



POLICYPOINTS

Quick Facts from the Commonwealth Foundation

Energy Policy

Governor Ed Rendell has proposed issuing \$850 million in new debt to subsidize select “alternative energy” companies and energy conservation efforts, along with a mandate that every gallon of gasoline contain 10% ethanol.

PRINCIPLES TO GUIDE ENERGY POLICY

- ▶ **Market prices for energy will lead to conservation and the pursuit of alternative energy sources**, without higher taxes and political manipulation of the energy marketplace.
- ▶ **Politicians and government bureaucrats should not pick winners and losers** by providing taxpayer funding to politically selected companies.
- ▶ Pennsylvania has already mandated that 18% of all electricity come from wind, solar, and other “alternative” energy sources (Act 213 of 2004); therefore, **no additional taxpayer subsidies should be necessary.**
- ▶ Selective tax credits and subsidies have **unintended consequences**, including funding the development of less efficient technologies and discouraging conservation.

FACTS ABOUT ETHANOL

- ▶ Ethanol is not a clean energy source.
 - An OECD report found that “Most biofuels have an overall environmental performance that is **worse than gasoline**” and that corn-based ethanol is among the most environmentally damaging fuels.
 - A Stanford University study found that ethanol-blended fuels **will not improve air quality**, but would likely increase smog and have **negative health consequences** and ozone-related **mortality, hospitalization, and asthma.**
- ▶ The **federal government already mandates ethanol use** (7.5 billion gallons by 2012, with the U.S. Senate proposing 36 billion gallons by 2022, which would require every acre currently used for corn to be dedicated to ethanol) and **subsidizes ethanol producers to the tune of 51 cents per gallon** (on top of current farm subsidies).
- ▶ Ethanol mandates and use of farmland for ethanol production **artificially increase prices of food**, including corn products, beef, milk, and even beer.

MYTH OF “ENERGY INDEPENDENCE”

- ▶ Middle Eastern oil is only a small part of our oil energy portfolio.
 - **The U.S. produces 34% of its own oil**—three times more than any foreign nation provides. The top petroleum supplier to the U.S. is Canada, followed by Mexico. About two-thirds of petroleum consumed by the U.S. comes from the Western Hemisphere.
 - **The U.S. does not import from Iran, and did not trade with Iraq prior to 2004.**
- ▶ U.S. **electricity is produced almost entirely from domestic sources**—coal, nuclear, natural gas, hydroelectric, and other renewable sources.
- ▶ Even so, **energy independence is not a realistic or even attainable goal.**
 - “Energy independence” implies severe restriction on free trade, which would **dramatically increase energy prices and severely cripple our economy.**
 - National security is benefited by **“energy interdependence”**— when the U.S. and foreign nations trade freely they are less likely to have military conflicts.

WHAT SHOULD STATE GOVERNMENT DO ABOUT ENERGY?

- ▶ **Show No Favor.** End subsidies and mandates for all energy types and allow all energy companies to compete on a level playing field.
- ▶ **Follow the Feds.** Repeal the state-specific mercury rule—enacted without legislative approval and estimated to result in \$1.7 billion in higher energy cost—and follow federal EPA mercury standards.
- ▶ **Remove the Barriers.** Eliminate building codes and zoning laws that have little to do not jeopardize health and safety but act as barriers to energy-efficient buildings.
- ▶ **Open the Energy Market.** Streamline the permitting and citing processes and ease regulatory burdens for energy production facilities for all energy producers and providers.
- ▶ **Improve the Business Climate.** Eliminate the cap on Net Operating Loss (NOL) carryforward on the state’s corporate net income tax. Removing this cap will encourage investment in emerging technologies, which may not be profitable for several years.

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For additional information on **Energy**, go to CommonwealthFoundation.org, or call 717.671.1901.