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THE CLINTON ADMINISTRATION'S NEW ENERGY POLICIES

*Summary of Remarks by Richard Williamson, Deputy Assistant Secretary for International Affairs, United States Department of Energy**

"Our priorities need to change," Richard Williamson began. "The priorities we've had in the past - the goals, the missions, the way we've done business - just don't meet the needs of moving into the 21st century." For this reason, the administration of President Bill Clinton has decided to make energy a part of its economic policy. To do this, Williamson said, it is incorporating strategic planning, total quality management, and "large doses of common sense." The goals of the restructuring are to improve competitiveness, increase energy efficiency, make better use of environmental assets, and develop new science and technology projects for the future. The ultimate goal, Williamson indicated, is to increase productivity and create jobs without harming the environment.

Legislative power is one of the government's greatest assets to stimulate change, Williamson said. In the fall of 1992, the Energy Policy Act was passed and signed into law. At the outset a Bush administration bill, the Energy Policy Act was reshaped through bipartisan efforts in Congress into its final form.

That form, Williamson said, sets the tone for the 1990s. It promotes energy efficiency and new technology development. By enacting the more than 500 provisions of the act, government is forming partnerships with industry and non-governmental organizations to work directly with energy consumers and energy-industry stakeholders.

Energy tax policy is another avenue for the government to promote certain behaviors. Last year, the Clinton administration tried to pass a Btu tax in Congress - a consumption tax based on the heat content of the energy consumed - and met with tremendous resistance. The final result was a 4.3 cent [per] gallon gasoline tax instead of a Btu tax on all forms of energy consumed. One result of the unsuccessful struggle to pass a comprehensive energy tax, Williamson said, is that no new energy tax is on the agenda. That vacancy allows the administration to devote more attention to other areas.

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One area that needs considerable attention is the problem of what to do with the large complex of laboratories overseen by the Department of Energy, many of which were basically [nuclear] weapons labs. The challenge now, Williamson said, is to convert these labs into useful resources for the future. "We've got a lot of talent in these laboratories that just needs to be redirected," Williamson said. "A great deal of effort is going into achieving that at this stage." This has led to Cooperative Research and Development Agreements (CRADA): cost-sharing plans among a company, industry or consortium with one of the labs to conduct research. Since beginning the program, over 600 agreements have been signed; the goal is 1,000 by the end of the year.

Another measure aimed at improving competitiveness is the Clean Car Initiative signed by Clinton and the heads of the three major United States car companies. The goal is to develop automobiles with triple the fuel efficiency of the average car on the road today. Such a vehicle will compete with any foreign model worldwide, Williamson said. "It is a great opportunity for the 21st century for us to have automobiles that will not make us as dependent on oil," Williamson remarked.

In December, the department also advanced a Gas and Oil Initiative. Again, the aim is to work with industry to improve pertinent technologies and overall energy efficiency from the wellhead to the burner tip. Among the planned areas of technological cooperation, Williamson mentioned several proven technologies already deployed in the field. One is three-dimensional seismic technology, a method of creating "3-D" images of possible hydrocarbon-bearing structures deep in the earth. Such remote imaging vastly improves the chances of discovering oil or gas. Other advanced drilling techniques, especially horizontal drilling, have improved resource recovery. The department also will focus on the environmental side of the business with development of new oil-spill recovery and oil recycling technologies. Another goal is to stimulate new markets for natural gas and address the issue of regulatory reform.

Energy efficiency ranks among the top priorities for the department, according to Williamson. Currently, the DOE is trying a "market pull" in the automobile sector by purchasing alternatively fueled vehicles. So far, 5,000 have been bought for the government fleet. The goal is to increase that to 15,000 over the next few years.

The weatherization program has employed state and government grants to improve the insulation of 100,000 more homes this year. Again in partnership with industry, the department is trying to improve the efficiency of buildings and industrial processes. Two other smaller programs are also underway: the Star program geared toward improving the efficiency of computers, and the Green Light program to encourage industry to replace conventional lighting with energy-efficient bulbs.

One of Clinton's major environmental promises was to reduce greenhouse gas emissions to the 1990 level by the year 2000. However, the administration plan does not include a carbon tax or mandatory regulatory programs on industry and society. Still, Williamson said that the plan can achieve the president's goal. Although the comprehensive plan will cost \$1.9 billion over the next six years, Williamson said if it is successful it will save the government \$2.7 billion. The plan relies on voluntary participation by industry.

The Golden Carrot program is a good example of private-sector cooperation and encouragement. Through the program, utilities use money saved with energy efficient appliances to fund contests for manufacturers to invent new products that will save more energy. The first such contest was a \$30 million competition between Whirlpool and Frigidaire. Another similar program focuses on building a better industrial motor. Home-energy ratings systems will enhance the ability of financial institutions to know which homes to qualify for lower mortgage rates because their energy-efficiency means that the homeowner keeps more of his or her take-home pay.

Another area where innovative thinking is paying environmental dividends is the system in which emission allowances granted to individual plant sites by the Environmental Protection Agency are converted into permits that can be bought and sold almost like conventional stocks and bonds. The ability to show cash flow by reducing emissions - by selling no-longer-needed emission allowances as a company reduces its emissions - is a terrific incentive for companies to become more efficient and environmentally sensitive. A pilot program called "joint implementation" deploys the same emissions-trading theory internationally. In this system, countries with advanced environmental technology will share it with less developed nations, leading to credit in the program for both countries involved in the exchange. "The Climate Change Action Plan puts the United States back in the forefront in terms of action to reduce greenhouse gases," Williamson said.

In terms of other international activities, the department hopes to promote the use of United States environmental technology overseas through demonstrations. It is asking for funding from Congress to display clean-coal technology in both China and Eastern Europe. DOE is also working through the Trade Promotion Coordinating Committee — 19 agencies led by the Commerce Department - that came out with an exporting strategy in September. The committee will focus on developing countries with major markets. The first test country is Indonesia, where the committee will promote all of the United States resources in two sectors, aviation and electric power. Another international project is the introduction of an Oil and Gas Technology Center in Russia funded by the Agency for International Development. The purpose of the center is twofold: to help Russia overcome its decline in oil production and to make sure that effort is accomplished using United States' technology. Additionally, there have been energy efficiency centers set up in Poland, Hungary, the Czech Republic, and Russia. The United States government agreed to fund these centers for three years, after which they become the responsibility of the host country. So far, the centers have proven capable of funding themselves in the future. Again, the goal is to improve environmental conditions while opening markets to United States' technology.

One of the United States commitments to the 1992 United Nations conference on the environment and development in Rio de Janeiro was to assist in technology transfer to the developing world. Although the program doing this is small, controlling only \$1 million a year, Williamson emphasized that there is "a lot you can do in this world with small amounts of money." Already, the program has initiated activities with eight countries with the selection of more nations imminent in the next year. Regarding another international agreement,

Williamson said that NAFTA will have effects beyond Mexico and Canada. First of all, he said that it appears that the Caribbean nations will all conform to the principles of NAFTA soon, even if no formal agreement is reached with those countries individually. He added that Chile will probably be the next country to be officially included in the free trade agreement.

Williamson closed his remarks with a brief list of what is not on the department's agenda. "There is no support among the American public for market intervention that restricts their access to cheap energy," he said. Specifically, he said that this means there is no backing for an oil import fee.

DOE has a new outlook, Williamson said. It has learned that regulation results in more problems than benefits. Energy Secretary Hazel O'Leary once headed the Economic Regulatory Administration, which regulated oil and gas prices in the late 1970s. Those price controls were widely regarded to be a disaster. Williamson said O'Leary has "learned from the experience."

Another item not on the agenda for the department is the long-term support of nuclear energy. The department will work with the industry to maintain current technology, but not on future development. Where energy efficiency and the environment are concerned, there are no quick fixes or rapid solutions, Williamson said. "It's going to be a lot of little things, and it's going to require all of our energy resources. It's going to require advancements in our technology. And it's going to require an American public that understands the energy issues and is willing to work together for solutions."

QUESTIONS AND ANSWERS

Q: How much of the government's resources are being devoted to renewable energy?

A: Let me just point out that DOE spending on energy efficiency and renewables went up 23 percent last year. The budget request submitted by the President this February was for an additional 33 percent increase. Included in this funding is a new concept in market mobilization for photovoltaic technology. We are forming a consortium with the utilities to go out and have the photovoltaic market demonstrated. We are establishing a utility partnership to build 25 megawatt wind farms. And we will be engaging in cost-share grants on the application of renewable energy in individual industries. Those are a few of the innovations that go along with the increases in spending on renewables.

Q: The forecast for greenhouse-gas emissions shows us getting down to acceptable levels by the year 2000, but not necessarily maintaining those levels in the post-2000 era. What are the plans to address that issue? What about doubts that carbon dioxide is really that much of a problem?

A: As I said in my remarks, trying to get the emissions down to 1990 levels is hard enough. We hope that the plan that we've put forth will get us there by the year 2000 without having to resort to mandatory and regulatory

types of actions. I think there's still room enough to continue that success in the post-2000 years. We haven't forecast, we haven't projected that we're going to get there, because we believe that we're being somewhat optimistic in just getting to the 2000 level. But this has been a problem that has plagued everybody who has been engaged in this thing. You can find a series of actions that seem to get you somewhere near your goal by the year 2000, but if you look at the post-2000 era, it gets tougher and tougher to keep those levels down. Yes, we're addressing it, people are working on it; no, we don't have the plans that will guarantee us that we will stay down below that level. In terms of rethinking whether carbon dioxide is such a culprit, of course the literature has been filled with the scientific debate for years. At this stage, there is a strong enough feeling within the Clinton administration that the greenhouse-gas emissions are a real enough problem that we need to take the actions that we're taking. We still do have time before we maybe go into mandatory actions to get some better resolution on the scientific debate.

Q: Is the administration pursuing alternatively fueled vehicles because of environmental and emissions-related reasons or to reduce oil imports?

A: The answer is both. It is a dual objective. When we talk about post-2000 problems of greenhouse-gas emissions, the thing you most quickly learn is that anything you try to do you eventually come back to the problem of oil and oil dependency because the growth in the transportation markets alone over time continues to put oil dependence back in the forefront of the issues to be solved. So the question is: Will [sic] going to alternatively fueled vehicles necessarily reduce oil imports? One cannot be sure whether the barrel of oil displaced by an alternatively fueled vehicle is foreign or domestic. Our analysis and our studies tend to show that it will reduce oil imports because of the price of transportation built into foreign oil.

Q: Is coming down to 1990 levels enough for the United States, which is the greatest polluter in the world? Shouldn't the United States reduce its emissions to levels that are proportional to its population?

A: A lot of that was debated at the Rio Conference. What is the fair share of the developed countries compared to the developing countries? How is it going to be financed? I think this administration has taken a great step forward in saying we will do what was agreed to at the Rio convention. I think I sense within your question: Why isn't the United States going beyond that commitment? I can only say that the President also thinks that issues of economic growth are equally important. One must remember that the Rio conference was called a conference on environment and development. And I think that one must make sure that you're protecting the environment but you're still developing your global economy.

Q: How is the department being affected by the downsizing of the military?

- A: Not everyone knows that until a year ago 65 percent of the department's budget went to defense. It is a major issue. The question is whether we can move fast enough to match the downsizing in a constructive way. We are fortunate enough that a lot of the technology done for the weapons program happens to involve some of the most advanced science and technology we had existing. One example is that in order to do a nuclear test shot at the Nevada test site, you have to do some very innovative things in drilling the holes for the weapon and your instrumentation. Some of the drilling technology that we've developed, which is all classified, is the kind of thing that under a cooperative research and development agreement we can now take to the industrial sector. Our challenge is to make industry aware of the laboratories and the technologies before we have to start laying some of those scientists off.
- Q: When can Americans look forward to buying ethanol at the pump?
- A: Under a brand that is called gasohol, we started purchasing ethanol at the pump in the 1970s. Let me tell you about a program that I haven't mentioned called Clean Cities. We're going out and trying to sign up a number of cities that will make ethanol available. We have a few large cities — Washington, Baltimore — that we have signed up on this program.
- Q: What are the prospects for tradable emissions permits internationally?
- A: I think that the prospects are extremely good over the long haul. I think tradable permits are one of the ways that you will answer the problem of the developing countries that are seeking financial assistance in order to engage in the right technologies, the right science to clean up the greenhouse-gas problem in each of the developing countries. Tradable permits will be a way of transferring money from developed countries to developing ones while maintaining a unified international system that will keep greenhouse gases at desired levels.