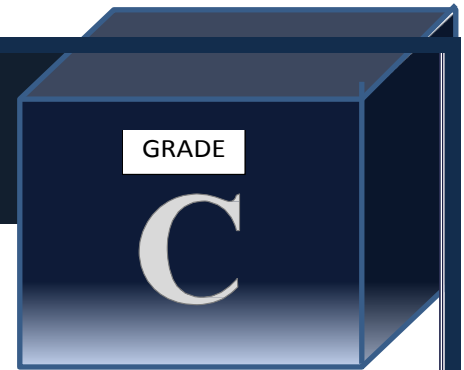


# CRISIS & energy markets! *a think tank* Romney's REP<sup>©</sup> Report Card <sub>1.0</sub>



This **Responsible Ecoenergy Policy Index Report Card** grades, on an integrated basis, Governor Mitt Romney's two proposed energy plans: a [9 page PDF section](#) included in his overall economic plan "**BELIEVE IN AMERICA: Mitt Romney's Plan for Jobs and Economic Growth**" posted as of October 21, 2012; and [21 page pdf Energy Paper](#): "The Romney Plan for a Stronger Middle Class: Energy Independence."

Notwithstanding the 2<sup>nd</sup> plan's claim of energy independence, Gov. Romney Plan notably moves past this political concept, which has always been dubious as a realistic goal, to embrace a role of "exceptionalism" in the global energy market through increased production of the U.S. vast natural resources and technological innovation led by private sectors. Gov. Romney's overall economic plan also includes a [regulatory reform](#) proposal confirming the Governor's intent to ease regulations that can distort markets, although the particular reforms proposed there address non-energy regulation, such as healthcare and financial regulation.

The Romney Plan is divided into ten components:


1. Empower States to Control Onshore Energy Development
2. Streamline and Fast-Track Permitting Processes and Open Offshore Areas for Development
3. Overhaul Outdated Legislation, including Environmental
4. Reform Nuclear Licensing
5. Inventory Our Nation's Fossil Fuel Resources
6. Explore and Develop Natural Resources Reserves
7. Oil and Gas Development through Partnership with Neighboring Countries
8. Extract Shale Gas
9. Focus on Basic Long-Term Research for New Energy Technologies
10. Design Long-Term Funding Sources Free from Politics

The ten components set out a laudable action plan to ease costly and burdensome regulations in order to step up the production of U.S. energy resources to become an exporter of energy and technology. Microeconomics would indicate economic gains from these actions. However, a myriad of energy issues are not addressed by the Romney Plan, the most noticeable being the electric system/transmission grid and electricity competition at the wholesale and retail level. These are aggravated by state and federal conflicting interests in energy facilities siting. The plan assumes that the benefit of greater competition resulting from increased production and use of fossil fuel will be enjoyed by consumers at the consumption end. The efficacy score of Romney Plan is negatively affected by its failure to address similarly market problems after production, *i.e.*, U.S. refineries and the interstate electric grid. Its regulatory reform does not specify regulations affecting consumption choices, including consumer mandates and efficiency standards. Regulations affecting midstream activities restrain competition and distort consumers' supply perception and regulated retail rates distorts the price signals to consumers disabling them from making efficient energy choices. The efficiencies gained from production reforms will not be passed through to the consumer. As a result, the score for the Romney Plan reflects its limited efficacy for being only a partial answer to ecoenergy issues.

Governor Romney approaches his policy proposal from one of jobs in the oil and gas and the coal economic sectors and in defense of a competitive and diverse energy supply. Within that framework, the Romney Plan provides a sufficient level of detail for it to be indexed against the ten **REP Attributes** and to be scored well for its strong positive impact on the ecoenergy system according to microeconomic standards, which includes specific recognition of environmental impact. The Romney Plan does not utilize microeconomic terminology such as economic efficiency; externalities; monopoly, consumer welfare, and avoids the more politicized terms of deregulation and free markets. However, while the Plan's energy objectives are presented in terms of job creation and economic growth, the means by which the Governor proposes to achieve these objectives includes greater reliance on free markets. It is unfortunate that he did not consider market dysfunctions that affect the efficient delivery of energy, not just its production, to consumers.

*Plan: The Romney Plan: "Believe in America" and "Energy Independence"*

<b>Attribute</b>	<b>Plan Evaluation Comments</b>	<b>Score</b>
<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 Romney Plan (RP) goes. It focuses specifically on energy production and supply. It identifies increasing prices and reduced competition due to less supply. These barriers frustrate the efficient allocation of energy resources by the market, causing the inefficient use of US's least-cost fossil fuels. The Plan identifies job losses and slowed economic growth that result from policies impeding domestic development. 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 ecoviery problems, whether caused by market or government failures?</i></p>	<p>Yes. The RP accurately diagnoses the market distortions caused by compounded environmental regulations that are overly broad and disadvantage US's abundant and least-cost fossil fuels from being efficiently used while advantaging higher-cost clean energy through both subsidies and mandated quotas. It specifies harm from technology mandates on coal generation relating to carbon and industrial boilers specifically. It associates these inefficiencies with President Obama's green energy jobs and green economy policies. Its focus is largely on regulatory impediments to an inclusive development of energy resources and associated jobs. It also diagnoses issues with the need for research and development.</p>	4/5
<p>3. Cure</p> <p><i>Does the Plan propose functional solutions to the disorder that has been diagnosed?</i></p>	<p>Yes. The RP would remove regulatory barriers to development of all-the-above energy resources, while respecting the need for environmental limits, although the tools for such are not specified. It specifies regulatory reform for coal generation, including amendment of the CAA and a Tabula Rasa approach to other environmental law. It would streamline licensing for new nuclear technology. Unfortunately, it includes no proposals to remove existing subsidies, such as the Price Anderson Act, for nuclear power plants. It is unclear whether its reference to investment in nuclear power is intended to be private or public. In contrast to its market orientation, it affirms the government mandates in the form of the Renewable Fuel Standard without justification of any market efficiencies gained from their retention.</p>	18/20
<p>4. Proportionality</p> <p><i>Are the Plan's solutions cost effective and proportional to relevant harm?</i></p>	<p>Yes. The RP specifically states that regulations be cost-effective, developed in a timely fashion, with reasonable timelines for compliance, but provides no specifics on environmental regulation that can be assessed here for proportionality. The RP raises the inappropriateness of using the Clean Air Act for reducing carbon emissions and of the broad moratorium on offshore drilling that doesn't consider drilling safety records.</p>	8/10
<p>5. Daedality</p> <p><i>Do the solutions effectively address complexity &amp; interconnectedness of the ecoviery 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 ecoviery system.</p>	5/10

<b>Attribute</b>	<b>Plan Evaluation Comments</b>	<b>Score</b>
<p>6. Adaptation</p> <p><i>Do the solutions accommodate adaptability to changes in facts or technology?</i></p>	<p>Yes. The RP's greater reliance on market forces would allow for rapid and efficient adaptation to new circumstances within markets for electricity fuel resources and the transportation fuel sector. It rejects existing command-and-control technology standards for electric generation, which impede adaptation. On the other hand, the current dysfunctions in the midstream and retail energy markets can impede suppliers and consumers' ability to adapt to new information or technology, which goes unaddressed by the RP.</p>	7/10
<p>7. Innovation</p> <p><i>Do the Plan's solutions promote effective innovation to address ecoviergy problems?</i></p>	<p>Yes. The RP recognizes the economic distinction between "basic" research classified as a public good market failure, and "applied" research. Government support is justified for basic research. "Applied research," on the other hand, is not a public good and should be performed by the private sector. This policy differentiation would avoid crowding out private investment. The RP notes DARPA as the best model to support innovative technology. On the other hand, the current dysfunctions in the midstream and retail energy markets impede development and deployment of electric transmission and metering innovation, which goes unaddressed by the RP.</p>	6/10
<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>Yes. The RP's greater reliance on markets allows resources to compete for market share without distortions caused by compounded regulations, particularly subsidies and mandates that are often at cross purposes. It supports regulatory reform that would include environmental requirements where needed, although it provides no specifics to know if legacy fossil fuels will also lose their existing subsidies and current advantage resulting from unaddressed externalities.</p>	9/10
<p>9. Efficacy</p> <p><i>Will the Plan's solutions promote a sound ecoviergy system?</i></p>	<p>Yes. First, the RP does no harm. Nothing in it creates further distortions in the ecoviergy system. Further, if faithfully and effectively implemented, the RP would improve availability of abundant domestic energy resources. However, current dysfunctions in the midstream and retail energy markets that are not addressed will work against consumer enjoyment of the market efficiencies gained under the RP.</p>	8/10
<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>Yes. The RP specifically mentions removing carbon dioxide from the purview of the Clean Air Act and criticizes the disproportionate and discriminatory economic impact that EPA's GHG regulations would have on energy. It calls for resource inventories addressing asymmetrical information that will assist market choices. It also proposes increasing available supply that increases competition and thus efficient pricing through partnering with neighboring countries in increased development of production. The RP proposal to increase state's authority over production, both private and federal lands, could raise interstate commerce implications, particularly where environmental impacts cross state lines, such as water aquifers.</p>	6/10
	<p><b>Total REP Index Score</b></p>	<p>75</p>

# CRISIS & energy markets! *a think tank*



**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 **e**conomic consequences of **e**nvironmental and **e**nergy 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](http://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 **ECON**omic consequences of **enV**ironmental and **enER**GY policies.*

This **REP® Report Card** reflects the grade and scoring of the identified plan against the 10 Attributes listed above. 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.

The **REP Index Summary Methodology**, the **REP Report Cards**, and the **REP Cumulative Scores** are available to the public free of charge. The full **REP Methodology** and the **REP Reports** on individual plans are available for purchase individually or by annual subscription.

For questions or comments, contact **Ken Malloy, Executive Director**

- **Email:** [rep@caem.org](mailto:rep@caem.org)
- **REP Index Hotline:** 202-407-9130
- **Skype:** rep\_index
- **Facebook:** <http://www.facebook.com/pages/REP-Index/119755278173351>
- **Twitter:** #REP\_Index
- **LinkedIn:** <http://www.linkedin.com/company/2726029?trk=tyah>

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