

ENVIRONMENT

“The current energy debate is a skirmish between those who advocate energy socialism without drilling (or with some drilling if needed as a political bargaining chip) and those who advocate energy socialism with drilling. ... One phrase that both parties refuse to utter is energy freedom.”

— Dr. Roy Cordato, John Locke Foundation

The legislature went “green” this past session, introducing a variety of bills generally aimed at restricting economic activity in the interest of promoting “energy efficiency” — a code phrase for “combating global warming.” What is even more remarkable is that in a legislative session characterized more by what did not get done than otherwise, the General Assembly actually passed several of these measures. This indicates that either the environmental lobby is stronger in South Carolina than people generally realize, or that there is no organized opposition to these special interest groups — or that the federal government is forcing the state’s hand. In fact, all three happen to be true. Exacerbating things even more is that the General Assembly is bent on using environmental fads — hydrogen fueling stations, for instance — as economic development tools.

BEST IDEAS OF 2009

✓ Deregulating energy production

S 44: Offshore Drilling

Status: Referred to Agriculture & Natural Resources Committee

This bill would permit and expedite oil and gas exploration and drilling off the coast of South Carolina, pending the lifting of federal restrictions. Also see H 3188, H 3194

► **Our take:** While this legislation has strong emotional appeal, industry experts believe there are not significant oil and gas reserves off the South Carolina coast. This is not to say lifting restrictions on drilling is not a

good idea, but a better short-term strategy would be to lower the gas tax even more and reduce regulations on gas stations and other vendors. Unfortunately, federal rules are making such reforms close to impossible. In fact, small business owners were put in the position of advocating for a new annual renewal fee (ranging from \$200 to \$500) used to fund federally mandated liability insurance covering underground storage tanks. The legislation (H 3270) passed the House, but not the Senate.

✗ More bad bills that didn't pass:

S 154: Increases targeted tax credit for land conservation gifts, reducing General Fund revenue by \$5.6 million.

H 3156: Requires state and local bodies to reserve 25 percent of procurement funds for “environmentally preferable goods and services.”

H 3200: Establishes a statewide recycling plan funded by fees on electronics manufacturers — i.e., this bill increases prices on consumer goods.

H 3955: Prohibits the purchase of mountaintop coal — a sure road to continued energy dependence on foreign oil.

H 3997: Provides income tax credit of \$1 for each gallon of waste kitchen oil donated to a registered biodiesel fuel producer. But why wouldn't producers of waste kitchen oil want to give away the stuff for free?

WORST IDEAS OF 2009

✗ Increasing regulations on energy production and consumption

H 3628: Renewable Energy Plan

Status: Referred to Labor, Commerce & Industry Committee

This legislation would permit the Public Service



Commission to use taxpayer funds to reimburse providers of “low greenhouse gas emitting” renewable energy sources. The bill also requires electric utilities to expand the use of renewable energy resources and gives the commission the power to adopt rules and regulations aimed at expanding the use of renewable energy resources. Another bill, S 547, would have accomplished similar ends by requiring electric providers to achieve specific energy savings targets.

Global warming environmental regulations are increasing the cost of housing and energy for South Carolina’s hard-working families.

► **Our take:** This legislation is the first step toward mandating a renewable portfolio standard requiring utilities to provide a predetermined percentage of electricity using alternative energy sources. Extra costs will be passed on to consumers, forced to subsidize inefficient environmental boondoggles.

S 232: Renewable Energy Resources

Status: Ratified by General Assembly and signed by governor

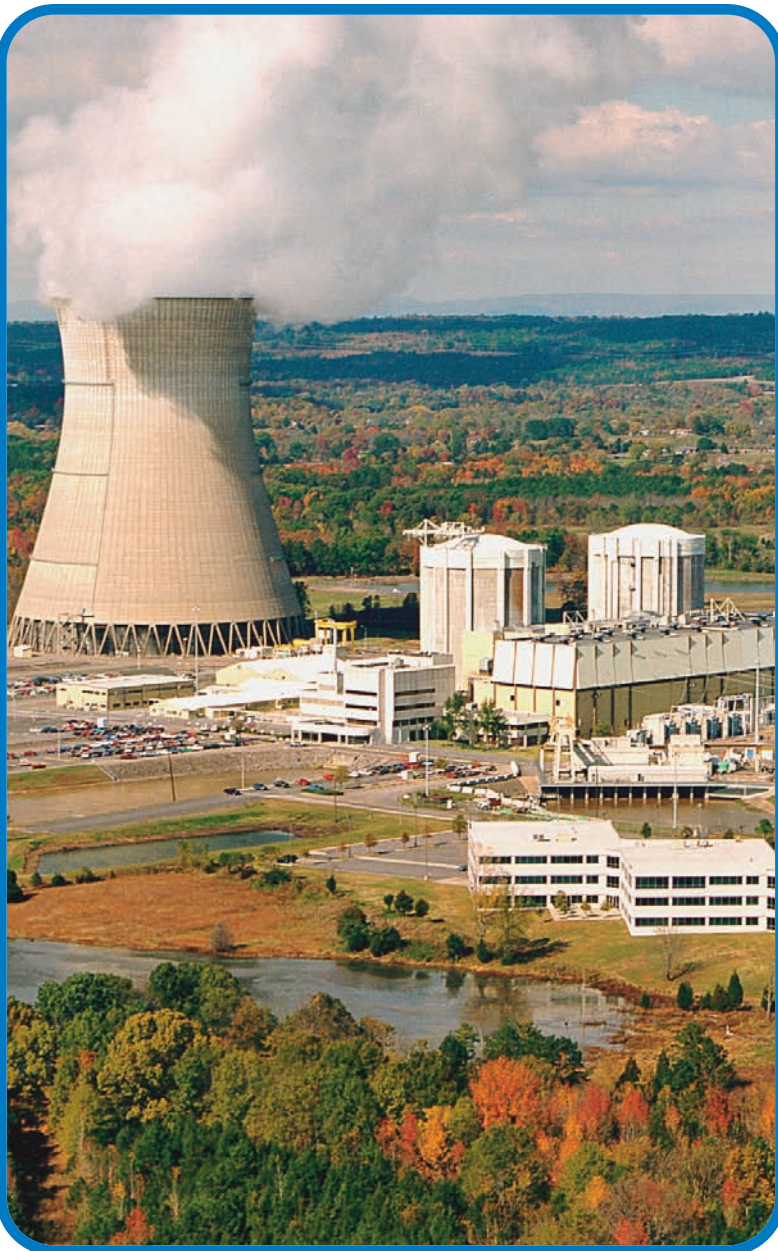
This legislation amends the state’s energy policy to encourage the development of nuclear energy as a clean energy resource. Also see S 220

► **Our take:** Nuclear energy is the most efficient means of reducing airborne emissions



More good bills that didn’t pass:

None: Legislators seemed oblivious to the idea of using free-market economics (i.e., property rights and tort reform) as a means of encouraging the responsible use of natural resources.



The General Assembly and Governor Mark Sanford agreed on legislation this session to amend the state's energy policy to encourage development of nuclear power within the state.

available, providing upwards of 17 percent of energy worldwide. At the same time, this law adds language to the state energy policy that suggests (albeit tacitly) South Carolina should be pursuing the use of “carbon-free, nongreenhouse gas emitting sources.”

The General Assembly has two choices here: avoid weighing-in on a complex scientific debate that is far from settled; or hastily set policy that will cripple the state's economy with green regs. The first option has no negative consequences because the science shows that even reducing South Carolina's emissions to zero will have no measurable impact on global warming. The second option, which the legislature seems more inclined to pursue, will increase unemployment and reduce personal income. According to the Science and Public Policy Institute, limiting greenhouse gas emissions would cost as many as 69,000 jobs and reduce household income by as much as \$6,000.

H 3863: Solar Power Tax Credit

Status: Referred to Ways & Means Committee, but passed as part of the state budget

Proviso 89.114 of the state budget increased the solar power personal income tax credit from 25 percent to 30 percent. Also see S 10, H 3290, H 3676

► **Our take:** Targeted tax credits are rarely a good idea. What is worse, though, are tax breaks for inefficient industries such as solar power. As noted by Dr. Howard Hayden, author of *The Solar Fraud*, “To produce as much energy as a conventional 1,000 megawatt power plant using solar would require a 127 square mile field of solar mirrors collecting enough heat to turn a turbine.” Perhaps the plan here is to turn the state into a giant solar-wind conservation site, thus reducing greenhouse gas emissions to zero.

X Increasing the cost of housing and other goods for South Carolina families

H 3550: Building Code Restrictions

Status: Ratified by General Assembly and signed by governor

This legislation requires new buildings and additions to adhere to the 2006 International Energy Conservation Code (IECC). Also see S 719

► Our take: This law enacts stricter energy efficiency regulations for residential homes, in particular. The change was prompted by the American Recovery and Reinvestment Act (§ 410), which provides several million in stimulus funding for states that conform to the “most recently published International Energy Conservation Code.” Thus while state law currently requires adherence to the 2006 IECC code it is likely the law will soon be updated to incorporate the 2009 standards. But these include even more expensive energy-saving requirements — for example, that 50 percent of all permanent light fixtures be high-efficacy lamps.

Our take is that these green regs will reduce the availability of affordable housing for poor-and-middle income families. Moreover, is this really a policy we should be pursuing in a down housing market?

X Hindering free-market competition

S 324: Landfill Moratorium

Status: Passed the Senate; referred to Agriculture, Natural Resources & Environmental Affairs Committee in the House

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Legislation most likely to come up:

S 9: This bill requires state agencies to reduce energy consumption by a minimum of 1 percent a year, reaching 20 percent by 2020. Agencies must also procure at least 10 percent of their energy from “green power purchasing programs” or on-site renewable energy generation. Sponsored by Senate President Pro Tempore Glen McConnell (R-Charleston), this bill passed the Senate; received a favorable report from the House Committee on Agriculture, Natural Resources & Environmental Affairs; and then was recommitted back to the same committee.

Other bills that passed:

S 166: Removes nonconforming billboards and increases fees.

S 453: Limits permit appeals and local regulations regarding livestock and poultry (veto overridden).

H 3794: Expands Department of Natural Resources regulatory authority over activities in Wildlife Management Areas.

H 3856: Waives Heritage Trust Property regulations for infrastructure projects.

This joint resolution would impose a two-year moratorium on landfill permits.

- ▶ **Our take:** Even the Environmental Protection Agency acknowledges landfills are one of the safest, most efficient means of disposing of municipal waste. Landfills also often provide an important economic boost to rural economies. Note that this bill passed the Senate, but failed to emerge from committee in the House. This is primarily owing to new Department of Health and Environmental Control regulations reducing annual landfill capacity from 42 million tons to 10.8 million tons. If these new regulations don't survive a potential court challenge, this legislation may be taken up by the House next session. Also see H 3517

S 452: Surface Water Withdrawal

Status: Referred to Agriculture & Natural Resources Committee

This bill would establish greater restrictions over the permitting process governing water withdrawal from state water bodies.

- ▶ **Our take:** The conservation community is at odds with this bill because of the environmental ramifications regarding private sector control over water. Another problem with this legislation is that it could result in a permitting process that limits access to companies willing to curry political favor and hinders competition by raising costs for water withdrawal. Along these lines, an even worse bill is S 358, which would establish a Water Planning Advisory Committee to create and enforce a statewide comprehensive water resources plan.

What do you think?

Let us know what you think are the best and worst bills of the session. Call us at 803-779-5022 or visit us on the web at: <http://www.scpolicycouncil.com/contact>