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## Kerry's Energy Plan: Inconsistent, Expensive, Leaving America Less Secure

by H. Sterling Burnett and Todd Gabel

Sen. John Kerry's (D-Mass.) energy plan promises to reduce energy prices, maintain diversity of supply while reducing greenhouse gas emissions and improve our domestic energy security. However, his goals are contradictory and implementation will be expensive. Ultimately, Kerry's energy policy is a hopeless muddle, and would result in less energy security and higher fuel costs.

**Kerry's Inconsistent Approach on Energy Prices.** Sen. Kerry proposes steps to reduce the cost of gasoline — while pursuing initiatives that experience has shown will raise prices.

*Stop Flows to Strategic Oil Reserve.* In order to reduce gasoline and other fuel prices Kerry proposes to halt filling of the Strategic Petroleum Reserve (SPR), which is designed to provide a 90-day fuel supply in the event of a national emergency.

The Congressional Research Service (CRS) reports that the oil that would be diverted from the SPR is not enough to affect prices significantly. Currently, the SPR is filled at a rate of 120,000 barrels of oil a day — less than one percent of daily consumption in the United States and an even smaller proportion of the world market. Thus, oil producers could easily reduce their supply to the world market to offset an SPR release.

In 2000, when President Clinton sold 30 million barrels of SPR oil — 1 million barrels a day for 30 days

— average gasoline prices fell by only one cent, from \$1.599 per gallon to \$1.588.

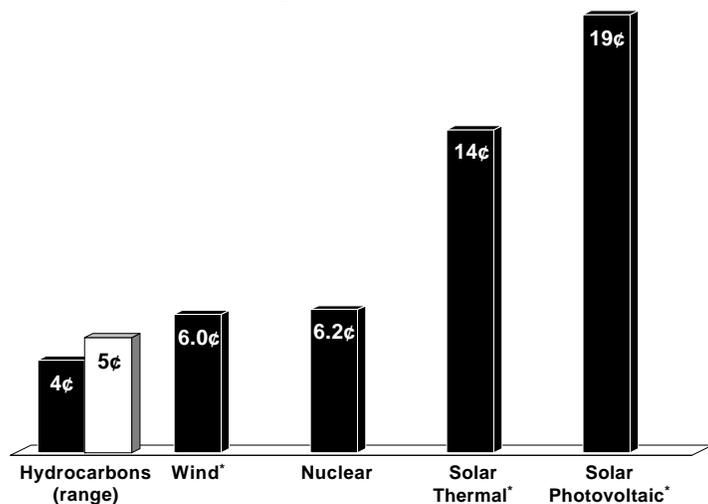
*Opposition to Increased Production.* While supporting diversion of oil from the strategic reserve, Kerry has rejected exploration and production of oil in the Arctic National Wildlife Refuge (ANWR); he has stated that it would have little or no effect on gas prices. However, ANWR contains 10 to 23 times more oil than the SPR can hold when it is completely filled. At maximum estimated production, ANWR would deliver more than six times the amount of oil to the market daily than Kerry's SPR proposal would free up.

*Increased Ethanol Subsidies.* Kerry also proposes increasing ethanol use in motor fuel by five billion gallons by 2012. This is nearly triple the amount currently produced. But this shift would also increase fuel prices because ethanol is twice as expensive to produce as conventional gasoline. The federal government currently subsidizes production of ethanol blended fuels through a tax exemption worth 53 cents per gallon. But even with the subsidy, the retail price of ethanol-blended gasoline is five to 10 cents higher than conventional blends. Accordingly, the 5 billion gallon mandate would add another four to 10

cents per gallon to the price of gasoline. Worse, it takes as much or more energy to produce a gallon of ethanol as the ethanol itself produces; thus requiring its use is unlikely to increase the overall energy supply.

*Alternative Electric Power.* The Kerry plan calls for 20 percent of America's electricity to be produced from wind, solar, geothermal and biomass by 2020. Despite \$24.2 billion in federal subsidies over the past 20 years, renewable energy sources provide only 2 percent of the nation's electricity generation. They have yet to gain significant market share because it

**Power Generation Costs for New Capacity**  
(cents per kilowatt hour)



\* Price does not include cost of backup power.

Sources: Robert L. Bradley, Jr. and Richard W. Fulmer, *Energy: The Master Resource* (Dubuque, Iowa: Kendall/Hunt, 2004), p. 45.

costs more to generate electricity from alternative energy sources than from traditional fossil fuels.

- Electricity generated from new fossil fuel plants powered by natural gas or coal costs 4 to 5 cents per kilowatt hour.
- Wind power costs 6 cents per kilowatt hour — including federal subsidies amounting to 1.8 cents per kwh.
- Solar power costs 14 cents kwh for thermal processes and 19 cents kwh for photovoltaic generation. [See the figure.]

In addition, because wind and solar power are intermittent, they must be backed up by fossil fuel power generators. This redundancy increases costs.

**Kerry's Inconsistent Approach to Greenhouse Gas Reductions.** The Kerry energy plan is inconsistent with his support for reducing greenhouse gas emissions. Though one can reduce energy use to cut emissions, Kerry promises more energy and reduced emissions. He can't have it both ways. For instance, because wind and solar power require backup generators powered by traditional fuels, current projects have not delivered the greenhouse gas reductions promised. In addition, Kerry promises \$10 billion to support "clean coal" technology over the next decade. Coal should indeed play a major role in our energy future, given that it provides more than 50 percent of America's electricity and can continue to meet current demands for 300 more years. But Kerry's support for coal runs counter to his commitment to reduce greenhouse gas emissions:

- Coal-fired power stations are responsible for 80 percent of the utility sector's emissions of carbon dioxide (CO<sub>2</sub>).
- Clean coal technology can reduce levels of certain pollutants, but its most widely used form does not reduce CO<sub>2</sub> emissions.
- Even integrated gasification combined cycle, a new and expensive clean coal technology, only reduces CO<sub>2</sub> emissions 10 to 15 percent.

The Kerry energy plan also calls for maintaining the nuclear industry's role in electricity production. This would help reduce CO<sub>2</sub> emissions since nuclear power plants, which currently provide 20 percent of the nation's electricity, emit no CO<sub>2</sub>. However, Kerry would bar the shipment of nuclear waste to the planned

federal storage facility at Yucca Mountain, Nevada. Kerry insists that "nuclear waste disposal and transportation proceed only on the basis of rigorous peer-reviewed science and analysis." Yet, \$6 billion of scientific research over the past 50 years indicates that Yucca Mountain is the safest place to store the nation's mounting nuclear waste stockpile. Kerry's position virtually ensures that no new nuclear power plants will be built since, for liability reasons, banks won't fund new plants without a safe option for storing nuclear waste. If no new plants are built, and older plants are retired at the end of their useful lives, a declining share of America's electricity will come from nuclear energy. The reality is that fossil fuel power plants, rather than wind or solar power, will replace nuclear power's declining share and thus greenhouse gas emissions will increase.

**Kerry's Inconsistent Approach to Energy Independence.** Kerry repeatedly stresses the importance of reducing U.S. dependence on foreign energy sources, particularly oil from the Middle East. However, the oil market is global. Even if all of the oil the U.S. consumed was produced domestically, we would still be subject to the supply and demand conditions of the world market. And as the 1973 oil embargo demonstrated, America has little ability to discriminate against certain producers of oil (and vice versa).

If enhanced national security through energy independence were an obtainable goal, Kerry's policies would actually undermine it. Less oil in the SPR means fewer days of replacement oil in emergency situations. Refusal to explore and produce fuels from ANWR will lead to greater imports. In addition, Kerry's refusal to allow the storage of nuclear waste at Yucca Mountain presents a national security risk. Today, waste is temporarily stored at some 131 sites scattered across 39 states. Clearly, a single isolated, underground site located near a military base is more defensible against potential terrorist attacks.

**Conclusion.** Candidate Kerry's energy plan presents some laudable goals, but if enacted, his plan would have the opposite of its intended effects. It would raise energy prices and reduce energy security. As such, it is a plan that no politician concerned about America's future prosperity should support.

*H. Sterling Burnett, Ph.D., is a senior fellow and Todd Gabel is a research assistant at the National Center for Policy Analysis.*

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