

## A Waste of Energy

America needs a new energy policy to reduce its reliance on foreign oil, but the \$26-billion measure that stalled in Congress last November clearly wasn't it. The bill was bloated with \$17 billion in tax breaks intended to spur production of oil, natural gas, coal and nuclear power. Although the act would have also funded efforts to reduce greenhouse-gas emissions—such as the Clean Coal Power Initiative—its strategy was

wasteful and wrongheaded. The energy bill would have spent billions of taxpayer dollars on the development of unproven technologies that may never be adopted by the private sector.

Rather than resurrecting the failed 2003 bill this year, Congress should start afresh with a law focused on energy conservation. The energy saved through efficiency measures since the

1970s has been far greater than that produced by any new oil field or coal mine. As those measures came into effect between 1979 and 1986, the U.S. gross domestic product rose 20 percent while total energy use dropped 5 percent. Last year's energy bill would have set new efficiency standards for several products (traffic signals, for instance) and provided tax incentives for energy-efficient buildings and appliances, but the government can do much more.

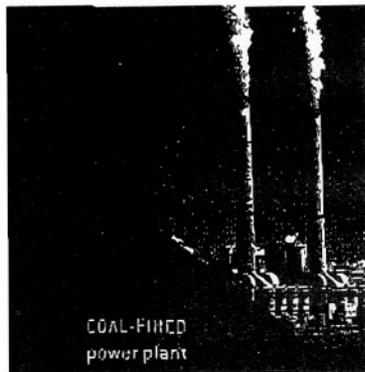
Many economists argue that the best conservation strategy would be to establish an across-the-board energy tax. Under this approach, Congress would not dictate any efficiency standards; rather businesses and consumers would voluntarily avoid energy-guzzling appliances, heating systems and vehicles to minimize their tax bills. European countries, for example, have successfully boosted the average fuel economy of their

cars by imposing high taxes on gasoline. But raising energy taxes would place a disproportionate burden on poor Americans if the new excises were not accompanied by some relief for low-income people. And the idea is a political nonstarter in Washington, D.C., anyway.

A more palatable approach would be to bolster energy conservation efforts that are already proving their worth. More than 20 states have public benefits funds that assess small charges on electricity use (typically about a tenth of a cent per kilowatt-hour) and direct the money toward efficiency upgrades. New York's Energy Smart Program, for instance, has cut annual energy bills in the state by more than \$100 million since 1998, and current projects are expected to double the savings. Nationwide, however, ratepayer-financed programs lost ground in the 1990s because of utility deregulation. Congress can correct this problem by creating a federal fund that would match the state investments.

Another smart move would be to raise the Corporate Average Fuel Economy (CAFE) standards for cars and light trucks. Thanks in large part to CAFE, which was introduced in 1975, the average gas mileage of new vehicles in the U.S. reached a high of 26.2 miles per gallon in 1987. But the average has slid to 25.1 mpg since then, partly because more people are buying sport-utility vehicles, which are held to a lower standard than cars. At the very least, Congress should remove the loophole for SUVs. Automakers have the technology to improve fuel economy, and consumers will benefit in the end because their savings at the gas pump will far outweigh any markups at the car dealership.

According to the American Council for an Energy-Efficient Economy, a law that establishes a federal benefits fund and raises CAFE standards could reduce annual energy usage in the U.S. by nearly 12 percent. To put it another way, conservation would eliminate the need to build 700 new power plants. That's a lot of juice.



COAL-FIRED  
power plant

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