A Joint Letter to the U. S. House of Representatives on H. R. 6 and Other Legislation to Raise Energy Prices

Washington, D. C.
July 30, 2007

Dear Representative:

The undersigned organizations are writing to share our concerns about the Senate-passed anti-energy bill (H. R. 6) and other similar anti-energy provisions that the House may soon consider. These measures would increase the cost of fuels, food, autos, appliances, and electricity. If truth in advertising applied to legislation, these proposals would be called the "Making Energy Less Affordable Act."

Title I of H. R. 6 as passed by the Senate would increase the current renewable fuel mandate of 7.5 billion gallons to 36 billion gallons by the year 2022, while leaving in place the 51 cents per gallon federal tax credit. Whatever percentage of the fuel mix renewable fuels constitute in 2022 would then become the mandatory minimum in 2023 and beyond, providing bio-fuel producers a permanent guaranteed market share, regardless of changes in technology or consumer preference. This is corporate welfare joined to a Soviet-style production quota system.

Corn ethanol could satisfy the first 15 billion gallons of the mandate, but the remaining 21 billion gallons would have to come from "advanced" bio-fuels (defined as produced from anything other than corn kernels). This could raise gasoline prices dramatically, because "advanced" bio-fuels are not commercially viable today even with the 51 cents per gallon subsidy.

Consumers would likely end up taking a triple hit—once at the gas pump, again at the grocery store, and a third time when they pay income taxes.

The current 7.5 billion gallon ethanol mandate has already inflated food prices. Corn is a feedstock for meat, poultry, and dairy products, and in the form of corn sweeteners and syrups is used extensively in processed foods. Title I would increase Americans' pain at the plate as well as at the pump.

As the biofuel mandate ramps up to 36 billion gallons in 2022, revenue losses due to the 51 cents per gallon tax credit increase from $4 billion to $18 billion annually. Cumulative revenue losses exceed $142 billion. Under House Pay-As-You-Go (PAYGO) rules, Congress must "pay" for revenue losses by either cutting entitlements or raising taxes.

Title I also undermines global food security. The UN World Food Program recently warned that rising food prices are reducing its ability to feed the hungry. Diverting ever larger amounts of U.S. grain from food to fuel would further inflate food prices worldwide and threaten millions of hungry people who depend on imports of American grain for their survival.

Title II would ratchet up energy-efficiency standards for dishwashers, light bulbs, and numerous other appliances, as would legislation recently adopted by the House Energy and Commerce Committee. Many of these standards have already reached the point where the higher costs of the appliance outweigh the benefits from the electricity saved. *Consumer Reports* recently studied washing machines that meet current federal efficiency standards and found that unless you can pay $900 or more for a top-loading washing machine, you can no longer buy one that will get your clothes clean in just one wash.

Title V would mandate tighter Corporate Average Fuel Economy (CAFE) standards for automobiles and trucks. The average passenger car would have to get 35 miles per gallon by 2020, and then become 4 percent more fuel-efficient each year from 2021 to 2030. But the current (27.5 mpg) fuel economy standard already contributes to thousands of deaths each year due to vehicle downsizing, according to a 2002 study by the National Research Council. Design and engineering changes to improve fuel economy can also add thousands of dollars to the cost of a new car.

Title VI would prohibit "price gouging" on gasoline sales during a declared state of emergency. Such prohibitions are de facto price controls and, like any legislated price ceiling, increase consumption and reduce supply. This is exactly the reverse of what consumers and firms should do when a disaster disrupts fuel supplies. Thus "price gouging" regulations are bound to deepen and prolong temporary gasoline shortages by discouraging conservation and deterring importers, refiners, distributors, and retailers from raising prices enough to attract additional supply to the disaster area. In the long run, "price gouging" rules will create chronic shortages by driving investment out of gas and oil and into less politically-threatened industries.

In addition to these titles, House Members may offer amendments requiring utilities to produce 10, 15, or even 20 percent of their electricity from renewable sources. Some States already have so-called renewable portfolio standards. These States, mostly in the Northeast and on the West Coast, on average have higher electricity prices than the Mid-American and Southern States that rely mostly on coal-fired power plants. This provision would force up electricity rates in America's industrial heartland, pushing manufacturing jobs overseas.

H.R. 2337, introduced by House Natural Resources Committee Chairman Nick Rahall (D-WV), would gut provisions in the 2005 Energy Policy Act intended to expedite energy development on U.S. public lands. The bill would repeal requirements for timely review of permit applications, designation of energy rights-of-way corridors on federal land, and timely leasing of lands for oil shale and tar sands R&D. Its penalty structure—$25,000 per day for even small inadvertent royalty underpayments that are not reported and corrected within 30 days—would likely scare off most potential energy producers on public lands.

H.R. 2635, introduced by House Government Oversight and Reform Committee Chairman Henry Waxman (D-CA), would require federal agencies to freeze their greenhouse gas emissions by 2010, achieve zero net emissions by 2050, and lower emissions in new buildings 100 percent below 2003 levels by 2030. The bill would allow "the public" to sue and collect damages up to $1.5 million from agencies for failure to meet those and other requirements, potentially transferring millions of dollars annually from taxpayers to anti-growth, anti-energy lobbying groups.

In conclusion, anti-energy policy measures the House is considering or will likely consider this year would gouge consumers of motor fuel, food, electricity, appliances, and autos; add to the annual highway death toll; weaken America's ability to recover from Katrina-like supply disruptions; create a fiscal pretext for tax hikes, and make it harder for the world's poorest people to feed themselves. As a recent CBO study noted, higher energy prices hurt poor people more than the better off because the poor spend a higher proportion of their incomes on energy. The same is true of food, and biofuel mandates would raise food prices, too. We hope you will keep these concerns in mind as you deliberate on anti-energy legislation.

Sincerely,

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