

# Energy Policy and The Presidential Elections - and What It Might Mean For The Next Congress

BY BOB EPSTEIN – APRIL 30, 2012



The state of U.S. politics is well described in two observations:

*“Never underestimate the sophistication of the voter; and never overestimate their attention span”<sup>1</sup>*

*“The U.S. consists of two minority parties struggling to attract independent voters while mobilizing their bases”*

It is with these two thoughts in mind that we will describe the role that energy policy is currently playing in the Presidential elections and how that could influence energy policy in the next (113th) Congress. We also have access to proprietary research on energy policy done with independent, Tea Party, Republican and environmental voters. We tested a policy consisting of a fee on carbon pollution on oil, gas and coal extraction with the money returned to citizens and not spent by Congress. The policy is designed to create an economic reason for major energy companies to shift to clean energy. We will show evidence that independent and conservative voters support a transition to clean energy

<sup>1</sup> Elmo Roper, one of the founders of modern polling was the first to observe "Many of us make two mistakes in our judgment of the common man. We overestimate the amount of information he has; and underestimate his intelligence."

and that they are looking for political leadership. Whether they will get it depends in large part on the battle for control of the Republican Party. This is illustrated by the actions of the current House of Representatives.

The House of Representatives has been on the offensive attacking, mostly with limited success, environmental policies in the name of jobs and reducing energy costs. Bob Deans of the NRDC Action Fund recently published [Reckless - The Political Assault on the American Environment](#)<sup>1</sup> that documents those attacks.

The outcome from the November election will determine whether those attacks continue with greater effect or whether we might see a new direction.

There are three possible outcomes from the November election. We can only guess at this point which is most likely:

President	House	Senate
Obama	Republican	Divided
Obama	Democratic	Divided
Romney	Republican	Divided (likely GOP control)

In all outcomes, the Senate stays divided regardless of which party is in control. Unless the Senate changes its rules, most legislation can only make it through the Senate if it has some bi-partisan support because the minority party can be expected to filibuster everything else (regardless of whether the minority party is Democratic or Republican). Our three outcomes are President Obama wins re-election with either a Republican or Democratic House; or Governor Romney is elected President in which case, the House will likely stay in Republican control. While the election will be primarily about the economy, energy policy will play a major role for reasons we will discuss. In addition, this election is very much about whether the Republican Party will be dominated by the Ideologues, as exemplified by the Tea Party, as it has been during the last few years - or whether the Establishment will regain control.

### **Republican party - Establishment v. Ideologues**

An example of the Ideologue politician is Rick Perry (Former Republican Presidential candidate and front runner on Nov 10<sup>1</sup>, 2011) – *“And I will tell you, it is three agencies of government when I get there that are gone. Commerce, Education, and the... what's the third one there? Let's see.”* (It was the Department of Energy.)

An example of the Establishment is Mike Simpson (R - Idaho) - *“Someone in the audience invariably will say, ‘Get rid of it. De-fund it,’”* the Idaho Republican said. *“That’ll be the first applause line throughout the entire speech. That bothers me.”* Simpson, the Republican chairman of the Appropriations subcommittee that oversees the Environmental Protection Agency (EPA) and the Interior Department, said his reply to the anti-EPA rhetoric is that the agency created during the Nixon administration serves an important purpose. *“What I tell people when they give the applause for eliminating the EPA, I say you can’t do that,”* he said. *“Because if you are a business out here and you need a Clean Water permit and you call the EPA to get a Clean Water permit and nobody answers the phone, you’ve got a problem.”* *“They have a role to play that’s important, but I don’t like the overreach or perceived overreach and what it’s doing to the EPA and the important job that they do.”* Simpson added.

Representative Simpson is attacked by the ideologues for not taking an anti-EPA stance, but in defending the role of an EPA he is reflecting both good policy and voter desires.

The Ideologues as represented by the Tea Party and Fox News were more likely to vote in the Republican Presidential primaries and as a result, recent elections give a distorted view of the Republican Party. The cry to eliminate the EPA, etc. is primarily coming from those voters. Most voters have no idea which federal agencies exist, let alone which regulate air quality. When they are asked whether they support EPA updating its air quality standards, giving them a little information, most GOP voters strongly support it. According to a nationwide poll by [Hart Research Associates](#)<sup>ii</sup>, 75% of voters believe EPA - not Congress - should determine air pollution standards and they believe the health benefits outweigh the costs.

What Mike Simpson hears at town hall meetings are the passionate opinions of the few, not a mass consensus -- even among Republicans.

This conflict between the Republican establishment and the Republican Ideologues puts the party at risk with independent voters and could influence the election outcome in swing districts - primarily in House races. If we were to offer advice to someone who wanted to influence the outcome of the election, we would tell them to focus on dirty air votes by freshman Representatives in swing districts.

### **Quiz:**

Try to answer the following questions: (But don’t read ahead!)

#### **Question**

On which TV Channel was the following said?

- “No President has the power to increase or lower gas prices - those are market forces.”
- “It is really tough for this President because he doesn’t have any control over the market.”
- “He really doesn’t have any control.”
- “It would take 20 years for savings from ANWR drilling.”
- “The only thing we can do is start to use less energy”

#### **Answer**

The statements are taken from the O’Reilly Show and from Fox News [broadcasts in 2008](#)<sup>iii</sup> as oil prices peaked higher than they are today and President Bush’s policies were under attack. This year’s broadcasts are very different as they blame the Obama policies for high gas prices.

### Question

Who wrote this February 2009 article appearing in Washington Post? "[Raise the Gas Tax, End our Oil Addiction](#)"<sup>iv</sup>

### Answer

Senator Richard Lugar (Republican - Indiana). He proposed a revenue neutral tax swap that would tax oil and reduce other taxes. Both Republican and Democratic economists believe such a tax policy would result in net economic growth. This well reasoned major policy idea has disappeared from the Senator's own [web site](#)<sup>v</sup>. In the battle between the ideologues and the establishment, there is little room for thoughtful debate of issues.

### Question

Who sent me this email last month? "Help stop the Lugar Gas Tax. Send a message by giving \$5 to my campaign today."

### Answer

Joe Donnelly, a Democrat running to unseat Lugar.

As we will discuss, the anti-environment attitudes by the ideologues is out of step with a large number of voters - especially the independent voters that both minority parties (Republican and Democrat) need to win an election.

## Why will energy be an issue?

There are several high-profile issues that are making energy policy a daily issue in the Presidential race:

1. High gasoline prices.
2. Keystone XL pipeline.
3. The Solyndra government loan and subsequent bankruptcy.



## The Republican frame can be summarized as:

1. The country is in crisis and needs more fossil fuel production.
2. Renewable energy is too costly and their subsidies are a source of waste and lead to corruption.
3. The U.S. could be the Saudi Arabia of natural gas production.
4. Global warming is a hoax (among the ideologue Republicans).

A recent quote from Governor Romney reinforces part of this frame: "*They have put in place policies that are designed to reduce our production of fossil-based fuels and drive up the cost of energy and therefore encourage people to move towards wind and solar which are of course much higher cost,*" Mr. Romney said ("[Romney Faults Obama on Energy Costs](#)"<sup>vi</sup>). Mr. Romney continues to emphasize the need to increase domestic oil drilling, coal exploration and the use of nuclear power. He wrote that the "*right step*" is to "*get started by authorizing exploration and infrastructure construction.*"

The current Romney web site has only three points on energy policy:

1. Regulatory reform to speed up construction and limit EPA.
2. Increase domestic production of fossil fuels.
3. Do only basic R&D - "The failure of windmills and solar plants to become economically viable or make a significant contribution to our energy supply is a prime example."

In fact, the Romney web site does not even have a tab for the environment. It is unclear whether he would maintain these positions if elected President. In his 2010 book "[No Apology](#)"<sup>vii</sup> - Mr. Romney praised the benefits that would flow from a slowly increasing cost of fossil energy. "*Higher energy prices would encourage energy efficiency across the full array of American businesses and citizens,*" Mr. Romney wrote: "*It would provide industries of all kinds with a predictable outlook for energy costs, allowing them to confidently invest in growth.*"

## The Obama Democratic frame can be summarized as:

1. "All of the above" energy solution - Oil & gas production are at their highest levels.

2. Renewable energy, energy efficiency, electric vehicles and advanced manufacturing offer promise for the future.
3. We don't sacrifice public health, or air and water quality.

The current Obama web site has the following energy policies:

1. President Obama has made protecting the environment a priority, moving us toward energy independence, investing in clean energy jobs, and taking steps to improve the quality of our air and water. As of November 2010, the Obama administration's policies have helped create hundreds of thousands of jobs in the clean energy industry.
2. Rather than accept congressional Republicans' arbitrary and rushed deadline to study the health, safety, and environmental consequences of the Keystone XL pipeline, the President rejected the project's application.
3. President Obama enacted the largest expansion of land and water conservation and protected wilderness in a generation. He also created the America's Great Outdoors initiative to develop a community-led conservation and recreation agenda for the 21st century.
4. President Obama is committed to putting in place an "[all-of-the-above strategy](#)"<sup>viii</sup> to develop every available source of American energy while making sure we never have to choose between protecting our environment and strengthening our economy.

The "all-of-the-above-strategy" was promoted by the McCain/Palin campaign of 2008 but has now become the mantra of the President.

## Climate Change

While energy policy is a part of the current campaign, it is unclear if climate change will become an issue. In the [May 2012](#)<sup>ix</sup> issue of Rolling Stone Magazine, President Obama says the amount of money



poured into fighting the scientific consensus on climate change will push the issue into the presidential campaign. "*Part of the challenge over these past three years has been that people's number-one priority is finding a job and paying the mortgage and dealing with high gas prices,*" Obama said. "*In that environment, it's been easy for the other side to pour millions of dollars into a campaign to debunk climate-change science.*"

*"I suspect that over the next six months, this is going to be a debate that will become part of the campaign, and I will be very clear in voicing my belief that we're going to have to take further steps to deal with climate change in a serious way,"* he added.

At a fundraiser last fall, Romney stated: "*My view is that we don't know what's causing climate change on this planet. And the idea of spending trillions and trillions of dollars to try to reduce CO2 emissions is not the right course for us.*"

If climate change becomes an issue in the campaign, it will not be about whether it is happening but rather what is an economically manageable way to address it – in other word, **energy policy**.

## Campaign Statements Matter Because Promises Are Kept

The position on energy policy matters because most campaign promises are, in fact, kept! In 1984, Michael Krukones published "[Promises and Performance: Presidential Campaigns as Policy Predictors](#),"<sup>xvii</sup> and found that "*about 75 percent of the promises made by presidents from Woodrow Wilson through Jimmy Carter were kept.*"

In 1985, Jeff Fishel published "[Presidents and Promises: From Campaign Pledge to Presidential Performance](#),"<sup>xviii</sup> which argued "*that presidents invariably attempt to carry out their promises; the main reason some pledges are not redeemed is congressional opposition, not presidential flip-flopping.*"

[Politifact.com](#)<sup>xii</sup> has [tracked](#)<sup>xiii</sup> more than 500 promises Barack Obama made during the 2008 presidential campaign. It found he has kept 161, implemented a compromised version of another 50, and has either been rebuffed by Congress or is making progress toward another 239. In only 56 cases, about 10 percent, has President Obama actually broken a promise, and in the biggest of those cases - ending the Bush tax cuts for families making more than \$250,000 - there's a good

chance the promise will be kept when the tax cuts expire at the end of this year. Claims of “secret plans” after elections aren’t borne out.

## What Do Voters Think?

### Gas Prices

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In a March 2012 poll, Americans by a margin of 54% to 36% said a president can do something about the price of gasoline. This is down from 2:1 under Bush.

### Solyndra

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“Some 62% agreed with the statement: “The failure of one California company should not stop us from continuing to make targeted public investments to help create American clean energy jobs.” And only 32% agreed with the statement: “The collapse of Solyndra shows that investing taxpayer dollars in so-called green jobs is a waste of money.” In general, this will evolve into a debate over government corruption and waste and not a condemnation of clean energy.

### Clean Energy

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According to the [Civil Society Institute](#)<sup>xiv</sup>, more than three out of four Americans (76 percent) - including 58 percent of Republicans, 83 percent of Independents, and 88 percent of Democrats -- think that the United States should move to a sustainable energy future through “a reduction in our reliance on nuclear power, natural gas and coal, and instead, launch a national initiative to boost renewable energy and energy efficiency.” These numbers come from a [national survey](#)<sup>xv</sup> conducted on March 22-25.

### Fee on Carbon Pollution

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Will independent and conservative voters support an energy policy that would actually create an explicit financial incentive to shift from fossil fuels to clean energy? To understand this, NRDC Action Fund Board Member [Chris Arndt](#)<sup>xvi</sup> oversaw 6 focus groups in October 2011. [FM3](#)<sup>xvii</sup> (a Democratic polling firm) and [Public Opinion Strategies](#)<sup>xviii</sup> (a Republican polling firm) conducted the focus groups. Two-hour focus groups were held with independent voters in Nevada, Florida and Missouri; Tea Party voters in Nevada, Republican voters in Florida and environmental voters in Missouri.

The policy we tested was a rising fee on “carbon pollution” with the money collected returned to citizens. Specifically, participants were asked to read the following and discuss their views:

This energy proposal would provide a long-term incentive to move our economy to

cleaner forms of energy. It would require oil, natural gas and coal companies to pay pollution fees based on the carbon pollution that is proven to be produced by that fuel. This would mean that oil and coal would pay the most and natural gas about half as much. Non-polluting, domestic energy sources like wind, solar, hydropower, or geothermal would pay nothing at all. Fees would gradually increase each year for 15 years.

Over time, this would make cleaner energy more price competitive, and encourage clean energy innovation. Companies would steadily shift to cleaner sources of energy – shifting to natural gas in the near-term, and then to pollution-free energy like wind and solar power over the long-term. Entrepreneurs and researchers would have an incentive to create new, non-polluting sources of energy and to make buildings, cars and everything we use more energy efficient. And people would have a financial incentive to use less polluting energy and take advantage of more choices of clean energy and more options for using less energy.

Since this proposal would increase the costs people pay for energy in the short-term, the money from the pollution fees would be returned to the American people. The pollution fees would be paid by the energy companies directly into a national trust fund. Then each citizen with a Social Security number would receive payments from the fund of approximately \$1000 per year.

The initial response was overwhelmingly in favor of the proposal from every group - independent of political point of view. Every group from Tea Party to environmental voter was very similar in their general support! When asked to identify the benefits of such a policy, the groups gave unaided responses with health, innovation, jobs and energy security as the main benefits. Generally speaking, climate change was not brought up and in fact was viewed with skepticism by many of the participants who supported the pollution fee policy.

The following were the main reasons given for support:

1. They believe we have a real energy problem that has been discussed but ignored by politicians since the 1970s.
2. They mistrust and dislike big energy companies and believe they have enormous power and control over policymaking in Congress. In their minds, this explains much of the lack of progress.
3. They feel it is fair for energy companies to pay a fee for their pollution that would give them an economic reason to invest in less polluting energy sources. They state this even knowing that it means higher prices for consumers.
4. They believe that Congress should not be allowed to spend the money.

We discussed the arguments for and against such a proposal with the following arguments being the most persuasive:

1. This is just an energy tax making energy even more expensive
2. The economy is in bad shape and this is not the time to raise costs

Even with those arguments, support at end of the discussion was about the same as the initial response (one person moved from support to non-support and several moved from support to strong support). As this was a qualitative study of 6 groups of 8 people each, the results cannot be projected to the whole population. Given the unpopularity of increasing the gas tax, it will be essential to differentiate a carbon pollution fee with money returned to citizens from a tax on gasoline with money spent by Congress. It will also be a challenge to get enough information to voters so they can evaluate the policy.

The summary is that voters are looking for leadership on energy policy. They want something simple that can't be manipulated by back room lobbying; and they don't want Congress to have a new source of spending. Indeed, during the 2010 election, a majority of voters (almost 53 percent on average) in tight races around the country said they would be more likely to vote for a candidate who supports a clean energy bill, according to [polling done for the NRDC Action Fund](#)<sup>xix</sup>.

When the same poll presented the opposition's main talking point (that the bill was akin to a job-killing energy tax), voters rejected this idea by more than 18 percentage points in favor of a bill that creates new jobs, reduces our use of foreign oil, and holds corporate polluters accountable.

## The Next Congress

If the Republican ideologues maintain their strength through this election, nothing useful on energy policy is likely to happen. If, however, the Republican establishment prevails over the ideologues (as measured primarily by the House and Senate races), there are two energy policies that could garner broad public support - if properly framed.

- 1. The first is a fee on carbon pollution with money collected being used to reduce other taxes.**
- 2. The second is a fee on carbon pollution with money returned to citizens.**

The first can be justified as good economic policy that also improves our health and energy security. It would be scaled to match the taxes it needs to offset. A likely price would be \$25/ton of carbon or about \$125B/year

The second is justified as good energy policy that improves our health and energy security. A likely price would grow gradually from \$2.50/ton to \$50/ton or about \$250B/year at its maximum.

Almost all Republicans have signed a pledge not to support new net taxes; however, a revenue neutral tax swap does not violate that pledge (i.e. the Grover Norquist pledge).

## Example Economic Policy

If we look at the tax swap concept (number 1), \$25/ton would add 25 cents to a gallon of gasoline and 1.5 cents to the average U.S. price of a kilowatt of electricity. Electricity prices have been dropping due to inexpensive natural gas so combined with the tax, they would be similar to prices of a few years ago.

\$125B/year is not enough to close the budget gap but it does cover a variety of ideas including:

- \* Cut corporate tax by 70% (total corporate tax is \$190B)
- \* Make the 2% payroll tax cut permanent for \$110B
- \* Eliminate the Alternative Minimum tax for the middle class of \$135B
- \* Offset mandatory defense spending cuts of \$55B
- \* Cut personal income tax by 15%

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Economists from both left and right think tanks say that all but one of the options above will have a better economic return than the current tax system. The exception is defense spending which stands on its own for non-economic reasons.

### Summary

Energy policy is part of the presidential election. Our research indicates that a majority of the public including independents, moderate Republicans and even Tea Party voters want to see the U.S. move forward on an energy policy that shifts production from fossil fuels (particularly oil and coal) to cleaner sources.

If the election shifts the Republican Party back toward the establishment and away from ideological control, the opportunity will exist to develop an energy policy in Congress. A policy that collects a fee on carbon pollution and either uses the revenue to reform tax policy or rebates the money back to citizens could garner public support.

In closing, we are reminded of Woody Allen's essay "My Address to the Graduates":

***"More than at any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray we have the wisdom to choose correctly."***



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<sup>i</sup> <http://www.nrdcactionfund.org/press-release/nrdc-action-fund%E2%80%99s-book-reckless-takes-house-republicans-to-task.html/>

<sup>ii</sup> <http://www.ceres.org/press/press-releases/cleanairpoll>

<sup>iii</sup> <http://mediamatters.org/blog/201203050007>

<sup>iv</sup> <http://www.washingtonpost.com/wp-dyn/content/article/2009/01/30/AR2009013002728.html>

<sup>v</sup> <http://lugar.senate.gov/energy/press/>

<sup>vi</sup> [http://www.nytimes.com/2012/04/03/us/politics/romney-faults-obama-for-rising-gas-prices.html?\\_r=2&pagewanted=all](http://www.nytimes.com/2012/04/03/us/politics/romney-faults-obama-for-rising-gas-prices.html?_r=2&pagewanted=all)

<sup>vii</sup> <http://www.amazon.com/No-Apology-Case-American-Greatness/dp/0312609809>

<sup>viii</sup> <http://www.barackobama.com/energy-info>

<sup>ix</sup> <http://www.rollingstone.com/politics/news/ready-for-the-fight-rolling-stone-interview-with-barack-obama-20120425?print=true>

<sup>x</sup>

[http://www.amazon.com/gp/product/0819142131?ie=UTF8&ag=washingtonpost-](http://www.amazon.com/gp/product/0819142131?ie=UTF8&ag=washingtonpost-20&linkCode=xm2&camp=1789&creativeASIN=0819142131)

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<sup>xi</sup> [http://www.amazon.com/gp/product/0871873362?ie=UTF8&ag=washingtonpost-](http://www.amazon.com/gp/product/0871873362?ie=UTF8&ag=washingtonpost-20&linkCode=xm2&camp=1789&creativeASIN=0871873362)

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<sup>xii</sup> <http://www.politifact.com/>

<sup>xiii</sup> <http://www.politifact.com/truth-o-meter/promises/obameter/>

<sup>xiv</sup> <http://www.civilsocietyinstitute.org/index.cfm>

<sup>xv</sup>

<http://www.civilsocietyinstitute.org/media/042512release.cfm>

<sup>xvi</sup> [http://www.e2.org/jsp/controller?docName=profile&mem\\_cod e=ARNDCHR&family=1](http://www.e2.org/jsp/controller?docName=profile&mem_cod e=ARNDCHR&family=1)

<sup>xvii</sup> <http://www.fmma.com/>

<sup>xviii</sup> <http://pos.org/>

<sup>xix</sup> <http://www.nrdcactionfund.org/runningclean/>