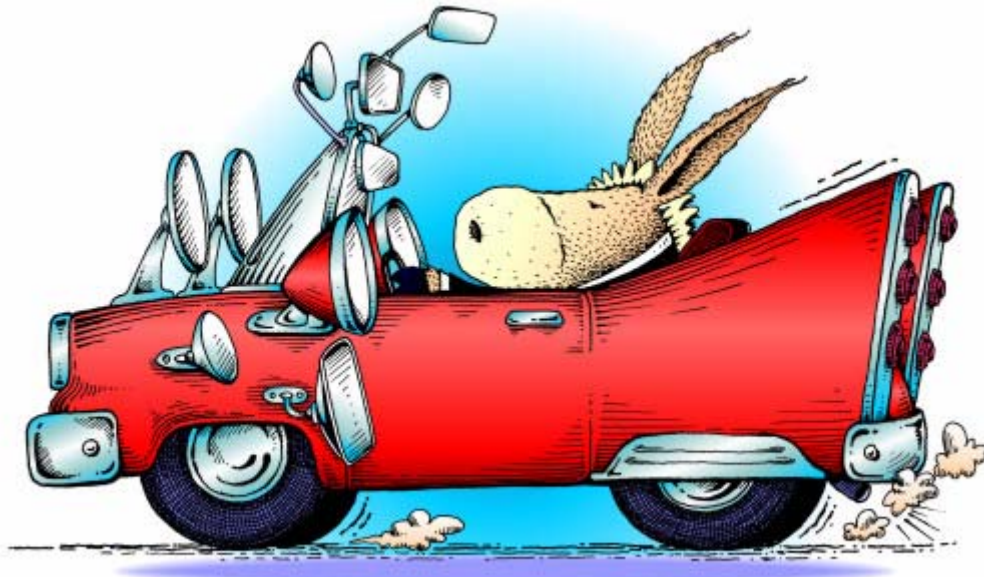


***“Ass Backwards” (Literally):
The Democrats’ “New” Energy
Plan Is Stuck in Reverse***



Flashpoints, Vol. 1, No. 6

**Prepared by the Republican House Policy Committee
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110th Congress**

The Past Is Prolonged: The Democrats' "New" Energy Plan

Executive Summary

Our Republican Party has a 21st Century policy to lower gas prices and achieve energy security through increased American

1. Production
2. Conservation
3. Free Market innovation

The Democratic Party has a 1970s scheme that will raise gas prices and create energy insecurity through increased Government

1. Taxation
2. Regulation
3. Intervention

Stuck in Reverse

If you think you've been down this dead end road before, you are correct. Captive to radical environmentalists, Congressional Democrats only pay lip service to our pain at the pump and the job losses wrought by sky-high energy costs by proffering the failed "lethargy" policies of the past: more taxation, regulation, and government intervention.

As surely as a cardigan clad, thermostat assaulting Jimmy Carter did in the 1970s, these Democrats' "new" energy "plan" will fail America.

To drive home the point, let us languidly saunter down a miserable memory lane...

Taxation & Regulation

In response to 1977-1980's energy crunch, President James Earl ("Jimmy") Carter created the Department of Energy and installed trendy solar panels on the White House (which were later removed by his successor, Ronald Reagan). Amidst the fog of the "moral equivalent of war" wherein troops traded in their flak jackets for sweater vests, in 1978, Carter and the Democratic Congressional majority enacted an energy policy aimed at decreasing oil imports, encouraging conservation, and substituting alternative fuels for fossil fuels. They did not, however, deign to permit increased domestic oil production. The jewel of this Regressive lethargy policy was the imposition of a "gas guzzler" excise tax on the sale of every American made car which failed to attain arbitrarily dictated fuel efficiency standards. Sales of smaller, more fuel efficient foreign cars soared, as did the blue-collar ranks of "American Auto Workers for Reagan." Contrary to popular myth, though, the bill did not subsidize the purchase of earth shoes nor lower gas prices.

Unfazed, Carter exercised his executive authority to lift Richard Nixon's price controls on oil prices; and, with the aid of Congressional Democrats, promptly imposed a "windfall profits tax" on domestic oil companies benefiting from the end of these price controls. Further, Carter also was empowered to impose gasoline rationing subject to Democratic Congressional approval. While this scheme's printed but unused gas

rationing coupons were eventually used to insulate igloos, said coupons did not lower gas prices.

Intervention

Never one to quit when he was behind, on June 30, 1980, Jimmy Carter signed the *Energy Security Act* (ESA) into law. The ESA was comprised of six major acts, including the *U.S. Synthetic Fuels Corporation Act*. The spawn of this legislative boondoggle was the U.S. Synthetic Fuels Corporation (SFC), which was supposed to “jumpstart” the development and production of synthetic alternatives to traditional fossil fuels. Initially, \$88 billion was allotted to the program for purchase commitments, loans, price guarantees, and subsidies for building commercial plants; and, to provide a “quick start” to its “jumpstart”, \$5.5 billion was given to the Department of Energy and the Department of Defense for an interim initiative until the SFC was fully formed. (Even then, Democrats were loath to allow the absence of a program to prevent the funding of a program.)

Eventually, the SFC established ambitious production targets of 500,000 barrels of synthetic fuel per day by 1987; and 2 million barrels of synthetic fuel per day by 1992. In fact, it was proffered that 25% of the nation’s energy would be derived from synthetics sometime in the 1990s.

Funding for the SFC came from the Energy Security Reserve in the U.S. Treasury which was established by the *Department of the Interior and Related Agencies Appropriations Act*, 1980. Projects were selected for funding based on technological and geographical diversity, as well as the amount of sustained federal subsidization they would require. This selection process caused the SFC to cautiously distribute funds – well, cautious for government anyway.

For the *ESA* also created tax incentives for producers of synthetic fuels derived from raw coal. The technical requirement to receive this tax break was to chemically alter the coal in some way. Equitably, anyone who slept through chemistry class was not to be disadvantaged: tax credits were provided to investors who simply sprayed any substance over the coal.

Yes, by 1980 Democrats’ energy hopes reached an all-time high; but so did gas prices. Carter was summarily dispatched from office for his outside-the-box concept of taxing something to produce more of it.

Energy Lesson

What is the moral of this nightmarish nostalgia trip? Carter’s energy plan, including the SFC, were history by 1985, when the predicted market for synthetic fuels did not materialize due to the free market’s “oil glut” that “unexpectedly” lowered gas prices.

Thankfully, at least we Republicans abide Santayana’s warning that “those who forget the lessons of history are condemned to relive them...” – on horseback.

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