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Energy Bill Offers Little Short-Term Relief

By Kelley Beaucar Vlahos

WASHINGTON — *Editor's note: The following article is the first in a two-part series on the impact of the Energy Policy Act of 2005, signed into law earlier this month.*

On Aug. 11, just three days after President Bush signed the first major piece of national energy legislation in more than a decade, oil and gas prices hit a new dizzying height, drawing criticism that the momentous new law will do nothing for American consumers in the short term.

"The president acknowledged that the biggest relief that consumers need right now is relief at the pumps and this bill does not provide that," Jan Mazurek, head of the Direct Energy and Environment Project at the Progressive Policy Institute, the policy arm of the Democratic Leadership Council, told FOXNews.com.

"There is nothing in this bill that will make anything better in three to five years — more like 10 to 15 years from now," said Matthew Simmons, a Houston-based energy investment banker and author of "Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy."

Nonetheless, Simmons said he is amazed that with all the debate and special interest lobbying over endless proposals and amendments, a bill finally passed the Congress after four years of negotiations.

"I have a sneaking suspicion that if oil prices weren't at \$60 a barrel when this was going on, then [Washington] would have chickened out and not done it at all," he said.

Oil was selling at more than \$63 a barrel the day Bush signed the comprehensive energy bill, \$3 more than the \$60 record set when the Senate gave its final approval to the legislation 10 days earlier.

Days after the bill signing in New Mexico, whose two senators head up the Senate Energy and Natural Resources Committee, crude oil prices hit \$66 a barrel. Prices closed slightly lower last week, but consumers are feeling the gouging at the pump.

While oil prices now rank as one of America's most pressing issues, the president acknowledged in his remarks before the bill signing that the legislation would not alter the immediate situation.

"This bill is not going to solve our energy challenges overnight. Most of the serious problems, such as high gasoline costs, or the rising dependence on foreign oil, have developed over decades. It's going to take years of focused effort to alleviate those problems," Bush said.

But he insisted that the 10-year, \$12.3 billion package will affect Americans in a number of ways.

It is going "to help every American who drives to work, every family that pays a power bill and every small business owner hoping to expand," he said.

The details of this massive bill, which promotes "clean" vehicles, offers tax credits to consumers and businesses and creates federal regulations for electric utilities, sheds light on some of the administration's goals, but not everyone agrees with just how much everyday Americans will notice the effects of the bill or how much they will benefit even in the long term.

For example, the bill does not include a controversial bid to increase Corporate Average Fuel Economy, or CAFE, standards for cars and trucks. Proponents say such a measure would have helped improve fuel efficiency and reduce pollution; opponents say it would have hurt car manufacturers and forced price increases.

Instead, the bill does include modest provisions for fuel efficiency and pollution control, including new funding for clean coal technology and renewable energy sources, like wind,

biomass, landfill gas and other electricity sources.

The bill also provides a series of tax incentives for homeowners who make energy efficient improvements around the house, like installing new exterior windows, highly efficient central air conditioners, heat pumps, water heaters, and furnaces.

They also receive tax breaks for upgrading thermostats, caulking leaks, installing solar-powered hot-water systems and buying new hybrid or fuel cell-powered cars.

"I find that very encouraging," said Mazurek, who called the incentives a "positive step," but a small one in the greater fight to reduce pollution and what she says is a global warming crisis.

"I expect the effect of these incentives to be fairly minimal," added Iain Murray, a senior fellow with the free-market Competitive Enterprise Institute specializing in global climate changes and environmental sciences.

"[Consumers] who go to this extent are probably committed environmentalists already," Murray said. "The average consumer, I don't think, will take advantage of these things."

These incentives do not compare to \$11.5 billion in subsidies going to the big energy industries — the bulk of the legislation, he said.

Toby Chaudhuri, communications director for the Campaign for America's Future and the Apollo Alliance, a coalition of labor,

business, civil rights and environmental interests seeking better energy solutions, gave a grave preview of the bill's impact.

The energy bill "will make things worse for everyday people who work hard every day to make ends meet," he said, noting that billions in tax dollars are going to corporate subsidies for oil and gas with no guarantee they will result in consumer relief. Alternative energy sources, meanwhile, got the short shrift, he said.

But others say, if you look hard enough, some of the provisions do hold the promise of one day bringing prices down.

"Household energy comes off pretty good in this bill," said Murray. For example, the repeal of the Depression-era Public Utility Holding Company Act will remove impediments to energy company mergers and acquisitions and hopefully open up investment and activity that will spur more competition.

"The competition itself would be forcing down prices," Murray said.

H. Sterling Burnett, a senior fellow at the National Center for Policy Analysis, a non-profit research center that promotes private sector innovation over government regulation, said several regulatory changes and tax incentives will help boost production and lower prices perhaps in a decade from now.

"Prices are driven in part by policy matters, but they can't be fixed overnight," Burnett said.

Positive measures, he said, include more federal control over establishing new terminals for receiving liquefied natural gas and allowing energy producers to write off production costs, like equipment, more quickly. He added that to encourage new nuclear power plant building, the bill insures the loan on early builders of such plants.

In a more controversial provision, ethanol producers also received a boost as oil refineries were required to double the amount of the corn-based renewable fuel used in making gasoline cleaner and more efficient.

"It helps gasoline burn better when you use it," said Jon Doggett, a spokesman for the National Corn Growers Association, which lobbied hard for the provision.

Critics say the measure is a boondoggle for big agribusiness, and that ethanol actually costs more to create than the amount of energy it produces — an assertion the industry flatly refutes.

Most of the experts who spoke with FOXNews.com agreed that the bill does little to seek out alternative sources to foreign oil, whether that be new drilling in Alaska's Arctic Natural Wildlife Refuge or investing more heavily in new, environmentally friendly sources.

"I think we should have been more forward-looking about our domestic [energy] supplies," said Burnett, adding that "the vested interests have enough power to block the better provisions."