

America is

Addicted to Oil

10 Tough Questions and Answers for President Bush on Kicking the Oil Habit

Center for American Progress



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**“Here we have a serious problem:
America is addicted to oil.”**

**-- President George W. Bush,
State of the Union, January 31, 2006**

The Center for American Progress presents ten questions and provides key answers to help determine whether the administration's actions will match the President's rhetoric on America's energy policy. The urgent need to end our oil dependence demands that America pass this test. Serious problems deserve serious solutions. The Center for American Progress puts forward the answers to transform words into immediate action and set the United States on a path to a clean and renewable energy future.

- 1. INVESTING IN RESEARCH:** Does the President commit enough new investment into R&D to shift our nation to clean renewable bioenergy?
- 2. GETTING BIOFUELS TO THE PUMP:** Does the President's plan build the infrastructure needed for the biofuels transition?
- 3. DEPLOYING A NEW GENERATION OF CARS:** Will the President's plan really put new cars that use less gas on the road?
- 4. AVERTING GLOBAL CLIMATE CHANGE:** Is the President facing the reality of global warming?
- 5. USING CLEAN AND SMART ALTERNATIVES:** Does the President commit to renewables and efficiency before more costly and polluting technology?
- 6. LOOKING OUT FOR FAMILY FARMS:** Does the President's proposal create jobs and strengthen rural communities?
- 7. PROMOTING TRANSPORTATION CHOICE:** Does the President's budget support real transportation alternatives like rail and transit?
- 8. TRANSFORMING MARKETS:** Does the President's budget use federal purchasing power to jump-start new markets?
- 9. GUARANTEEING REAL OIL SAVINGS:** Is the President willing to require this transition by enforcing new rules?
- 10. EMPOWERING CONSUMERS:** Does the President's plan create more consumer choice and promote public education and innovation?

1. INVESTING IN RESEARCH: DOES THE PRESIDENT COMMIT ENOUGH NEW INVESTMENT INTO R&D TO SHIFT OUR NATION TO BIOFUELS?

In order to promote necessary advances in biofuel technology, including such promising fuels as “cellulosic” ethanol and biodiesel, the United States must seize every available opportunity to make a significant and long-term commitment to research and development (R&D). Regrettably, the President has a track record of cutting existing clean energy research funding and failing to support research and development at the levels of funding Congress has authorized. **The President’s budget must reflect major new investments in biofuel research and development by:**

- Fully funding the Congressional authorizations for biofuels R&D in the Energy Policy Act of 2005. The Energy Policy Act authorizes over \$1 billion in spending on R&D for biomass and hybrid vehicles in Fiscal Year 2007 alone – support at any lower level represents a retreat from the commitments he has already made. The President should provide fresh new funding in R&D and pledge not to cut back on previous commitments. In addition, the President must not attempt to fulfill his R&D responsibilities by diverting resources and shifting funds from one program at the expense of another program.
- Reversing the President’s previous funding cuts. Many of the President’s recent proposals to supplement R&D funding effectively represent an attempt to restore the administration’s previous shortsighted budget cuts in R&D. For example, in Fiscal Year 2006, President Bush requested cuts in the:
 - Energy efficiency and renewable energy programs of nearly \$50 million – an overall reduction of roughly 4 percent. The Department of Energy biomass and biofuels program was cut by 18 percent. In the President’s FY07 Budget, the Farm Bill’s Renewable Energy and Energy Efficiency Improvements

program funding remains unchanged at \$10 million, a reduction of \$13 million from the original authorization of \$23 million.

- The Department of Agriculture's Biomass Research and Development Program was reduced by \$2 million to \$12 million. In the President's FY07 budget, this program is undefunded by \$188 million from its authorized levels of funding. USDA's \$60 million Bioenergy program has been steadily reduced from its initial funding of \$150 million in FY04 and has been completely eliminated in the President's FY07 budget.
- Rejecting recent plans to lay off 11 percent of its current staff of scientists and engineers, many with expertise in biomass and wind technology, at the National Renewable Energy Laboratory (NREL). The President must demonstrate a significant long-term commitment to R&D by fully funding and increasing resources for NREL, as opposed to simply restoring funding on the occasion of a Presidential visit.

2. GETTING BIOFUELS TO THE PUMP: DOES THE PRESIDENT'S PLAN BUILD THE INFRASTRUCTURE NEEDED FOR THE BIOFUELS TRANSITION?

There are 6 million vehicles capable of running on blends of ethanol and gasoline already on the road but only 600 fueling stations nationwide that dispense E85 fuels (a blend of 85 percent ethanol and 15 percent gasoline). Of those stations, 91 percent of them are independently owned while only 9 percent of them are owned by the major oil companies. **The President must create requirements and strong incentives that move big oil companies from their current inaction and make E85 reliably available at filling stations by:**

- Promoting installation of new fuel pumps and distribution infrastructure by increasing the tax credit for installing new pumps to \$50,000 in 2006 and creating incentives for early action with a \$10,000 decline in the credit amount each year until 2010.
- Ensuring that ethanol fuel pumps are built where there is demand, by creating a requirement that in any county in the nation where 10 percent of registered vehicles can run on flexible fuels, 10 percent of pumps must provide E85 fuel.
- Protecting locally owned “mom and pop” gas stations by limiting the requirement to convert or install 10 percent of pumps for ethanol only to owners of ten or more gas pumps.

3. DEPLOYING A NEW GENERATION OF CARS: WILL THE PRESIDENT'S PLAN REALLY PUT NEW CARS THAT USE LESS GAS ON THE ROAD?

By combining high ethanol fuel blends like E85 that stretch each gallon of gas further with fuel efficient technologies that achieve more miles per gallon, it is possible to design and build cars TODAY that can go hundreds of miles for every gallon of gasoline used. For example, innovative technologies, such as gasoline-electric hybrid and plug-in hybrid cars that can draw energy from the electrical grid, more efficient internal combustion engines, and advanced materials for strong but lightweight vehicles, are increasingly available in the marketplace. We do not need to wait decades for improved technology. At a time when Detroit is in a deepening financial crisis, it is essential that breaking our addiction to oil creates and preserves good American jobs by transforming the domestic fleet to be a leader in fuel efficiency and the use of new fuels. **The President can ensure auto companies offer a new generation of highly efficient advanced technology vehicles by:**

- Requiring that all new passenger vehicles sold in the United States are flexible fuel vehicles capable of running on high percentage ethanol fuel blends by 2015 and starting immediately with a commitment to transform the civilian federal government fleet to flexible fuel and hybrid cars.
- Preserving critical U.S. auto industry jobs and giving consumers more options, by offering strong incentives for manufacturers to convert their assembly lines and retrain workers to produce the advanced engines and hybrid cars of the future. For example, relief for legacy health care costs offers one powerful manufacturing incentive.
- Recognizing the strong public benefits of improved fuel economy and biofuels by strengthening tax incentives for consumers who purchase more efficient and advanced cars while eliminating tax advantages for gas-guzzling cars as a means to protect consumer choice and foster incentives to put clean cars on the road.

4. AVERTING GLOBAL CLIMATE CHANGE: IS THE PRESIDENT FACING THE REALITY OF GLOBAL WARMING?

Although it received no mention in the President's State of the Union Address, the world's scientists now agree that human-induced changes to our planet's climate are real and require immediate action. One of the outcomes of America's addiction to oil has been the steady build-up of global warming gasses in the atmosphere, which threaten to increase severe storms, disrupt agriculture, and impose grave risks on our people and our economy. **The President must ensure that a program to break our addiction to oil take on the real threat of global warming, address its devastating impacts and respond effectively by meeting global demand for clean energy and advanced technology by:**

- Implementing policies that cap the amount of carbon released into the atmosphere and allow for trading to find the least-cost ways to reduce emissions. These policies can reward the low carbon benefits of advanced biofuels.
- Guaranteeing conservation. By embracing energy efficiency and conservation, Californians reduced their electricity use by 10 percent during the 2001 blackouts, proving to the rest of Americans that changing their habits can have an immediate impact. In response to the oil embargoes of the 1970s, fuel economy standards increased new car and truck fuel economy by 70 percent between 1975 and 1988. These successful policies must be used to help break our oil dependency.
- Going global. Climate change is a global problem that needs global solutions. We must work with the developing world to transfer technology. Advanced biofuels will be especially helpful to many developing countries, which spend a disproportionate portion of their GDP on energy and oil imports.

5. USING CLEAN AND SMART ALTERNATIVES: DOES THE PRESIDENT COMMIT TO RENEWABLES AND ENERGY EFFICIENCY FIRST, BEFORE TURNING TO MORE COSTLY AND POLLUTING TECHNOLOGY?

Vice President Cheney has derided energy efficiency as a “personal virtue” and not the basis for a sound energy plan. On the contrary, these clean technologies can improve the productivity of our economy, open new markets, and create skilled jobs. **The President must make a commitment to a diverse portfolio of clean, renewable, and efficient energy options as the basis for sound national energy planning by:**

- Setting a bold national goal of producing 25 percent of all U.S. energy from renewable sources like wind, solar and biofuels by the year 2025, and backing up this commitment with a national Renewable Energy Standard to require that a portion of our electricity be generated from these sources. This is especially important in light of the President’s new interest in plug-in hybrids that use electricity from the grid as a source of power for transportation to displace the use of oil.
- Fully funding the renewables, efficiency, and biofuels programs authorized in the Energy Policy Act, and expanding effective, existing programs that are producing results, such as the:
 - Department of Energy’s Office of Energy Efficiency and Renewable Energy programs for vehicles, buildings, and industrial technology.
 - Federal Energy Management Program (FEMP), which has cut energy use in federal buildings by 24 percent over 15 years, saving taxpayers \$1 billion each year. FEMP’s budget should be doubled in Fiscal Year 2007.
 - National Renewable Energy Laboratory (NREL), which oversees our nation’s long-term clean energy research. NREL’s budget should be restored and increased, as opposed to allowing further budget cuts and layoffs of scientists and engineers.

- Committing to real alternatives to oil. The President must not use this budget as an excuse to promote new domestic drilling in areas like the Arctic National Wildlife Refuge or offshore moratoria areas. Ending the addiction to oil means finding and implementing real alternatives, not increasing exploration. Nuclear power – while reducing carbon emissions – also should not be the centerpiece of a clean energy strategy until issues of security, disposal, and liability are fully addressed.

6. LOOKING OUT FOR FAMILY FARMS: DOES THE PRESIDENT'S PROPOSAL CREATE JOBS AND STRENGTHEN RURAL COMMUNITIES?

The United States should be investing in the capacity of America's family farmers to lead our nation into the future – a future of diversified domestic energy production, increased prosperity, and greater security. The agriculture sector has the potential to meet a significant portion of our liquid fuels needs right here in the United States. By bringing the innovations afforded by biofuels, farm-based wind, and emerging biomass industries to bear, family farmers can harvest a new generation of value-added products, create jobs, and strengthen rural America. The redeployment of funds now invested in trade distorting agricultural subsidies into advanced biofuels and bioenergy crops can improve prices, increase competitiveness, and open markets for U.S. products grown at home. **The President must make the investments needed to jump-start and sustain an agricultural economy driven by fair and open markets overseas, clean energy, and innovation in value added production at home by:**

- Reversing previous funding cuts. President Bush sought to drastically underfund the 2002 Farm Bill Renewable and Energy Efficiency Grant and Loan Guarantee Program by cutting funding from \$23 million in Fiscal Year 2005 to \$10 million in Fiscal Year 2006. In the President's FY07 budget, the current funding for this program remains unchanged at \$10 million, a reduction of \$13 million from the original authorization of \$23 million. The Farm Bill's Bioenergy Program was reduced from \$150 million in Fiscal Year 2004 to \$100 million in Fiscal Year 2005 to \$60 million in Fiscal Year 2006. In FY07, the President's budget completely eliminates the Bioenergy program.
- Creating new financial tools and incentives to promote energy crops and farm-based energy production, such as:
 - establishing financial incentives to encourage farmers to grow dedicated energy crops like switchgrass.

- using the tax code and financial tools to encourage co-operative ownership of biorefineries.
- increasing access to capital for rural communities by expanding programs like Clean Renewable Energy Bonds.
- promoting long-term production contracts that create more secure markets for clean energy.

These tools give rural communities a real stake in the rapidly emerging biofuels economy and ensure that farmers and farm communities are not passed over as new resources are invested in biobased energy.

7. PROMOTING TRANSPORTATION CHOICE: DOES THE PRESIDENT'S BUDGET SUPPORT REAL ALTERNATIVES LIKE RAIL AND TRANSIT?

America is addicted to oil in part because we have limited options for moving people, goods, and services throughout our economy. Providing diverse transportation alternatives can significantly reduce vehicle miles traveled and cut back dramatically on related congestion, pollution, and wasted oil. Rail and transit offer energy saving alternatives to cars and also increase economic development, boost regional economies, and improve public safety. Diverse transportation networks are essential to our energy security and a centerpiece of homeland security while producing a better quality of life for all Americans. **The President must re-commit to our nation's rail and mass transit infrastructure as a means to promote economic growth while ending dependence on oil by:**

- Expanding investment in our nation's rail infrastructure. Long distance rail could significantly reduce oil use in many parts of the country. Amtrak is experiencing record ridership and has undergone significant reform. In addition, next generation high speed rail is essential to meeting demand as it grows beyond the 25 million passengers already served in 2004. Passenger rail funding should be expanded from \$1.3 billion in Fiscal Year 2006 to \$2 billion in Fiscal Year 2007 to meet rising demand. Furthermore, \$50 million should be dedicated to expanding high speed rail and an additional \$10 million for rehabilitation and improvement of existing lines. These are cost effective investments to achieve a diverse and prosperous energy future.
- Increasing investment in regional transit and transportation choice. The "New Starts" program, which allows new projects and expansions to be undertaken, has lagged dramatically behind demand for many years. This program should be expanded to \$2 billion, and inter-modal passenger facility spending should be raised to the needed level of \$150 million. These are basic investments not only for ending reliance on oil, but for improving our nation's quality of life.

- Investing in efficiency standards. In 1977, the National Highway Traffic Safety Administration budget for setting fuel economy standards for cars was \$10 million, which had a substantial impact on oil savings. In the most recent energy bill, the authorization had fallen to only \$3.5 million, while oil consumption and vehicle miles traveled have surged. Experts estimate that Fiscal Year 2007 funding levels should be set at \$32 billion, yet the Fiscal Year 2006 budget requested only \$2 billion. In Fiscal Year 2007, the administration must reverse course and increase funding to encourage improved fuel efficiency.

8. TRANSFORMING MARKETS: DOES THE PRESIDENT'S BUDGET USE FEDERAL PURCHASING POWER TO JUMP-START NEW MARKETS?

The federal government spends more than \$230 billion annually on products and services and is a major consumer of transportation fuels. In the effort to end our nation's addiction to oil and create new markets for clean and biobased energy, the federal government is uniquely positioned to offer real leadership and investment. **The President should implement existing Farm Bill programs and direct the General Services Administration and other agencies to use the government's purchasing power to transform the marketplace for clean energy solutions by:**

- Fully implementing the 2002 Farm Bill biobased purchasing program. In 2004, a Government Accountability Office report found the administration's commitment to the program limited and significantly behind schedule. To date, the biobased purchasing program has been plagued by ineffective management, a lack of priorities, and failure to allocate financial resources effectively to ensure the full implementation of the program.
- Converting all the cars, trucks and non-tactical military vehicles in the federal fleet to flexible fuel vehicles and hybrid engines will save enormous quantities of gasoline and build regional markets for production, supply, and distribution of biofuels.
- Retrofitting all public buildings and government installations for energy efficiency, and installing alternative energy options, like solar panels and wind turbines, will create demand for new products and new markets for skilled labor in construction and engineering and other jobs of the future.

9. GUARANTEEING REAL OIL SAVINGS: IS THE PRESIDENT WILLING TO REQUIRE THIS TRANSITION BY ENFORCING NEW RULES?

Expanding research and increasing investment and incentives for new technology are important steps in ending the United States' addiction to oil, but alone they are not enough. To truly transition our nation away from our over-reliance on oil, we will need to set standards and require accountability for results. Strong rules can foster innovation and create market certainty that drives new investment. **To show leadership in ending our dependence on oil, the President must be willing to back investment and research programs with tough requirements to reach bold targets, including:**

- Passing strong oil savings legislation that sets binding targets, a clear timeline, and real enforcement mechanisms to ensure that our use of oil actually declines in coming years, even as our economy continues to grow and prosper.
- Requiring clean and efficient cars by mandating flexible fuel vehicles, steadily improving fuel economy, and replacement tires that are as efficient as the original factory tires. The use of advanced technology will add a nominal cost per car, but it will bring vast benefits in jobs and will enhance our nation's national security and environment, while ensuring that consumers have real choices.
- Limit the use of aromatics compounds that are currently blended into the gasoline sold in the United States. Limiting benzene, toluene, and xylene would reduce fine particle pollution and protect human health, with a potential public health benefit of \$250 billion. Release of these compounds is tightly regulated in other sources, and gasoline should shoulder its share of the burden in reducing public exposure. In contrast, competitively priced ethanol could be used to substitute for these aromatics, displacing as much as 20 percent of all gasoline, more than five times the Renewable Fuels Standard set in the Energy Policy Act.

10. EMPOWERING CONSUMERS: DOES THE PRESIDENT'S PLAN CREATE MORE CHOICE AND PROMOTE PUBLIC EDUCATION AND INNOVATION?

America is addicted to oil because we lack good alternatives and clear information. Empowering consumer choice will send a strong signal to the market that Americans want biofuels, bioproducts, and clean affordable energy alternatives. **The President should use his leadership and all the tools at his disposal to expand consumer choice and promote innovation within American industry by:**

- Creating a program for certification and labeling of biofuels and bioproducts that recognize their environmental attributes including oil displacement, carbon emission reductions, and other benefits. The success of the Energy Star program shows that consumers are willing and able to use their buying power to influence producers toward more sustainable practices. These lessons should be applied to freeing America from its oil addiction.
- Partnering with the states to launch a public communications effort to reach the over 6 million Americans who already drive flexible fuel vehicles (FFV). While most drivers do not even realize they own an FFV, a public private partnership effort could easily reach out via a “reverse recall letter” to notify every current owner of an FFV that their car could run on ethanol and include information regarding the nearest E85 filling station to their zip code. This “reverse recall” effort is one letter that car owners should be happy to receive.
- The President should support existing private sector and state-based initiatives that are already helping consumers achieve dramatic results in energy efficiency. The federal government should improve access to financing and reduce the risks and costs of innovative state energy programs of all types.

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