



ATR's Energy Points for Congress

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This 110th Congress has seen a variety of energy legislation attempting to respond to the increased oil prices and an ever-growing demand for natural resources. With America's energy issues becoming more and more prevalent to the average voter, Americans for Tax Reform (ATR), President Grover Norquist, would like to assure that fiscally responsible solutions are being considered.

The following points are offered as a fiscally responsible, market-oriented set of guidelines for Congress to use when framing our nations energy policies:

Congress should join the President in lifting the ban against offshore drilling. President Bush recently lifted the executive order banning offshore drilling, leaving Congress the only impediment to exploration. By allowing for the maximization of our domestic resources, Congress can do much in the way of lowering gasoline prices by increasing the supply and fueling our economy.

Congress should support the utilization of domestic resources for oil exploration. The United States has an abundance of oil beneath the Arctic National Wildlife Refuge (ANWR). However, plans to reject proposals expanding oil and gas drilling on federal lands continue to prevent America's progress towards independence from foreign oil. Increasing domestic oil supply is also integral to lowering gasoline prices, which will do much to prevent stagflation and spur economic growth.

Congress should, while considering all energy legislation, oppose using the alarmist rhetoric known as "price-gouging" which simply does not exist in a rational market. When a product, like gasoline, becomes scarce the price is raised by the producer as a warning to the consumer to curtail consumption. As a result, the consumer will respond to this scarcity by reducing their demand to meet the expected supply. Price gouging legislation, by introducing price controls, directly interferes with optimal market forces that, if left untouched, are perfectly able to appropriately regulate supply and demand imbalances.

Congress should oppose legislation seeking to limit futures trading. Prices are determined by supply and demand – this is also true of the futures market. Oil companies hedge to guard against substantial losses during price contractions. If hedging is made illegal, the incentive to invest in crude will be greatly diminished. This will do nothing except lower supply and leave fewer companies in competition, driving prices higher and furthering market instability. In the 1950s, Congress banned futures trading in onions in response to farmers who blamed these investments for market fluctuations. Onion prices have varied wildly as a result, rising 500 percent from late 2006 to early 2007, dropping 1300 percent in October 2007, and rising another 300 percent by April of this year. Similar changes in oil would see gas prices nearing \$25 a gallon.

Congress should support full expensing for all assets. As America becomes more and more productive, our need for energy increases. Allowing for the full expensing of all assets provides oil and energy producers with the incentive to produce more energy to meet our

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ever-expanding needs. Increased American supply to fill our growing demand will result in lower prices at the pump for all citizens.

Congress should not interfere in the leasing of land for energy exploration. Leading economists estimate the U.S. will be reliant on oil and gas for at least the next 30 years. The federal governments continued interference in the leasing of land for exploratory purposes will ensure our dependence on *foreign* oil and gas over that time period. Instead, if the federal ban on leasing had been lifted a decade ago, the U.S. could be utilizing cheaper, domestically produced oil and gas today, while at the same time adding American jobs to the economy. Experience has shown that when the government attempts to micromanage industry, results are disappointing at best, and can lead to complete economic disaster.

Congress should prioritize efficiency over protectionism by removing the tariffs on foreign ethanol. The United States currently subsidizes the domestic production of expensive, inefficient corn ethanol while taxing the importation of more efficient ethanol made from sugar cane. This both harms the consumer seeking to purchase ethanol and has the unintended consequence of increasing corn prices.

Congress should oppose raising the average Corporate Average Fuel Economy (CAFE), which directly impedes corporate production models and limits consumer choice. Historically, fuel economy programs failed and the ensuing price distortion and regulation resulted in supply shortages and consumer restrictions across America. Energy efficient standards have reached the point where the higher cost of the appliance outweighs the benefits from the electricity saved. Even more to the core, raising efficiency requirements forces the supplier to restrict production options and pigeon-holes the consumer by limiting selection.

Congress should oppose the federal renewable energy mandates such as renewable portfolio standards (RPS). Recent legislation has proposed that every utility in each state have 15% of its electricity come from a narrowly defined list of renewable energy sources, regardless if the state possesses the resources or not. If a state cannot meet this requirement, the utility company will be forced to purchase credits from other states or the federal government. RPS is nothing more than a massive excise tax on rate paying consumers in states that cannot meet this standard. These costs will not be absorbed by the utility company, but passed onto the consumer in the form of higher user fees and increased taxes.

Americans for Tax Reform (ATR), encourages you and your colleagues to use these and other free-market solutions to better serve consumers.

Onward,

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