

Statement of Governor Haley Barbour
State of Mississippi

Before the
Committee on Environment and Public Works
United States Senate

July 7, 2009

Madam Chairman, Senator Inhofe and committee members: Thank you for inviting me to testify before you on the critical issues of energy policy and America's future.

America's future is so tied to our energy policy that this hearing could be held before the Senate Armed Services, Foreign Relations, Finance, Energy or Budget Committee and be equally important and relevant to their work.

Energy policy significantly impacts every aspect of American foreign and domestic policy. Energy is the lifeblood of our economy; our national security depends on it. When we consider energy policy, it must be in the broadest context.

As we all know, our country is in the worst economic crisis in decades. It is being felt at the kitchen table of every family, as unemployment is at the highest rate since 1983. Our government is vastly increasing our national debt to get our economy "back on track." Even though everyone knows the national debt is increasing at an unsustainable rate, we are taking the risk because robust economic growth is the only way to solve our economic problems.

Yet, as we strive and stretch to get our economy back growing and more Americans back on the job, our government is considering an energy policy, as set up in the Waxman-Markey bill and the President's budget, that would make it much harder for the economy to grow; a policy that is, in fact, anti-growth because it will necessarily and purposefully raise the costs of energy for families and businesses, especially manufacturing . . . for our economy as a whole.

The cap and trade tax, the \$81 billion of tax increases on the oil and gas industry contained in the President's budget and the Waxman-Markey renewable energy standard would all drive up costs and drive down economic growth.

Don't take my word for it. President Obama, then a candidate, said to the San Francisco Chronicle in January 2008, "Under my cap and trade plan, electricity rates would necessarily skyrocket."

And before becoming Energy Secretary, Steven Chu told the Wall Street Journal in September 2008, "Somehow we have to figure out how to boost the price of gasoline to the levels in Europe."

President Obama's OMB Director, Peter Orszag, in April 2008 said, "Under a cap-and-trade program, firms would not ultimately bear most of the costs of the allowances but instead would pass them along to their customers in the form of higher prices. Such price increases would stem from the restriction on emissions and would occur regardless of whether the government sold emission allowances or gave them away. Indeed, the price increases would be essential to the success of a cap-and-trade program because they would be the most important mechanism through which businesses and households would be encouraged to make investments and behavioral changes that reduced CO2 emissions."

Just last month in an interview with *Forbes* magazine, the CEO of American Electric Power (AEP), Mike Morris, said the cap and trade tax would cause his electricity rates to go up 30% to 50%.

The gigantic effect of energy policy on American life means Congress should work particularly hard to ensure Americans know the facts about the policies Congress is considering: To the contrary, the House of Representatives added more than 300 pages of its 1200 page energy bill a few hours before it was brought to the floor and passed. That is just the opposite of what is needed.

Last month the Southern Growth Policies Board, a forty-year old regional economic development group for thirteen states, held its annual conference. The more than four hundred attendees were most concerned about the costs associated with the cap and trade tax, the renewable energy mandate and the \$81 billion in tax increases on the oil and gas industry. They were concerned about the costs to families as well as the costs to the economy.

At this conference there was a great deal of support for conservation and energy efficiency – both indispensable measures in our energy future – and a lot of hope and confidence was expressed for renewables like wind, biofuels, solar and even some more exotic sources in the future.

Nevertheless, it was agreed that for a long time there will be a need for traditional fuels like oil, gas, coal and nuclear, which generates no greenhouse gas emissions. Clean coal technologies and projects were presented and praised.

But the biggest and most discussed issue at this conference was the cost of energy policy proposals like the cap and trade tax, the renewable electricity standard and the tax increases proposed for the oil and gas industry.

There was no question about who would bear these costs: the consumer. The one who turns on the light switch, starts the washing machine, fuels up the car with gas or drives the truck delivering goods across town or across the country; that is who will pay.

Moreover, these increased energy costs will hit small businesses hard and will particularly hurt energy-intensive industries like manufacturing or computer processing. Some manufacturers even predicted these energy policies would cause electricity rate increases that would make their U. S. manufacturing facilities uncompetitive compared to facilities in China, India, Brazil or Russia.

Dan DiMicco, the CEO of Nucor Steel, America's largest steel manufacturer, said the cap and trade tax would mean his company would close U. S. plants, shifting production to China. Making a ton of steel in China results in five-times greater emissions of greenhouse gases than to produce that same ton of steel in the U.S.

It is hard to believe that at a time when growing our economy is our number one priority, Congress is considering a bill that would reduce economic growth. When families are suffering because of a serious recession, Congress is considering a bill to drive up the cost of the electricity that cools those families' homes and the gasoline that runs their cars. As U. S. manufacturing faces stiff foreign competition, Congress is considering a bill that would make our manufacturers less competitive.

The concerns I've cited are serious, even if the cap and trade tax works as planned. But many Americans worry it will be an Enron-style financial scheme where Wall Street manipulators make giant profits while ratepayers, motorists and Main Street businesses pay greatly increased costs.

Environmentalists rightly worry about the assumed large scale use of international offsets, saying they are not verifiable. Others say the foreign offsets are claimed by CBO to reduce the price of allowances by 70%, but that's highly questionable.

A particularly scary feature of the cap and trade tax regime is that anyone can purchase emissions permits. There is nothing to stop a large government like China from investing heavily in CO2 emission permits instead of U. S. Treasuries. The effect, of course, would be that U. S.-located industries could not buy those permits or that they would have to pay much higher prices for the permits, thereby making our businesses even more uncompetitive with foreign (read: Chinese) manufacturers. Market manipulation by speculators is bad enough; driving up demand and prices by foreign competitors is anathema.

The right energy policy for our country is more American energy, using all sources of American energy . . . all of the above. We have abundant, affordable, reliable American energy. Let's use it rather than having a policy that makes energy more expensive.

I'd be glad to discuss more American energy during questions or to try to answer any other questions.