

ECONOMIC NEWS UPDATE

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The Triumph of the Capitulators

Beware the capitulators. Republicans are chortling over the fact that their “drill, drill, drill” campaign seems to have forced Barack Obama and Nancy Pelosi to backtrack and agree to relax -- by no means eliminate entirely -- the ban on offshore drilling. Beware what is contained in the Trojan horse the Illinois senator and the congresswoman from San Francisco are offering as a peace token to the Republicans and to Americans who are appalled that the congress continues to prevent the development of our oil resources while crude oil and gasoline prices, although softening in recent weeks, remain high enough to contribute to the forces

that are pulling the economy perilously close to recession.

Obama and Pelosi have no answer to a few simple questions: If they are now convinced that it is a good idea to develop our own resources of oil, why do they oppose a bill that would do that, and only that? Instead of making this now-agreed measure one ornament on a Christmas tree to subsidies, why not pass it on its own, and asap? And if it is now good policy to give some states the power to approve drilling off their coasts, why not off Pelosi's California?

We know that she has admitted to carrying the heavy burden of saving the planet --

dwellers on this planet who have not had the opportunity of voting for or against her might not be delighted with this news -- but as Speaker of the House she surely also has the burden of preventing the steady flow of trillions of dollars to oil-producing countries that wish us ill. Energy policy is now so clearly a part of security policy -- Putin understands that, which is why he wants control of Georgia's pipelines and port facilities -- that the Pelosi-Obama game is more than an assault on American drivers: it is an assault on our ability to maintain the value of the dollar, prevent funds from finding their way into the hands of terrorists, and protect our economy from the consequences of a supply interruption.

But these are only the most obvious of the reasons to be suspicious of the Obama-Pelosi-Democratic climb-down. They have devised a way of seeming to allow drilling offshore while at the same time preventing any such thing. That's what their insistence that any drilling be done in an environmentally sensitive manner is all about. Now, that sounds reasonable enough. After all, who favors drilling in an environmentally insensitive manner? The problem comes when that generalization is put to the test of actual practice.

Those of us who have in the past been involved in proceedings to which environmental groups are parties know that their first goal is to have any project strangled at birth -- whether a drilling project, a new nuclear or coal plant, a wind farm, a transmission line. To achieve that goal, they often do not need to prevail in persuading the agencies that the proposed project is truly objectionable. All they have to do is delay, delay, delay, dragging out some hearings and appeals for decades, while costs rise and the sponsors lose interest.

There is not enough space here to review cases in which threats to a tiny fish (the snail darter) and the spotted owl provided ammunition for those opposing or seeking to delay a dam and logging in the Northwest, respectively. Or the nuclear licensing proceedings that dragged out for decades. More recently, of the 151 coal-fired power plants in the planning stages in 2007, 59 were either refused licenses or quietly abandoned in the face of opposition, and another 50 are being contested in the courts by environmental groups. Although we have enough coal to power our electric plants for more years than anyone can count, it seems unlikely that we will soon get to tap that resource as fully as we might

if litigation could be kept within a reasonable time frame.

The goal of many greens was clearly stated by David Bookbinder, chief climate counsel of the Sierra Club. The Los Angeles Times reports that he said, "We hope to clog up the system," using what the press characterizes as "any bureaucratic or legal means necessary."

None of this is to say that environmental costs should be ignored when considering whether to approve various energy projects. More years ago than I care to remember I testified in a landmark case in Wisconsin that the benefits of new generating plants must be measured against their costs, including the costs they impose on the environment. And it would be absurd to argue that the cadre of environmental lawyers, economists and other experts should not have their day in the hearing rooms of the relevant administrative agencies and the courts.

But administrative proceedings no longer fulfill their original purpose of providing quick, expert resolution of disputes over technical issues: the extent of environmental impact, how to measure its costs, computing the economic benefits of a new project. Somehow, due process rules, designed to prevent the innocent from being hung even at

the cost of drawing out judicial proceedings and imposing strict rules on evidence and other procedural issues, have been introduced into administrative proceedings. The result: delay, delay, delay while lawyers wrangle, wrangle, wrangle.

Take the example of renewable energy projects, the very sort about which environmentalists often wax lyrical. But "the greens are blocking the very transmission network needed for renewable electricity to move through the economy," according to The Wall Street Journal. The utilities willing to spend \$1 billion to build the needed 240 miles of transmission line are projecting a completion date of 2014 at the earliest because of the length of permitting hearings and subsequent appeals. They are unduly optimistic in my view.

And that's for 240 miserable little miles of wire. Imagine how long it will take to get through the process of winning approval for drilling offshore to standards that meet the approval of Nancy Pelosi as she saves the planet. The pity is not that environmental considerations will be given weight in the proposed compromise legislation -- they should be -- but that the process by which the balance between energy needs and environmental preservation is

struck is tilted to favor those who know that delay can drive up costs and kill even the most environmentally sensitive projects.

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