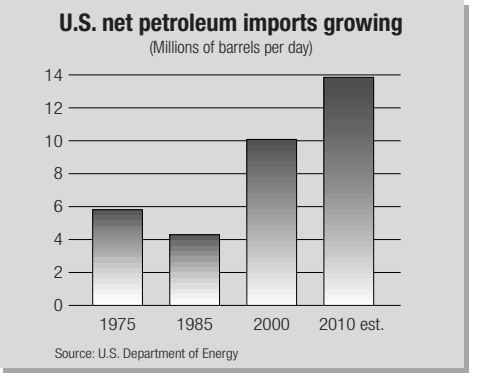
An energy policy for the new administration

Throughout last year's election campaign, energy was one of the more controversial public policy issues. Now a new administration will have to move beyond pronouncements toward concrete, long–term policy steps.

Above all, policies should encourage more efficient use of energy as this will benefit both the environment and national security.

Even with conservation, as our economy grows energy use will grow. Fossil fuels will supply over 80 percent of U.S. energy needs. While new technologies such as hybrid and fuel cell cars may ultimately gain a market, they will still require hydrocarbon fuels. Alternative energy sources such as solar or wind will not become significant until well after 2020. Fossil fuel sources will be adequate to meet demand but will increasingly be imported.



Against this background, here's what we would put forward for consideration and discussion.

First, *the most serious issue for the U.S. and other nations is vulnerability due to dependence upon a limited number of energy–supplying countries.* This vulnerability can be mitigated by policies designed to increase the amount and diversity of world energy supplies, including those in the U.S.

Restrictions on access to promising resources in the U.S. are especially self–defeating and should be reconsidered. Claims that resource exploration and development will irreparably harm the environment—offshore or in Alaska—simply do not reflect current industry practice or technology.

Equally, unilateral economic sanctions are rarely effective but do discourage development of non–U.S. energy supplies that would add to global supply diversity. Thus, sanctions policies are also ripe for revision.

Maintaining strategic stocks for severe supply disruption risks is wise, but using these stocks to manipulate prices during temporary market surges can discourage private sector actions and be counterproductive.

Second, *in pursuing environmental improvement, the guide should be a science–based, cost–benefit approach.* Common sense should be used when pursuing ambitious goals, including reasonable standards and time frames for new technology introduction. Regarding climate change policy, the unrealistic and economically damaging Kyoto process needs to be rethought.

Third, *private companies will be central for energy development and progress.* Private companies have successfully developed energy to fuel economic growth, and will need market–based approaches and operational flexibility to adapt to the future energy environment. General tax and trade policies should therefore support, but not subsidize, the private sector role in technology, resource development and trade.

Fourth*, technical innovation will be vital* to finding energy supplies, lowering costs, addressing environmental concerns, and developing future energy systems. The government should support technological change but avoid temptations to subsidize or to pick winners. Technological progress can endure only when subjected to consumer preferences and market tests.

A sound energy policy is not beyond reach if approached without partisanship. We encourage the necessary dialogue and stand ready to participate.

ExxonMobil™