

# Congressional Politics and Energy Policy Mixing Oil and Water

A Review of Energy Policy in the New  
Congress and a Presidential Election  
Year

December 2007

# 2000-2006 US Energy Policy

- Generally pro-growth philosophy with a reasonably balanced approach to a national energy portfolio
  - Policy encouraged renewables R&D and subsidies
  - Kept in place incentives for fossil fuels exploration and development
  - Recognized need for increased domestic energy production
  - No real “winners” and “losers”

# The New Democratic Congress

- Frustration over Iraq, spending and corruption led to a November 2006 election where 87,000 votes brought about a landslide change in the U.S. Congress
- With this change, energy policy has taken a 180 degree shift in direction also.
- Under this Congress there must be “winners” and certain “losers”

# The Face of the New Congress

- Dramatic shift in philosophical leadership of Congressional Committees
- Access granted and access denied
- Focus from supporting Administration's agenda to investigation and oversight
- Seismic shift in the increase in influence of environmental lobby in Congress

# White House Position on Energy Policy

- An Administration in the lamest of lame duck situation, discovers the power of the veto pen
- The Administration insists that any new energy policy must hold the line on taxes, not impact on energy production and reduce the costs of subsidies
- Meanwhile world oil and currency markets go berserk, driving oil to near-record levels and US dollar to historic lows
- Ironically – the Administration as it hovers at historically low approval ratings holds 100% of the leverage in the energy policy debate

# The New Congress Declares Independence from “Big Oil”

- Pelosi’s 100 Hours Agenda – “Get Big Oil”
- Senate takes quick action on a scaled down bill
- House of Representatives – in typical fashion over-promises and under delivers
  - Fractured Caucus delays action for weeks
  - Bill strong-armed through House in early August, in a form that cannot pass.
- Conference talks never materialize in the Fall

# The Result?

- After thousand of hours, dozens of hearings, hundreds of votes, countless meetings, speeches and negotiations:
- As of 12:15 pm December 12, 2007, approximately nothing has changed.

*Literally Nothing....*

# What May Happen and How Will it Shape future Energy Policy?

- Compromise legislation should hold Independent Producers relatively harmless – *for now.....*
- Big Utilities, Coal and Big Oil bear the brunt of the regulatory and tax burden
- On broader development issues, Independents have fought the environmental community to a standstill
  - Anti-Fossil crowd still has one option via an Omnibus Appropriations bill and a greater chance of success there than anywhere else.

# Who Has Called the Shots in the New Congress?

- Dozens of interest groups and lobbies are jockeying for position in the mosh pit.
  - Ethanol (corn and cellulose)
  - Automakers
  - Coal
  - Utilities
  - Oil and Gas
  - Geothermal/Wind/Wave
  - Manufacturers
  - Consumer Advocacy Groups

# Who is REALLY calling the Shots?

- While it appears that energy industry is jockeying, the most important constituency among Democrats – environmentalists and labor constituencies have most influence. These groups include:
  - NRDC
  - US PIRG
  - Sierra Club
  - Big Labor
  - Defenders

# Presidential Politics and Energy Policy

- Complicating the Congressional policy process is the fact that we are currently in the most compacted, expensive Presidential Campaign in modern history
- Candidates are jockeying for position and trying to distinguish themselves apart from each other and the other side.
- Energy remains one of the key talking points on stump speeches and in campaign ads

# Presidential Politics of Energy

- Who Said It?

- *“As President I will implement a \$50 billion Strategic Energy Fund, paid for in part by oil companies, to fund investments in alternative energy. The SEF will finance one-third of the \$150 billion ten-year investment in a new energy future contained in this plan”*

- Who Said It?

- *“Our dependence on foreign sources of oil threatens our national security and puts our economic prosperity at risk. America must rise to the challenge and take the steps necessary to become more energy independent before this becomes a crisis.”*

# Presidential Politics of Energy

- Who Said It?

- *“As President I will reduce our dependence on foreign oil and reduce oil consumption overall by at least 35 percent, or 10 million barrels of oil a day by 2030.”*

- Who Said It?

*“As President I will create a New Energy Economy Fund by auctioning off \$10 billion in greenhouse pollution permits and repealing subsidies for big oil companies. The fund will support U.S. research and development in energy technology, help entrepreneurs start new businesses, invest in new carbon-capture and efficient automobile technology and help Americans conserve energy.”*

# Presidential Politics continued

- All of the candidates are now sounding the same.
  - A promise to shift energy policy away from fossil fuels to renewables
  - Increased spending on research and development
  - Establishing unrealistic goals for energy independence promising to spin straw into gold.
  - As they all throw a sop to the corn farmers in Iowa

# Predictions for Industry in 2008

- Energy policy will be eclipsed by a broader climate change debate
- Congress and its environmentalist allies will attempt multiple fronts to hinder, impede, regulate and harass industry through:
  - Tax restructuring, fines and penalties
  - Reduction of E&P activities through sandbagging the permit process
  - Dramatically increased regulatory oversight and investigation

# With So Much At Risk – We Must Engage Locally and Nationally

- Engage politically
- Engage financially
- Engage locally
  
- Remember - 87,000 votes nationwide made a huge difference between a favorable and an unfavorable political climate for the industry.