



Obama and Romney: Electrifying the Energy Debate

By: **Ken Silverstein**

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While the presidential candidates are playing politics, the utility world is demanding certainty. The paradox is that those political positions come in two-to-four increments but power companies are developing 30-year business strategies.

It's the nature of democracies -- that candidates solicit supporters, who are then positioned to influence ever-changing rules. Implicit in the crafting of the tax code is the favoring of one group over another. The fossil fuels are betting on one horse while the renewable fuels are praying for another. Power companies, however, should be immune from any interest group's political potency and more attuned to electrifying communities so that they can prosper.

"Let's talk about what is good for the electric system," says Hugo van Nispen, manager for [North America DNV Kema](#). "It is more responsible for economic growth than oil and gas," or any other option, for that matter, he adds.

How are those arguments playing out in the 2012 presidential race? Unfortunately, says van Nispen, the candidates have allied themselves with specific interests -- something that serves to trivialize the debate and the true concerns at hand. The fact is that each energy source has its place in the electricity eco-system and that playing them off against each other is not the way forward.

Utility officials must know society's expectation of them: emission reductions, reliability or costs, followed by 15-20 years of policy certainty and the appropriate flexibility to achieve such aims. Only then can the nation achieve a broader blend of fuel options, or an all-of-the-above energy strategy. The production tax credit given to wind, for example, has become a bargaining chip that results in an unhealthy stop-and-go economic system, says van Nispen. Instead of politicizing it, he says that government should create a path to commercialization that is paved with dedicated tax incentives.

"There has not been a clear start and end to what those credits should be accomplishing," he says. "It makes sense for us as a nation to pursue clean energy and to incent that with appropriate tax incentives. If utilities and their partners understand the goals and they are highlighted with clarity and time frames, the industry will get there."

Level Playing Field

President Obama is aligning himself with the green movement, pointing out that wind and solar projects have doubled in size since 2008. He is also emphasizing that his policies have lent way to more oil and gas

production, although they have been tempered in the wake of BP's disaster and now come with stricter drilling regulations. Nevertheless, to help wind and solar reach their potential, the president would pay for their tax breaks by ending some incentives given to oil and gas.

Meanwhile, GOP -hopeful Mitt Romney is trying to endear himself to the fossil fuel industries. Part of his energy plan just released says that the United States can be energy independent by 2020 if oil and gas companies are allowed unfettered drilling access to public lands while limiting the rights of environmental organizations to sue to prevent such development. Romney would not renew the wind tax credit but he would keep those breaks provided to oil and gas.

Fair? [Sterling Burnett](#), senior fellow for the [National Center for Policy Analysis](#), says government incentives skew national energy policy and that they should end for both the renewable sector and oil and gas industries.

If the production tax credit is removed, Burnett says that the wind energy industry is no longer a viable concern. The credit's purpose is therefore to increase market share while cleaning the environment, he adds. Those objectives may only be possible if energy storage is eventually commercialized, or the ability to bottle and release the wind when it is not blowing.

As for oil and gas, it too gets some uncommon tax breaks and benefits not given to other industries: Marketing efforts by the Overseas Private Investment Corp. and national insurance that protect against unexpected losses, like revolutions. The White House has listed \$4 billion in annual benefits it would like to see removed

“If Romney wants to level the playing field, he should start with ending all subsidies -- anywhere government is literally paying out money for activities that companies should be doing themselves,” says Burnett. “In doing so, we will save the treasury money and we will also be able to say that we are not playing favorites. No question: It will be difficult.”

Actually, it will be nearly impossible to cleanse the entire tax code given the intricacies of policymaking. Therefore, the more practical solution is to measure the assistance and to provide certainty, benchmarking progress along the way. Utilities will then measure up and meet the standards that are required of them.

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