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HIS VIEW: A way off the fossil-fuel treadmill

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By Rob Briggs

Movie buffs may remember the classic 1956 film "Giant" in which ranch hand turned wildcat driller Jett Rink (James Dean) hits an oil gusher on his small parcel of West Texas prairie.

Today, the gushers are gone, and men like Rink have given way to giant corporations. Now the best remaining sources of petroleum lie below thousands of feet of water in the Gulf of Mexico or locked in "tight" rock formations, like Bakken and Marcellus shales. Horizontal drilling and hydraulic fracturing are necessary to release the oil and natural gas. These fields are expensive to develop, and resulting wells deplete quickly. In northern Alberta, oil companies are steam-cleaning oily sand to extract bitumen, a low-grade petroleum source requiring expensive new refinery equipment and dilution before it will flow through a pipeline.

While Rink could extract 100 barrels of light sweet crude for each barrel's worth of energy he invested, Canadian tar sands yield only about six barrels for each barrel invested, a number destined to decline further as shallow deposits are exhausted.

The fossil-fuel industry assures us there are decades, maybe centuries, of fossil-fuel reserves remaining. Yet after one of the biggest drilling booms in our nation's history, oil remains stuck at $100 per barrel. Our fossil-fuel dependence looks increasingly like a treadmill on which we must run faster and faster simply to keep pace.

Our continuing pursuit of diminishing fossil fuels comes at rising economic and foreign-policy costs, along with accelerating environmental pollution. The Intergovernmental Panel on Climate Change recently released horrifying new projections of our future if we continue down this path (http://ipcc.ch/report/ar5/). But you don't need to believe the IPCC projections to recognize we are managing climate risks recklessly rather than conservatively.

Perhaps it's time to take a fresh look at the recommendation of a true conservative, the late Nobel Prize-winning economist Milton Friedman. Friedman, a champion of free-markets, advised, "If you have a pollution problem, don't regulate it, tax it."

A proposal based on this idea is now gaining traction on Capitol Hill. It's called "revenue-neutral carbon fee and dividend." It would place a gradually increasing fee on carbon - coal, oil and natural gas - at their source. All proceeds from the fee would be returned to American households on an equal per capita basis.

The logic behind this approach is quite simple. When the price of a product rises, we buy less. If our use of a product harms others, it's fair and appropriate we compensate them. If the product harms things that belong to all of us, like the atmosphere and oceans, the monetary compensation should be shared equally.

Over time, the price of carbon-based fuels would grow to resemble their true cost to society, leading to wise use and deployment of lower-cost substitutes, all without increasing the size of government. British Columbia's center-right government implemented a revenue-neutral carbon tax in 2008. Since then carbon emissions have fallen and their economy has thrived.

Hydroelectricity, solar, geothermal and wind combined with efficient use are more than adequate to meet our future energy needs. Gasoline at $3.50 per gallon drains wealth from local households. Locally produced renewable electricity at the equivalent of $1 per gallon will sustain local jobs and puts a cap on future energy prices.

A revolution in carbon-free energy and energy-efficient products will come once we fix our currently flawed energy market. A fee on carbon will catalyze new ideas for producing clean fuels and for using energy more efficiently, leveling the playing field for new entrepreneurs - our modern-day Jett Rinks. Let's allow a functioning market, not federal bureaucrats or fossil-fuel moguls, pick the new winners.

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