Obama's Second-Term Energy Policy Is Working
By John Deutch

President Obama has put energy and the environment at the top of his second-term agenda. The focus has been on climate change, and on exploiting the unexpected plenty of North American oil, gas and energy technology. The administration's progress has been notable -- especially in comparison with health care, immigration and foreign affairs.

The president's highest priority is to reduce the carbon-dioxide emissions of existing electricity generating power plants. In June the Environmental Protection Agency released an unexpectedly thoughtful and well-supported plan setting specific goals for reducing emissions chosen from a menu of measures such as increased efficiency, emissions trading and fuel switching, mainly from coal to natural gas for electricity generation. The projected CO2 reductions -- about 30% below 2005 levels by 2030 -- are reasonable and shouldn't significantly increase industry or consumer costs.

Ironically, the EPA's regulations for existing power plants are more realistic than those it has issued for new coal and natural gas plants. The agency has justified its rules for new plants by asserting that carbon sequestration -- the capture and storage of CO2 in underground reservoirs -- is an "adequately demonstrated control technology." It certainly isn't, and it's also too expensive. But it likely doesn't matter since no one is planning a new coal-fired electricity generating plant in the U.S. in the foreseeable future.

The president's strategy to reduce CO2 emissions through regulation thus appears to be succeeding, though the EPA may suffer a backlash. The public expects the agency to be a fair and capable administrator of a policy endorsed by a majority of Congress, rather than the promoter of a presidential policy, no matter how meritorious, that doesn't command widespread public support.

The EPA regulations will strengthen the U.S. position in international climate negotiations that seek to reduce global greenhouse-gas emissions. However, few believe that mitigation of global emissions will be sufficient to avoid disruptive climate change.

Instead, the U.S. needs a strategy for adaptation to climate change. The president's climate action plan announced in June 2013 takes a step in this direction. It points to improving the resiliency of U.S. infrastructure in the face of extreme weather events, a goal that resonates with the public. But while climate science links climate change and extreme weather, no such link has been established between large hurricanes, like 2005's Hurricane Katrina, and global warming. How the world adapts to the economic disruption and possible conflict that will accompany climate change is of growing consequence.

The administration also has been hesitant to grasp the opportunities presented by the North American oil and...
gas revolution. While recognizing the tremendous benefits from lower oil and gas prices, more jobs and reduced imports, the administration has been slow to advance specific proposals for allowing the export of crude oil and has approved eight permits for the export of liquefied natural gas (LNG).

The fear is that exports will cause domestic oil and gas prices to rise. As a close observer of natural gas production -- and a director of Cheniere Energy Inc., the only company granted a license with a plant to export LNG under construction -- I find this fear misplaced. It is fanciful to expect LNG exports will drive the domestic price of natural gas up because North American natural gas reserves are enormous and it's unlikely that more than a dozen or so U.S. export facilities will be approved.

Mr. Obama is likely to continue delaying a decision on approving the Keystone XL pipeline. But this should not stop the administration from proposing measures to modernize oil and gas distribution. Pipelines are generally safer and less expensive than railcars for moving oil products to market.

The greatest risk is that public concern about the environmental risks will lead to bans on hydraulic fracturing. The major effects are on water and air quality, community disruption and induced seismic activity. Incredibly, the EPA won't begin adopting regulatory guidelines for water management until 2015. There are also serious tensions between the EPA and state regulators, who know local geological and operating practices. Given the stakes, companies should commit now to reducing the environmental impact of their operations.

Mr. Obama's support for new energy technology, begun under Energy Secretary Steven Chu, is continuing under Ernie Moniz. The administration's often-mentioned "all of the above energy strategy" implies that it will pursue all energy options equally.

While this makes sense as a declaration of intent, priorities need to be set. The first priority should be substantial support for basic R&D, because private industry lacks the commercial justification to undertake studies that may have long-term benefits they cannot capture. Some technologies deserve government support -- such as carbon sequestration, which is essential for clean coal. Others don't deserve support because they are too expensive -- e.g., nuclear power -- or because markets and technical progress have already made them commercially viable, such as grid-connected solar photovoltaics.

President Obama is having greater success in advancing his energy agenda in his second term than in his first. But it will take more than one successful term to secure the country's energy future. To coin a phrase for the next president: One good term deserves another.

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