

# Energy & Environmental Regulation

*Small-business growth and environmental stewardship should be a comprehensive policy goal.*

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Current energy and environmental policies have needlessly increased energy costs, harmed economic growth and job creation and continued U.S. reliance on unstable foreign sources of energy.

Energy and environmental policy should have four primary objectives:

1. Maintain clean water and air to prevent adverse health effects on the American people.

Firms do not have the right to unilaterally and adversely affect the health of others by polluting common resources such as the air or water. In the language of economics, they should be barred from imposing material negative externalities on others. Reasonable regulation to secure clean air and water and to protect public or private land is desirable. We should be good stewards of the earth.

2. Provide for adequate and affordable energy to meet the personal and economic requirements of the American people.

Adequate, reliable and affordable energy is a key factor promoting economic growth and international competitiveness. Moreover, keeping heating, transportation and electricity costs reasonable is a central factor in promoting a high standard of living for the American people. Policies should promote rather than impede adequate, reliable and affordable energy.

3. Eliminate the reliance of the United States on unstable, unreliable or hostile foreign sources of energy to prevent economic disruption.

Reliance on unstable, unreliable and hostile foreign energy sources makes the U.S. economy vulnerable and is likely to lead to economic disruption and the economic reverses such disruption entails. Policies should promote, and not impede, domestic energy exploration and development. To the extent that domestic energy sources are not adequate, then every reasonable measure should be taken to purchase our energy from allied trading partners. Policies should promote international energy infrastructure projects with allied nations rather than less stable or reliable partners.

4. Ensure that energy and environmental policies do not place a disproportionate burden on small enterprises that are the source of economic dynamism in the U.S. economy.

Energy and environmental regulations often place a disproportionate burden on small, entrepreneurial businesses because the costs of large firms complying with federal requirements with respect to a large project does not have as large an impact on unit costs as smaller firm compliance with respect to smaller projects. Regulatory costs do not usually increase linearly with project size because there are certain fixed costs associated with any compliance. The solution to this problem is to simplify regulatory requirements considerably and to provide de minimis exceptions to certain requirements where the impact of removing a regulatory requirement would be small and the costs relative to the benefit high.

To achieve these objectives, U.S. policy goals should include:

1. Promoting alternative sources of energy (including wind, hydro-electric, geothermal and solar energy).

No one source of energy will meet the needs of the American people. Different technologies are appropriate in different contexts. All forms of energy have a contribution to make. We should pursue an "all of the above" strategy to achieve adequate and affordable energy from stable and reliable sources while preventing adverse health effects from pollution and ensuring small firms are not discriminated against.

2. Maintaining reasonable regulation designed to protect the health of the American people, realizing that almost any activity involves risks.

Reasonable regulation to secure clean air and water and to shield public or private land is desirable to protect the health of the public. Yet "total" safety is both impossible and undesirable. Any activity involves some degree of risk. Regulations that have substantial costs yet protect the public only from highly contingent and remote risks or are based on unproven theories are not objectively reasonable and should not be implemented. Agencies should be required to also engage in a retrospective review of existing regulation to ensure that they remain the least costly means of accomplishing the desired result.

3. Accelerating dramatically the regulatory approval process in connection with energy projects.

In the current regulatory environment, it can take many, many years and involve tremendous cost to get energy projects through the regulatory gauntlet. The process needs to be dramatically streamlined to reduce costs and increase certainty. We can no longer afford the luxury of an interminable approval process and an unending set of regulatory hurdles. If a project is going to be disapproved on the merits, it is better to make that determination quickly. If a project is going to be approved, we need to move forward now to create jobs, enhance economic opportunity and improve our domestic energy production.

4. Avoiding increasing the cost of energy production.

The regulatory process for all types of energy production needs to be simplified and accelerated. Regulatory impediments increase the cost of securing energy and delay energy production. Many of these cost increases and delays are unnecessary and can make domestic energy production uneconomic.

5. Promoting commercial energy relationships with stable and allied nations (such as Canada, Europe and Australia).

It is in the interest of the American people to promote commercial energy relationships with stable and allied nations (such as Canada, Europe and Australia) because politically motivated price increases and supply disruptions are much less likely. It is time to end our reliance on unstable, unreliable or hostile sources of energy.

6. Ensuring that the regulatory process does not impose a disproportionate burden on small firms.

It is unfair for the regulatory process to effectively discriminate against small firms. It is inefficient, costs jobs and reduces innovation. The solution to this problem is to simplify regulatory requirements considerably and to provide de minimis exceptions to certain requirements where the impact of removing a regulatory requirement would be small and the costs relative to the benefit high.

7. Ensuring that small firms have adequate access to affordable energy.

Small, entrepreneurial firms are the primary source of dynamism and innovation in the U.S. economy. Affordable and adequate energy is a key component of their success.

8. Ensuring that small firms have adequate access to federal energy research dollars.

Federal policy should ensure that small firms have adequate access to federal energy research dollars. It is usually easier for government to let a few large contracts than to contract with many small firms. But easier is not always better. Small firms have consistently proven that they are equally or more cost effective than large firms or universities in using federal research dollars.