

# ISSUE BRIEF

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## 10 Ways the EXPAND Act Would Take the Energy Market in the Right Direction

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The federal government's intrusions with onerous regulations, taxpayer-funded subsidies, and mandates have resulted in economic inefficiencies in the energy marketplace. Congressman Jeff Duncan's (R-SC) Energy Exploration and Production to Achieve National Demand (EXPAND) Act would remove or prevent many of the federal government's interferences and allow the energy sector to operate more freely.

Below are 10 provisions in the legislation that would benefit American families and the economy at large.

**1. Opens Access to America's Resources.** Production of oil and natural gas in the U.S. is booming, but large swaths of federal lands and waters with abundant resources are locked up by the government. The legislation would open up leasing, exploration, and production in more areas in the Gulf of Mexico, the Atlantic and Pacific coasts, and the Alaskan Coastal Plain, which includes the Arctic National Wildlife Refuge, where an estimated 10.4 billion barrels of oil lie beneath a few thousand acres that can be accessed with minimal environmental impact.

**2. Grants States Control of Energy on Federal Lands.** States with an abundance of natural resources have been handcuffed by Washington's bureaucratic control, while production on private and state-owned lands has skyrocketed with strong environmental protection. EXPAND would allow states with resource-rich federal lands to replicate that success and have complete control of their energy programs.

The legislation would allow states to develop programs that satisfy all applicable federal laws required to produce energy on federal land that is not Indian land, part of the National Park System or the National Wildlife Refuge System, or a congressionally designated area.

**3. Stops Regulatory Cap and Trade.** The Obama Administration's regulations of new and existing power plants would largely substitute for congressional cap-and-trade proposals to limit carbon dioxide (CO<sub>2</sub>) emissions. These regulations would essentially bar the construction of new coal-fired generating plants and act as a major energy tax that would negatively affect American households.

Heritage Foundation analysts modeled the effects of what killing coal would do to the economy and found that job losses would be upwards of 600,000 by 2023 and that the economic pain would occur without any substantial effect on global temperatures.<sup>1</sup>

This paper, in its entirety, can be found at <http://report.heritage.org/ib4142>

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- 4. Prevents the Use of the Social Cost of Carbon.** The social cost of carbon (SCC) is a figure calculated by a federal interagency working group that agencies use to impute a price for CO<sub>2</sub>. It is the government's attempt to assign a dollar value to the economic impact of CO<sub>2</sub> on climate change for the next three centuries, stretching out to 2300.

The most serious problem with using the SCC is that the government uses computer models that are fundamentally baseless and arbitrary to calculate their value of the SCC. But even so, the EPA has to manipulate the model using arbitrary assumptions in order to generate a higher figure for the SCC.<sup>2</sup>

The SCC inflates the alleged benefits of proposed energy-efficiency regulations by adding the supposed monetary benefits of the regulations' reduced CO<sub>2</sub> emissions. This prevents the economic development of energy and large infrastructure projects. EXPAND would put an end to this.

- 5. Removes the Picking of Winners and Losers in the Tax Code.** Targeted tax credits exist for almost all sources of energy, and they award preferential treatment to certain energy industries. These credits move the decision-making process away from the consumers and producers and consolidate power with politicians, who use preferential tax treatment as a way to skew investment into the sources of energy and technologies they want to succeed.

The EXPAND Act would remove the special tax breaks for all energy sources, including oil, gas, coal, and nuclear, which would spur energy technologies to be competitive rather than relying on handouts from the federal government. To prevent a tax increase, the bill would lower the corporate and individual income tax rates.

- 6. Repeals the Ethanol Mandate.** The Energy Policy Act of 2005 contained the first-ever requirement that renewable fuels be mixed into the gasoline supply. The 2007 Energy Independence and Security Act increased the mandate substantially to 36 billion gallons by 2022. The government-imposed quota has been fraught with both economic and environmental problems.

If biofuels or other transportation fuels are to succeed as a competitive fuel source, legislation should not be necessary to mandate their production or consumption. Instead of guaranteeing biofuels a share of the fuel market, repealing the mandate would help open the sector to competition and allow the market to determine how much biofuels drivers will use.

- 7. Approves the Keystone XL Pipeline.** Approval of the Keystone XL Pipeline would bring another secure source of oil (up to 830,000 barrels per day) to Gulf Coast refineries to process. The State Department has concluded multiple times that the pipeline would pose minimal environmental risk, yet President Obama continues to delay a decision.

Under Congress's authority to regulate commerce with foreign nations, the EXPAND Act would accept the State Department's environmental assessment as well as the reroute in Nebraska approved by Nebraska's governor and approve construction of the Keystone XL Pipeline.

- 8. Streamlines New Nuclear Construction.** EXPAND makes licensing and constructing new nuclear plants more efficient by creating an expedited procedure for issuing a Combined Construction and Operating License for applicants that meet certain conditions, such as building a preapproved design on or adjacent to an existing nuclear plant.

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1. See Nicolas D. Loris, Kevin D. Dayaratna, and David W. Kreutzer, "EPA Power Plant Regulations: A Backdoor Energy Tax," Heritage Foundation *Backgrounder* No 2863, December 5, 2013, <http://www.heritage.org/research/reports/2013/12/epa-power-plant-regulations-a-backdoor-energy-tax>.

2. Kevin D. Dayaratna and David W. Kreutzer, "Loaded DICE: An EPA Model Not Ready for the Big Game," Heritage Foundation *Backgrounder* No 2860, November 21, 2013, <http://www.heritage.org/research/reports/2013/11/loaded-dice-an-epa-model-not-ready-for-the-big-game>.

The bill also provides guidance to the Nuclear Regulatory Commission to develop a technology-neutral approach to regulations that would allow new nuclear technologies to enter the market without onerous regulatory obstacles.

**9. Reforms the Refinery Permitting Process.**

Refining capacity has nearly doubled since 1977, and ground was broken for construction of a 20,000 barrel-per-day refinery in March 2013.<sup>3</sup> While capacity expansion has been able to keep up with domestic production, policy often lags behind what the private sector needs and what the market bears.

The latest example in energy is the opportunity to export liquefied natural gas and crude oil, where antiquated policy is preventing American companies from maximizing opportunities and expanding economic growth. Creating an efficient refining permitting reform process would allow companies to build new refineries and expand capacity as necessary instead of being shackled by onerous regulations when additional capacity is needed.

**10. Stops the Federal Land Grab.** The Department of the Interior's land grab (Secretarial Order No. 3310) to unilaterally and arbitrarily classify areas as "Wilderness" and "Wild Lands" will restrict access to not just energy production but also many local economic activities.

EXPAND would permanently block Secretarial Order No. 3310, and any proposed designation would require congressional approval. This would protect the regional and local economies and allow them to promote recreational activities while protecting environmental priorities.

**The Market Is the Right Energy Plan.** President Obama announced in the 2014 State of the Union that "the all-of-the-above energy strategy I announced a few years ago is working."<sup>4</sup> But the recent surge of energy production in the United States is not the result of any government-driven strategy or plan. The private sector and market forces have generated vast amounts of new energy supplies, created millions of new jobs, and lowered energy bills for American families.

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3. U.S. Department of Energy, Energy Information Administration, "Frequently Asked Questions," <http://www.eia.gov/tools/faqs/faq.cfm?id=29&t=6> (accessed January 31, 2014).

4. The White House, Office of the Press Secretary, "President Barack Obama's State of the Union Address," January 28, 2013, <http://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address> (accessed January 31, 2014).