

Fix the Real Problem: End America's Energy Vulnerability

A Framework for Responding to the Gulf Coast Oil Crisis



SOURCE: AP/Patrick Semansky

A group of children in Mississippi look at the beach near their homes to see the environmental degradation beginning to occur there due to the BP oil disaster.

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The ongoing oil disaster in the Gulf of Mexico has taken an enormous toll on the region's economy. BP's Deepwater Horizon rig gushes as

much oil every five to 10 days as the Exxon Valdez released overall—and there's no end in sight. The economies of Louisiana, Mississippi, Alabama, Texas, and Florida will be devastated for decades to come.

Some oil companies, such as Chevron, claim that this is an isolated incident caused by a sloppy company, with its damages confined to the gulf states. But it is a symptom of true national crisis—a crisis caused by our oil dependence and our unwillingness to release a national economy held hostage by fossil fuels. This manmade disaster underscores the harsh consequences of delay in addressing our currently unsustainable energy and economic development path.

The current crisis demands that we do far more than protect communities in the Gulf of Mexico. As President Barack Obama himself has said, we must “make certain a spill like this never happens again.” Our national response must drive a sustained effort to reduce our dependence on fossil fuels. We must target the structural causes of our vulnerability to oil in an effort to rebuild and strengthen our national economy while restoring the economic health of oil-dependent regions.

The debate about the BP oil disaster has so far focused largely on how to keep drilling more safely—as if oil is the oxygen in the very air we breathe. But there are alternatives: alternatives to oil, and alternatives to the stranglehold that fossil fuels have on the American economy. **Public support for these alternatives** grows with each new barrel of oil flowing into the gulf. It is high time for Congress and the Obama administration to step up and heed this call to action.

The Obama administration's efforts to manage the oil spill have so far been pragmatic and transparent. What America needs now is for the president and Congress to make a bold commitment to lead our country out of BP's oil spill mess and away from the dirty energy sources that caused it, and toward a profitable and powerful clean energy future.

Cleaning up and rebuilding the gulf will take much long-term strategic thinking and planning, but this should not come at the expense of immediate action. BP cannot and should not be trusted to manage the real-time information and data that will inform the rebuilding because their interests are inherently not aligned with those of the American people. The Obama administration must take the reins, **deploy the military** in playing a leadership role in the cleanup, keep BP on the financial hook, and give the American people an accurate picture of what is happening on the ground.

President Obama must deliver on his core campaign promise of accountability and transparency like he did with his leadership in passing the American Recovery and Reinvestment Act of 2009. The president **should establish** an independent Gulf Recovery Oversight Board to manage the cleanup and recovery efforts and make the information and data associated with them accessible to the public via GulfRecovery.gov. This type of bold action will send the message that this type of disaster cannot and will not happen again.

Building a clean energy strategy will not be easy and the president cannot do it alone. Congress has made significant advances in laying out serious legislative proposals over the past year that offer concrete proposals, not only for reigning in our carbon emissions, but also for getting off fossil fuels and rebuilding our economy on the firm foundation of energy innovation. Yet Congress is only one step into a truly comprehensive strategy to build a clean energy economy.

If we are to turn the BP oil disaster into economic opportunity and reduce our strategic vulnerability to fossil fuel dependence, the president and Congress must see this crisis in its true light. It is not a crisis caused only by BP or even by our oil dependence alone. It is a disaster borne from an economic strategy that is based on dwindling and dangerous fossil fuels. There is a path out of this mess:

- We must better regulate oil while moving the country beyond our dependence on oil.

- We must aggressively invest in alternative energy technologies, including energy efficiency programs.
- And we must finally cap and price carbon pollution, meeting the global commitment to bring carbon emissions down to at least 17 percent below 2005 emissions by 2020.

These efforts, taken together, can propel the United States along the path to ending oil dependence, rebuilding our economy on a low-carbon foundation, and meeting the climate pollution reduction targets outlined in House and Senate legislation, even in the absence of a congressionally authorized carbon trading system. And it will preserve and enhance clean air and clean water for our children and their children.

We are at a time unlike any other in history. The president, Congress, and the American people must think big and realize that the 21st century economy will not be powered by the same 20th century engines. We need a strategy that will get us back to work, wean us off dirty energy from hostile nations, bring health and economic benefits to countless Americans, and drive the long-term American prosperity and strength to which we are accustomed. We need a clean energy future, and we need to start building it now.

Moving away from our dependence on oil

The path forward to a new energy economy must begin with a direct response to the current crisis. That means it must begin with oil. We must stop risking workers' lives and putting taxpayers on the hook to pay for our country's oil dependence. We need comprehensive oil reform legislation that protects us from future production disasters, reduces our oil use, promotes the transition to less polluting fuels and a new generation of vehicles, cuts oil industry subsidies, and generates revenue to help us reduce our consumption of oil.

The Center for American Progress has proposed an **oil reform agenda** that regulates the oil industry while also moving the country away from our utter dependence on that industry. We propose:

- Eliminating the liability limit for offshore oil disasters, which currently caps oil spill liability at \$75 million
- Requiring BP to put \$5 billion—its first quarter 2010 profits—into an escrow fund to ensure prompt payments for cleanup and compensation
- Requiring all oil companies active in the region to invest in a long-term economic development fund to reverse the decades of damage that the oil and gas industry has done to wetlands and the overall economy
- Adopting the recommendations for offshore oil-well safety in the Interior Department’s “**Increased Safety Measures for Energy Development on the Outer Continental Shelf**” report, including better back-up systems and more complete inspections
- Implementing fuel economy and alternatively fueled vehicle measures that will produce a 7 million barrel-per-day reduction in oil use by 2030 with interim reductions, and empowering the president to implement these measures to reach that goal
- Significantly reducing oil use from vehicles by establishing 40 mile-per-gallon fuel economy standards for cars and light trucks by 2020, and establishing the first fuel economy standards for medium- and heavy-duty trucks
- Powering trucks and buses with natural gas by enacting the **NAT GAS Act**

- Powering cars with electricity by enacting the Electric Vehicle Deployment Act
- **Eliminating taxpayer subsidies** that benefit big oil companies
- Invoking the **Trade Expansion Act** to levy a fee on imported oil and use the revenue from this fee to invest in public transit, high-speed rail, and infrastructure for electric and natural gas vehicles

Bringing clean energy and efficiency to scale

The United States will continue to be dependent on fossil fuels such as oil and coal until we invest in energy and fuel alternatives. And oil and coal are dirty energy sources that are increasingly harder and more dangerous to find. The American Recovery and Reinvestment Act jumpstarted these investments by putting over \$80 billion into renewable and efficient energy programs. But ARRA funds are coming to an end this year, and we must come up with a strategy to prevent clean energy companies from moving out of the United States **to other countries with more competitive positions** in the growing global clean energy economy.

The Obama administration and Congress must provide long-term, stable incentives for investments so businesses and entrepreneurs see the United States as a good place to invent, commercialize, manufacture, and deploy clean energy and energy efficient technologies. We can get off oil and turn instead to the efficient use of domestically produced renewable alternatives to fossil fuels. It will involve retooling our automotive fleet to rely on clean, domestic forms of fuel and increasingly relying on electricity. This will require rebuilding our energy grid, reconfiguring our factories, and rewiring communities for smarter energy use.

Simply put, a national agenda that spurs investments in clean energy on a mass scale is a smart, profitable, economic move that will create jobs and make America more competitive and secure. To get off fossil

fuels and rely instead on smart, clean, domestic energy choices, we must:

- Create a “**green bank**” to bring clean energy to consumers by increasing access to financing for entrepreneurs that have invented new clean energy technologies, helping get these technologies through the “valley of death” and to commercial scale in the market
- Extend incentives for clean energy and advanced technology vehicle **manufacturing**, such as the 48C manufacturing tax credits and the Advanced Technology Vehicles Manufacturing Loan Program under ARRA, to put a new fleet of American made electric vehicles on the road and ensure that U.S. manufacturers participate in global clean energy markets
- Provide certainty to clean energy project developers by passing an ambitious but achievable national renewable energy standard mandating that 25 percent of our electricity be produced from renewable sources by 2025 to foster the long-term market stability essential to U.S. competitiveness in renewable energy manufacturing and production
- **Extend federal financing programs** along the lines of those included in ARRA—renewable energy production grants and loan guarantees to clean energy project developers to ensure that renewable energy projects continue during this period of economic recovery, bringing new domestic clean energy on line
- Make homes and buildings more energy efficient by passing strong federal building standards and a robust federal energy

efficiency resource standard, reducing dependence on imported energy, creating greater stability in energy markets, and increasing demand for energy efficient technology

- Establish direct public-investment programs and strong market incentives to encourage home owners and commercial and industrial property managers to invest in energy efficiency through measures such as the proposed **HOME STAR** and Building Star programs
- Create new tools for financing implementation of building energy efficiency and distributed renewable energy generation by providing federal support for innovative state, local, and private sector financing tools—including on-bill and **PACE financing** and other measures—that help home owners overcome the first cost barriers that currently discourage investment in profitable clean energy retrofits in homes and offices
- Rebuild the U.S. electricity grid to support reliance on clean, domestic, renewable energy as an alternative to oil in motor vehicles and as a replacement for unsustainable fossil fuels across the economy. This involves increasing federal backstop authority for planning, siting, and cost allocation in the construction of new transmission infrastructure built to accommodate new renewable energy resources, as well as improved federal standards and cost sharing for implementation of digital smart grid technology within regional electricity distribution networks

Putting a limit and a price on carbon pollution

The BP oil disaster has taught us that worst-case scenarios sometimes happen, even when fossil fuel companies assure us they are inconceivable. The government's job is to do everything to prevent these problems from happening in the first place, since response and adaptation to such catastrophes is always inadequate.

The business-as-usual scenario for unrestricted greenhouse gas emissions include more than 9°F warming this century, four to six feet or more of sea level rise, widespread Dust-Bowlification of the Southwest United States, and deadly ocean acidification. But the worst-case scenario is unimaginably worse.

Another lesson from the BP crisis is that companies, which are not responsible for the true costs of their actions, do not make decisions that are in the best interests of the American people. BP was liable only for \$75 million in economic damages for an oil spill; the company therefore decided not to put safety measures into place that would limit the damages from such a spill. Fossil fuel pollution hurts lives and livelihoods. It needs to be priced that way—otherwise the public will pay, and not polluters.

Charging polluters the true costs of fossil fuel pollution has another benefit—it generates revenue, which can then be re-invested in the clean energy economy. That is why Congress must pass legislation to put a cap and a price on carbon pollution, and to re-invest a significant portion of the proceeds back into the economy to get America off its oil and dirty energy addiction.

At the same time, Congress must be careful not to thwart the state and regional governments that have already taken strides toward clean energy deployment and carbon pollution reductions. We must preserve states' and communities' ability to lead the nation if we are going to remain a center of innovation and an economic engine in the growing global market for advanced low-carbon technology.

The Environmental Protection Agency's authority to regulate carbon emissions also remains a critical public protection from big energy

companies and for reducing our energy vulnerability. EPA rules provide a vital insurance policy to guarantee that America will deploy clean energy alternatives to oil and other fossil fuels. A strong investment-led program for technology deployment—with the backstop of potential EPA regulatory action—offers a way forward for meeting our global commitments to bring new energy alternatives on line.

The recent defeat of Sen. Lisa Murkowski's (R-AK) stand alone resolution that would have rolled back the EPA's regulatory authority is an important victory for clean energy because it affirms the federal government's responsibility to regulate businesses when they fail to protect the public interest. As Congress and the president work to put in place a more comprehensive approach to replace oil and polluting fossil fuels with smart energy technology, we must at a minimum preserve those rules that are now currently in place to help steer our economy toward better energy choices.

America's response to the crisis in the Gulf of Mexico can lay the foundation for a national strategy to restore our national energy security by moving off of unsustainable and imported fossil fuels. This solutions-driven approach, which starts with reducing our use of oil and expands to implement existing technology across our entire economy to rebuild on the foundation of clean energy, will also allow the United States to join the community of nations in reducing global energy insecurity by addressing the threat of global warming.

Combining direct policies to deploy clean technology with simple regulatory authorities will allow the United States to meet its global commitments to reduce global warming pollution by 17 percent below 2005 levels within a decade. Meeting this commitment will further improve our global competitiveness and reduce our vulnerability to price shocks and rising energy demand.

We must never let this happen again

The gulf crisis would have played out differently if the Bush administration had made different policy choices during its time in office. Stronger regulation and higher liability caps would likely have pushed BP to try harder to avert this crisis by investing in backup safety devices, such as an acoustic blowout preventer of the type already required in Norway and Brazil.

If the United States had taken more aggressive steps toward fuel economy, BP might not have found it economically viable to venture into risky deepwater drilling in the first place. If we had invested in clean energy development and deployment in the gulf states, these states might have had a stronger and more diverse economy to fall back on in the event of a major oil spill instead of finding themselves decimated by the only industry they have.

And if we had put a price on carbon back when many other countries made this move, every single business decision made by an oil, gas, or energy company in the United States would have focused more on environmental consequences and less on corporate profit.

The economic and environmental damage resulting from the BP oil disaster could have been prevented. But it wasn't. The fossil fuel industry was once an innovative and progressive one. It facilitated over a century's worth of innovation in America, but today we face new global challenges, new pressures on our energy sector, and a new reality for our economy as a whole.

Big Oil companies have spent their money over the last several decades buying the right to cut every possible corner to make profit—to pollute our air and lakes, to pay fewer taxes, and to decide their own safety standards. The laws that govern our energy production—the energy that fuels our entire economy—were written by these companies, and for these companies, to ensure short-term profits with no regard to long-term American economic growth and stability. It is time for this to change.

America must learn the right lessons from BP's oil disaster and focus on fresh solutions that will put the United States on a profitable path to an economy fueled by clean, secure, and domestic energy. These solutions are close at hand if we mobilize the political will to get the job done.

The efforts outlined above, taken together, can propel the United States well along the path to ending oil dependence, rebuilding our economy on the foundation of clean, domestic, low-carbon energy, and meeting our global clean energy and climate commitments, even in the absence of a congressionally authorized climate change policy. We must move rapidly on all fronts to reduce oil dependence, rein in pollution, and prepare our economy for a future that no longer relies on fossil fuels for the lifeblood of our economy.

We can't afford to spend time looking backward. We must focus with single-minded purpose on moving the American economy toward a cleaner and more secure energy future. We can use this moment of crisis to rebuild and build back better in order to restore American security and regain our economic footing. Following this course of action can allow the president, Congress, Gulf region, and Americans to make sure that such a crisis never happens again.

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For more information on CAP's take on the BP disaster, see:

- [Opening the Information Gusher on the Gulf Oil Tragedy](#)
- [Obama's Oil Reform Opportunity: Setting America on the Road to Recovery from the BP Disaster](#)
- [America Needs an Oil Reform Agenda: Getting Started on a Bold and Direct Plan to Reduce Oil Use](#)

- **Powering an Oil Reform Agenda: Congress and the White House Must Drive Together**