



It's time to consider a less-costly U.S. energy plan

Guest opinion

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By Robert McCullough

For the past 20 years the energy plans of the United States (and Oregon) have been models of political correctness -- stressing conservation and alternatives -- but of little practical relevance. As has been true through most of our history, the U.S. economy has continued to outperform and confound our planners. Contrary to every forecast, the U.S. is experiencing an unprecedented boom in energy production (as is Canada). Wholesale prices in the competitive energy markets -- natural gas, electricity and coal -- are at all-time lows, and in spite of dramatic increases in oil production and declining demand, oil and gasoline prices continue to reach all-time highs.

The **Energy Information Administration** (<http://www.eia.gov/>) recently published the results from 2012. In terms of energy quantities, the news is uniformly good. Energy exports from the U.S. have tripled since 2001, while total energy imports have fallen 15 percent since 2001. U.S. oil production in 2012 is poised to outstrip Saudi Arabia and Russia, returning the U.S. to a position of leadership that it has not held since 1992.

In the U.S., energy markets are largely competitive. Natural gas, electricity and coal are relatively transparent, highly technological and subject to market surveillance. Penalties for market manipulation are significant and frequently applied to major players. None of this applies to oil and gasoline, however: Petroleum markets are mysterious, dominated by a very few producers, and are increasingly expensive when compared with the cost of production.

In terms of prices, the news is not as good. We export highly competitive, low-priced energy to other countries, including our competitors, and import increasingly high-priced energy from highly monopolized markets in the Middle East and South America.

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Historically, U.S. energy exports sold at approximately the same price as imports. In 2012, we paid 14¢/btu as much for energy imports per British thermal unit (btu), primarily oil, than we received for our energy exports of other fuels. The price of gasoline, for example, has continued to increase even during periods when the cost of oil has declined.

If we follow our current path, we will continue to buy oil at inflated prices but sell U.S. energy, primarily natural gas and coal, at low competitive prices. This way we can provide the fruits of U.S. investment and technology to China and Europe, while buying oil at exorbitant prices from Venezuela and the Middle East. I think we can safely conclude that subsidizing foreign competitors while punishing U.S. consumers is not a viable energy plan.

There is a more sensible energy strategy:

1. Apply the same laws to oil and gasoline that we apply to electricity, natural gas, coal and other fuels. The 2012 West Coast price spikes in gasoline would have been investigated and corrected if they had occurred with any other fuel.
2. Set an excise tax on energy exports at approximately the same level as the price penalty that we pay for imported oil. That is, China and Japan would pay a \$3 surcharge per million btu for natural gas until we stop being charged \$118/barrel for oil. If and when oil returns to less monopolized prices, the tax on U.S. energy exports would be gradually reduced. This evens the playing field and would provide an enormous windfall to offset higher taxes for U.S. citizens.

The continuing vitality and inventiveness of the U.S. economy provides a tremendous benefit to consumers when we allow it. It is a good time to consider matching our national energy strategy to our increasing energy surplus.

Robert McCullough is a Portland-based energy consultant who advises on energy issues nationally.

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