

OBAMA'S CAMPAIGN PROMISES ON ENERGY ISSUES AND THEIR IMPACT ON TERMINALS

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President-elect Barack Obama had plenty to say about energy and environmental issues during the campaign. His positions were highly predictable. They were drawn straight from the Democratic Party's well-established playbook on transforming energy consumption in America and imposing broader and much more stringent environmental regulations. The centerpiece of this strategy is direct government intervention in the energy markets for the purpose of altering the mechanisms that determine supply and demand for energy resources. This would take the form of compelling reduced reliance on coal and petroleum, requiring greater production and consumption of alternative fuels, and forcing consumers to use less energy. Obama made the following specific promises:

Renewable fuels - Increase the use of renewable fuels to 10 percent of total U.S. energy consumption by 2012 and 25 percent by 2025. The government would require the production of 7.5 billion gallons a year of renewable fuels by 2012 and at least 60 billion gallons a year, including cellulosic ethanol, by 2030. This would be accomplished, in part, by tax incentives and massive new government "investments" in fuel distribution infrastructure and research targeted toward the most promising technologies.

Fuel economy - Double the fuel economy standards for cars and trucks within 18 years by increasing fuel economy standards 4 percent annually. Mandate that all new vehicles have flexible fuel capability enabling them to run on any blend of gasoline and ethanol. Guarantee that half of all cars purchased by the federal government by 2012 will be all-electric or plug-in hybrids.

Greenhouse gas emissions - Pass a carbon cap-and-trade bill to reduce greenhouse gas emissions to 1990 levels by 2020 and 80 percent below the 1990 levels by 2050. Auction off all carbon permits on the "polluter pays" principle, rather than permit the government to give free or low-cost credits to certain deserving industries. The massive amount of revenue from the auction process would be spent on developing "clean" energy and the next generation of biofuels, expanding wildlife management programs, and providing "transition relief" to help low-income families pay for the much higher energy costs resulting from a new, low carbon economy.

Domestic production of oil and coal - Push Congress to enact a windfall profits tax on the major integrated oil companies. Support "limited expansion" of domestic offshore oil and gas development as long as it is part of a compromise containing tradeoffs that would promote renewable energy and more fuel efficient vehicles. Require oil companies to begin developing their existing offshore drilling leases or face the prospect of losing the leases. Although Obama has not openly opposed construction of new coal-fired power plants, he has expressed hostility toward reliance on coal for electric generation unless clean coal technology is used.

Facility security - Impose more stringent security requirements on chemical and petroleum facilities to protect surrounding metropolitan areas from the consequences of a successful terrorist attack. Require chemical production plants and terminals to use "inherently safer" technologies and procedures. In addition, require these facilities to use and store less toxic chemicals.

Obama's first priority will be to tackle the economic crisis. His administration will need to move immediately into emergency mode to deal with a full-blown recession and a dysfunctional financial system on government life-support. There will certainly be more stimulus packages and industry bailouts. Ending the war in Iraq and winning the war in Afghanistan will be huge undertakings, along with attempting to reform the U.S. healthcare system. Plunging federal tax revenues may force Obama to postpone keeping his promise to cut the federal taxes of 95 percent of households. Clearly, major changes in energy policy will not rank high on the new administration's list of priorities. Nevertheless, in the short term, terminals will have to deal with attempts to impose tougher environmental regulations, such as new limits on air and water releases, and much tighter security requirements. Facilities that handle certain high-risk chemicals will be confronted with initiatives to require the replacement of those products with others deemed less dangerous. Congress is gearing up to pass a climate change bill in 2009. Once the compliance costs become better known, Obama may attempt to moderate the severity of the emission limits. The long-term impact of global warming legislation on terminals remains unclear. On the positive side, terminals that handle ethanol and biodiesel will certainly benefit from another surge in the national consumption of these fuels, assuming that the mandated increases in production promised by Obama actually occur.