

COUNCIL ON FOREIGN RELATIONS

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Summary: A Symposium on U.S. Energy Policy and the Search for Alternatives

The United States must lessen the intensity of its dependence on fossil fuels or face rising challenges to its influence in global affairs on everything from security to climate change. With that as a premise, a recent symposium hosted by the Council on Foreign Relations, titled “**Panacea or Pipe Dream? Energy Policy and the Search for Alternatives**,” surveyed the options available to policymakers and professionals in the energy field. Participants in the symposium’s four sessions—including energy experts with top private and public sector experience and moderated by the Council’s Sebastian Mallaby—all faulted what they said were sluggish federal policies on research, electricity grid regulation, and management of the current oil-dominated energy policy.

While acknowledging the political difficulties of imposing changes at both the local and international levels, participants urged the White House and Congress to agree on a comprehensive energy plan that spurs private sector efficiencies as well as cleaner air initiatives. “I think this problem is so enormous that we can’t leave any policy tool out of our toolbox to get the best results the soonest. In the energy sector we need coal, gas, nuclear, renewables, and energy efficiency, which to me is the fifth fuel,” said **James E. Rogers**, chairman, president, and CEO of Duke Energy.

David L. Goldwyn, president of Goldwyn International Strategies LLC, an international energy consulting firm, also framed the issue as a security problem, saying the United States was increasingly constrained in confronting problems with oil-producing countries such as Iran and Sudan. “If you can increase diversity, if you can find more access, if you can then create technological alternatives to oil, you can manage your way through this crisis,” said Goldwyn, who served in senior posts in the administrations of Presidents Bill Clinton and George H.W. Bush.

A number of speakers also downplayed the importance of the U.S. surge in ethanol production, which has been backed by federal subsidies and a 2005 congressional bill mandating a doubling of renewable fuels—mostly ethanol—to 7.5 billion gallons by 2012. Some panelists expressed concern that corn-based ethanol was attracting too much attention, resources, and hype. “What the politicians are all looking for are pain-free solutions,” said **J. Robinson West**, chairman of the board of PFC Energy, an international energy consulting firm. “You know, Iowa becomes the new Saudi Arabia, the farmers become new sheiks and it’s great,” West said. “Well, it ain’t going to work. We have to deal with demand.”

The symposium examined the following mix of approaches to both improving existing platforms and boosting alternative sources:

- **Nuclear.** Rep. **Brian Bilbray** (R-CA) was among the panelists who lamented the lack of development in nuclear power generation in the United States for more than two decades. He blamed the “religious zeal” of nuclear opponents, noting that the stalemate over a federal

storage facility for nuclear waste on Yucca Mountain, Nevada, has stalled the construction of new plants. “The waste issue has always been a ruse used to stop the other side,” Bilbray said. Duke Energy’s Rogers noted in his keynote address that twenty-four nuclear reactors are now under construction around the world while in the United States “we’re sitting here doing nothing.”

- **Wind.** **Vijay Vaitheeswaran**, until recently the *Economist*’s correspondent on global environment and energy, called wind power the most promising of the renewable sources at the moment. **John Bryson**, chairman and CEO of California-based Edison International, said his company produces 16 percent of its power from renewable sources, and the largest single component of that comes from wind generation. Bryson said the big challenge with wind power is connecting transmission lines to the windiest locations to bring the power to the grid. But in cases where federal authorization is required, permission for such lines has been difficult to get, he said.
- **Electrical grid improvements.** Vaitheeswaran and Bryson agreed that current electric grids in the United States are outmoded. They encouraged the use of existing “smart” technologies to help electricity producers provide consumers with information about when to use power more efficiently. Bryson said his company has plans to install five million improved energy meters by the year 2011 that will allow two-way transmission of information to help in energy conservation. He estimates the move can eliminate one thousand megawatts of usage from the company’s system, the equivalent of the size of a large nuclear plant. Added Duke Energy’s Rogers: “Technology is the heart of energy efficiency but the distribution system will be the backbone.”
- **Clean coal investment.** The huge energy needs of emerging economic powerhouses like India and China, and the plentitude of domestic coal supplies will likely add enormously to greenhouse gas emissions in the near future. Vaitheeswaran said China is rapidly building coal plants based on dirty, inefficient 1960s technology. He said the United States and Europe must intensify investments to develop cleaner coal technologies to fight global warming and help emerging markets install less-damaging plants. “Coal will be a part of the twenty-first century,” he said. “It’s up to us whether it will be low-carbon or high-carbon.”

Symposium participants made the following policy recommendations:

- **New industry regulations on emissions.** **Timothy E. Wirth**, a former senator and congressman and president of the UN Foundation, said a carbon cap should be the main factor driving federal policy. He said government policy should be focused on research and development, setting new rules for utilities that include rewards for conservation. Wirth noted that ten companies, including Duke Energy, have called for nationwide limits to reduce carbon dioxide emissions by up to 30 percent over the next fifteen years. “Putting that cap on is going to provide a significant incentive that will for the first time admit publicly it’s no longer a free good to put all this garbage up in the atmosphere,” Wirth said. Wirth joined a number of other speakers in promoting cap-and-trade policies, which were a pivotal aspect of the 1990 U.S. Clean Air Act and underpin the Kyoto Protocol on reducing greenhouse gas emissions. Rogers told the same panel that an “early action credit” for industries that start to cap their emissions is one immediate way of incentivizing action by the private sector in advance of any comprehensive energy legislation.

- **A new federal post.** Goldwyn proposed the creation of a White House post responsible for energy issues, a responsibility currently carved out among several departments. “You need somebody who can command and integrate the different parts of the government,” said Goldwyn, noting the new post could supervise everything from Corporate Average Fuel Economy (CAFE) standards to investments in new technologies.

Rogers’s keynote address emphasized the need for energy companies to invest in efficiency programs, which, he said, can address electricity needs at a lower cost than new power plants while also helping the environment. Rogers is chairman of the Edison Electric Institute, the national trade association of shareholder-owned electric companies, international affiliates and industry associates worldwide. He said his company, Duke Energy, is studying a “Save-A-Watt” model in which electricity utilities would get paid as much for meeting demand by introducing energy-saving efficiencies in customers’ homes as they currently get paid for building new generators. Under this model, Duke’s investments in conservation would be rewarded with higher electricity rates; customers would not necessarily pay more because of the energy-saving devices that Duke would have installed in their houses. “The whole idea is we should get paid for producing ‘Save-A-Watts,’ as we do megawatts, and my belief is you would see a dramatic increase in energy efficiency in this country.”