



FROM THE CANDIDATES

Gore and Bush Address Key Environmental and Energy Issues

With an eye on the upcoming election, RFF asked the Democratic and Republican presidential candidates to respond to four questions on environmental and energy policy. What follows are the verbatim responses developed by their campaign staffs.

RFF: Should the administrator of the Environmental Protection Agency be allowed to consider costs to regulated parties when setting national air quality standards?

Bush: I believe the EPA should carefully assess both the benefits and costs of each of its air quality standards and then select the standard that best balances benefits and costs at the margin. The EPA's current policy of considering only the benefits, and not the costs, of its air quality standards does not produce the most effective environmental policy and, in the end, it results in the misallocation of our environmental resources.

The current, benefits-only policy also leaves the EPA with too much unaccountable power. For this reason, a federal court held that the agency's standards for ozone and particulate matter—EPA's most ambitious undertaking during the Clinton-Gore Administration—were unconstitutional. That case is now before the U.S. Supreme Court, where more than 40 leading economists and environmental-policy experts have urged that the EPA should consider costs as well as benefits—and do so at the standard-setting phase rather than the enforcement phase. This respected group includes two Nobel Prize winners and all three former chairs of President Clinton's Council of Economic Advisers.

Gore: Al Gore believes that the current approach to regulatory review under Exec-

utive Order 12866 provides for appropriate consideration of the costs and benefits. The process of developing every major regulation should include assessment of the costs of different approaches, comparison of costs and benefits of each option, and identification of alternatives that might achieve public health and environmental protection more cost-effectively.

He also supports expanded use of market mechanisms in lieu of, or in addition



to, the more traditional approach of standard setting through regulation. The administration's climate change technology initiative, and his proposal for a national energy security and environmental trust fund, would establish a wide range of market incentives to address the threat of global climate change and other environmental challenges we will face in the coming century.

Al Gore believes that there is also room to improve the analysis of costs and benefits that the current regulatory review produces. For example, there is substantial evidence that costs of compliance often are far lower than predicted when regulatory standards are developed because of the pace of technological change. The methods and data available to assess the public health and environmental benefits of regulation are quite limited, presenting the risk that we may fail to take actions that are cost-justified. Critical attention to these areas offers greater promise for improved consideration of cost in regulatory decisionmaking.

RFF: What role should nuclear power play in meeting the nation's growing electricity needs?

Bush: Nuclear power is a vital part of our nation's energy supply mix, currently supplying over 20% of our country's electric needs without polluting the air. The New Economy is increasingly placing a heavy burden on our electric generation capabilities, at the same time that we are trying to limit emissions and keep the air cleaner. Today, we are importing 56% of oil requirements. Therefore, it is imperative that we cultivate and protect clean, domestic energy sources. Nuclear power must continue to play an important role if we are to meet the energy requirements of the New Economy and the air quality that Americans rightly demand.

More broadly, our country desperately



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needs a comprehensive energy policy, one that reflects the realities of our energy consumption as well as our policy goals for the future. Our dependence on foreign oil concerns me. We currently import 56% of our petroleum needs—up from 50% in 1993—and Iraq is our fastest growing oil supplier. We need to encourage domestic exploration for oil and natural gas and reduce our dependence on foreign supplies. Nuclear power must continue to thrive. We should also develop alternative sources of energy, and the government should focus on basic science to support growing these resources. Government should not be picking corporate and technology winners and losers, however. That is a throwback to the Carter era of command-control energy policy, which had disastrous results.

Gore: Al Gore does not support an increased reliance on nuclear power for electricity generation. However, as long as nuclear power plants meet federal health and safety regulations, decisions about constructing new plants should be left to public utility commissions and private investors. Given current economies of power generation, however, he would not expect that utilities constructing additional generating capacity would choose nuclear power. Furthermore, he strongly supports efforts to limit the need for additional power generation through energy efficiency and to use the appropriate mix of regulation and incentives to ensure that utilities constructing new capacity choose generating sources with the least environmental impact.

We must also recognize that both our economic and environmental goals require a vision of the future that does not simply assume ever-expanding consumption of

fossil fuels and an ever-growing base of centralized power generation. That future requires a smooth transition to an energy system that meets our needs without overheating the planet. Proposals for restructuring and deregulating the electric power industry present an opportunity to help create this future.

RFF: Most experts agree that if the United States is to significantly reduce its emissions of carbon dioxide, the prices of gasoline, home heating oil, natural gas, and electricity (at least that derived from oil, natural gas, or coal) will have to rise. Will you support policy measures that will have this effect?

Bush: I oppose policies like the Kyoto Protocol that would drastically increase the cost of gasoline, home heating oil, natural gas, and electricity. That treaty would impose high and unfair costs on the U.S. economy without protecting the climate. That's why there is strong bipartisan opposition to it.

The Kyoto Protocol is ineffective, inadequate, and unfair to America because it exempts 80% of the world from compliance, including major population centers such as China and India. As president, I will work for a comprehensive, fair, and effective agreement—one in which developing nations are full partners, new technology is central, and the power of the marketplace is harnessed. I believe reductions in global pollution through market-based mechanisms, such as the use of appropriately structured pollution credit trading, has worked in the past and can work in the future.

In addition, my administration will provide incentives—not roadblocks—for states to effectively deregulate their electric



and natural gas markets. Deregulation will increase competition and foster innovation, leading to lower prices and better customer service. America must work with businesses and other nations to develop new technologies to reduce harmful emissions. I support investing in technologies that rely on clean, abundant, renewable energy sources, as well as the development of cleaner cars and cleaner-burning fuels and alternative sources of fuel and new fuel alternatives.

I believe that natural gas will play an important role in helping America reduce its dangerous dependence on foreign oil and meet its energy needs in the 21st century. Because natural gas is hemispheric in nature, it's not subject to global supply disruptions. It is also environmentally friendly, releasing fewer greenhouse gases and criteria pollutants per energy unit than other fossil fuels. In addition, a majority of incremental electric generation under construction is gas-fired, providing an important role in electric deregulation efforts nationwide.

The federal government can encourage the use of cleaner fuels by working with

companies seeking long-term, “green energy” solutions. As president, I will set high environmental standards and clear environmental expectations. I will tear down regulatory barriers to innovation and provide market-based incentives to develop new technologies so Americans can meet—and exceed—those standards.

One of the best ways to encourage clean, efficient, and affordable energy technologies is the R&D tax credit. I will make the R&D tax credit permanent, which will increase private sector innovation, boost productivity, and create more jobs. A recent study found that a permanent tax credit would generate \$41 billion more in new R&D spending over 13 years and provide a 31% return on investment.

Finally, the federal government can serve as a model for the private sector by committing to greater energy efficiency in its own operations.

Gore: Al Gore has realistic, practical proposals to offer Americans secure energy, without higher costs. His National Energy Security and Environment Trust Fund would use market-based mechanisms to help consumers purchase energy-efficient items ranging from appliances, to vehicles, to homes. Here’s how:

Tax Credit for Solar Energy Systems: Under current law, a 10% investment tax credit is provided to homes and/or businesses for qualifying equipment that uses solar energy to generate electricity, to heat hot water, or to provide solar process heat. Al Gore is proposing to expand this tax credit. Under this proposal, the credit would be equal to 20% of qualified investment up to a maximum of \$1,000 for solar water heating systems and \$2,000 for rooftop photovoltaic systems

Consumer Tax Credits for Clean Power: In

some states consumers have the option to choose cleaner energy sources. However, utilities often charge a higher rate for these cleaner sources of energy. To ensure that individuals and families have a real choice of energy sources, Al Gore is proposing to provide a tax credit that would partially reimburse consumers on a per-kilowatt-hour basis, for the cost of purchasing a cleaner energy alternative. This credit would phase out in 2010.

Assistance to State and Local Government Efforts to Help Families and Businesses Cut Energy Bills and Save Money: Some 20 states have launched efforts aimed at helping families and businesses cut their energy bills by reducing their energy use. The Clinton-Gore Administration has proposed a fund to match state investments in electric energy efficiency dollar for dollar. In addition, Al Gore will provide additional resources to support natural gas, fuel, oil, and liquid propane gas users.

Assistance to Communities that Come Together to Solve Environmental Problems: Using the highly successful empowerment zone legislation as a model, Al Gore will create a competition to provide \$100 million in financial incentives to each of 20 communities that develop comprehensive strategic plans to reduce pollution and greenhouse gas emissions, while promoting economic development and jobs. One of the goals of this initiative will be to bring together industry, local organizations, and governments in order to address the unique environmental and energy needs of each community.

Al Gore supports measures to increase America’s capacity to generate and distribute power cleanly and reliably. His plan would:

Extend and Modify the Tax Credit for Producing Electricity from Renewable and

Alternative Sources: Al Gore supports tax credits to help make electricity products produced from energy products that produce virtually no greenhouse emissions (i.e., wind, biomass, and landfill methane).

Provide Tax Incentives to Encourage Distributed Power: Distributed power technologies can be more energy efficient and generate fewer greenhouse gases than conventional electrical generation methods. Al Gore is proposing to provide accelerated depreciation for distributed power property. This proposal costs \$1 billion over 10 years.

Establish Standards and Upgrade Infrastructure to Ensure the Reliability of the Electricity System: Al Gore supports legislation that would create an organization to adopt mandatory standards and penalties for any utilities that endanger the reliability of the power system. He also supports providing financial support to owners of electricity transmission infrastructure who upgrade their plants and avoid losses of power that take place during transmission.

Increase the Supply of Gas for Electricity Generation: The current administration has supported a successful policy in the western part of the Gulf of Mexico to promote expanded exploration of natural gas. This program involves economic incentives for exploration and will expire in November 2000. Al Gore supports legislation extending the program beyond November 2000.

Al Gore would propose legislation which offers a menu of financial mechanisms such as tax incentives, loans, grants, bonds, or other financial instruments to those power plants and industries that come forward with projects that promise to dramatically reduce climate and health-threatening pollution.

Financial assistance will be competitively based, with assistance going to those



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plans that are most likely to produce the greatest pollution reductions for the least cost.

Spurring Private Investment in New and Innovative Technologies: Al Gore will provide incentives to encourage the private sector to identify and support innovative energy and transport-related technologies that: (1) have promise in reducing pollution and bolstering energy security, but (2) are not yet commercially viable. His plan will reduce dependence on unreliable imported oil by increasing the use of domestic energy and transportation technology that could help reduce pollution. The plan would expand investment in the Small Business Innovation Research Program (SBIR) and the Advance Technology Program (ATP). It would target these increases in order to provide businesses with incentives to both develop new energy-efficient, environmental technologies and to put them in the marketplace.

RFF: Agricultural runoff is the major source of water pollution in many parts of the country. Should we impose mandatory controls on this form of water pollution, as we have with both municipal and industrial sources?

Bush: I believe we need to make greater progress in cleaning America's rivers, lakes, and drinking water supplies. Recent fig-

ures confirm that nonpoint-source pollution accounts for more than half of the remaining water pollutants. But our current command-and-control approach to point-source pollution is poorly suited to addressing water pollution caused by agricultural runoff.

Successfully addressing agricultural runoff will require high federal standards based on the best science and a focus on achieving real improvements in water quality. Citizens and localities should be given the resources, the flexibility, and the incentives to get the job done. We must also significantly improve the quantity and quality of information to support these changes. Better information is essential for determining whether our efforts are having the desired results. Above all, we need to unleash and reward technological innovation. To this end, the states, with EPA support, need to provide incentives for farmers to innovate and develop the best management practices to reduce runoff.

Indeed this is already happening. Some farmers are now using tractors equipped with computers that give precise information about soil moisture and content so they can tailor fertilizer applications according to need. This precision agriculture can improve yields while dramatically reducing the use of agricultural chemicals. Several states have begun to work with the farming community and conservation

groups to develop a list of best practices that reduce agricultural runoff while preserving profitable farming.

Gore: The process of developing total maximum daily loads (TMDLs) under the Clean Water Act has to be tailored to the impairments at issue on individual stream segments. The administration has made clear that discharges from the very largest livestock operations must be permitted under the law. For smaller agricultural operations and other sources of "nonpoint-source pollution," a voluntary approach—providing resources and support to farmers and ranchers adopting best management practices to control polluted runoff—can meet the goals of the TMDL program as long as those voluntary measures provide "reasonable assurance that TMDL goals will be met."