Obama's War on the West

By Robert E. Grady

One of the more strained exaggerations that took place in the recent Presidential debates was the one in which President Obama declared his love for energy development. Oil and natural gas production were the highest in decades, the President proclaimed in the second debate at Hofstra University, adding "we have seen increases in coal production and coal employment" -- a set of proclamations no doubt aimed at convincing those in energy-rich Mountain West states such as Colorado and Nevada that he is no enemy of the conventional energy development on which their economies depend. A more careful look at the Obama record, however, reveals a consistent pattern of hostility to western interests, in particular with respect to energy.

One of the most important sources of employment in the West is energy development. Colorado has in recent years made a focused and not yet entirely successful effort to become a hub of renewable energy development, but in 2008 fully $12 billion (or 5%) of Colorado's gross state product was the result of mining and conventional minerals such as oil, gas and coal -- a contribution larger than the entire construction industry of the state, on a par with its significant transportation and utilities complex, and almost as large as the Centennial State's entire manufacturing economy. The story is even more dramatic in neighboring states – in New Mexico, mining last year accounted for almost 8% of gross state product, bigger than any other sector besides government, real estate, and professional services; and in Wyoming mining was by far the largest contributor to gross state product and was the number one employer outside of government.

Against this backdrop, it is important to look at the actions of the Obama Administration in the energy and minerals sector. The Administration has made its goal of eliminating coal from our energy mix well known – recall then-candidate Obama's January 2008 campaign promise, caught on tape, that "If somebody wants to build a coal-powered plant they can. It's just that it will bankrupt them because they're going to be charged a huge sum for all that greenhouse gas that's being emitted." As President, Mr. Obama has made good on that promise, seeking to achieve through regulation what he did not have the votes to achieve legislatively.

In March of this year, the Obama Administration issued a new proposed "Carbon Pollution Standard for New Power Plants" which prohibited any new electric power plant in America from emitting more than 1,000 pounds of carbon per megawatt of electricity generated. The rule would require new coal-fired power plants to deploy carbon capture and storage technology, despite the fact that such technology is decades from being commercially available. In effect, the EPA's rule would outlaw the construction of new coal-fired electric generation capacity in the United States, despite the fact that electric demand is rising, coal today provides 43% of America's electric power supply, and dozens of aging existing plants are scheduled to come off-line in the next several years. One reason many existing coal plants are being forced into retirement is that when they engage in normal maintenance activities, they now have to comply with EPA's New Source Review standards, requirements originally intended to cover only new plants but expanded over many years of regulatory filings and court cases to retrofits of old plants as well.

The Obama Administration has publicized its support for a "cap and trade" approach to controlling carbon dioxide and other greenhouse gas emissions. Less well publicized is that in 2010, the Administration published a new regulatory requirement, the Cross-State Air Pollution Rule (or "CSAPR"), which effectively shut down the one functioning cap and trade system – that for sulfur dioxide established under the Clean Air Act Amendments of 1990. The CSAPR established strict rules for ozone, sulfur dioxide and particulate pollution at the plant-by-plant level, in effect undermining the fabulously effective emissions trading system originally established in the 1990 law, which had cut acid rain by more than half at far less than the cost projected when the law was enacted, and which unleashed a major boom for western, low sulfur coal. When CSAPR was issued in the Spring of 2010, the trade press noted that, for the Obama EPA, one purpose of the rule was "limiting the effect of emissions trading". And sure enough, since the rule was published in final form in July 2011, not a single sulfur dioxide emissions trade has taken place. Although the rule was voided by a Federal appeals court late this summer, so far under President Obama, the celebrated acid rain emissions trading system, so beneficial to both air quality nationwide and low sulfur coal production in the West, has been shut down.

The story is not materially different when it comes to natural gas. Obama's election year epiphany in favor of increased natural gas production flies in the face of a four-year effort by his regulators to harass the industry with new rules designed to impede the process of hydraulic fracturing – or "fracking" – which has made America's gas boom possible. The Obama EPA has launched rules requiring the disclosure of fracking agents used on Federal lands, tightened air quality rules for new gas wells, and launched a 14-agency task force to come up with new rules to inhibit the process – rules we are sure to see after an Obama re-election. But is precisely the fracking process which has made possible what energy expert Daniel Yergin calls "the shale gale", the domestic energy renaissance taking place across the country because of our new found ability to extract oil and gas from shale deposits – a renaissance which Yergin estimates has already created over 600,000 American jobs. Because of fracking and our ability to tap America's massive shale deposits, imports as a percentage of U.S. oil consumption have dropped from 60% to 45% in recent years – *despite* Obama Administration regulation, not because of it.

In total, in its first three years, the Obama Administration has promulgated 106 major new Federal rules (defined as those with an economic impact of greater than $100 million), roughly four times the number issued during the first three years of the George W. Bush Administration. Many were aimed at the heart of the domestic energy sector. Many people out here in the West live by the "Cowboy Code of Ethics" – one tenet of which is "When you make a promise, keep it." In a way, the President has kept his original promise to attack fossil fuels and radically change our energy future. But we might be wise to be wary of his 2012 battlefield conversion to being an advocate of conventional energy sources after all. If we watch what the President does instead of what he says, those of us who live out here will be very skeptical indeed of his Election Eve promises to the West.

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