



President Obama's State of the Union Address: Some Comments on Energy

On several occasions during last evening's speech, President Obama looked more like Candidate Obama in a moderate-to-centrist State of the Union address to a joint session of Congress. His political tone reflected not only the new Republican control of the lower U.S. House chamber, but also the unofficial start of the 2012 campaign. As the President pivots and refocuses his policy objectives for the next two years, what he proposes and what actually becomes a reality may look starkly different from one another in a number of areas, including energy and the environment. Some observers suggest that the Congress has a window of six to nine months within which to accomplish anything substantive. By then, the Congress and the parties will become more easily distracted by the demands of the race for Republican party leadership and the Presidential campaign.

Republicans now will begin to focus on regulatory oversight of energy and environment policies put in place during the first two years of the Obama administration, while Democrats will want to engage in a more pro-active, forward-looking legislative answer to the challenges presented by the President. Both parties are focused on a central theme of the President's speech: job creation.

In the context of energy policy, the President has proposed significant increases to budget outlays – or in his words investments – in areas such as energy innovation and research & development. Sources indicate that the President will call for a 33% increase in clean energy tech funding compared to 2010, including an expansion of the Energy Department's research program, ARPA-E.

Further, the President has moved to the center in his proposal of a clean energy standard, language that will garner support of some Republicans. Including nuclear, natural gas, and clean coal technology in legislation to meet the goal of 80% of America's electricity coming from clean energy sources will draw green Democrats, many Republicans, and coal-state legislators.

Myriad proposals in the House and Senate are currently being bandied about on both sides of the political spectrum that will seek to tackle energy. While some members of Congress will focus on regulatory oversight and reform (e.g., EPA greenhouse gas emissions rules) others will propose tackling energy as proposed by the President.

Notably, the White House's "energy czar," Carol Browner, announced yesterday her plans to leave the Administration. And while her future plans as well as reasoning for leaving are not confirmed, speculation is budding that Ms. Browner was aware of the President's plan to lurch to the center on energy policy as well as his push to the backburner the debate on climate, which Ms. Browner vehemently championed in Obama's initial push on the environment and as Bill Clinton's EPA administrator. This dovetailed with the fact that President Obama didn't mention the words "climate" or "global warming" or "renewable energy standard" once during his speech.

As well, the President steered clear of even mentioning the environment during his address. The President's shift will require a new lexicon from the likes of ENGOs and other environmental and clean energy advocates who had hoped this President would continue to champion causes such as a cap-and-trade system. This is a sweeping and new pursuit of compromise on energy and in an effort to move ahead with innovation and job creation.

Bringing juxtaposing ideologies together in order to move forward on energy solutions will be a major task. However, a bipartisan group of Senators, including Lindsay Graham (R-SC), John Kerry (D-MA), Lisa Murkowski (R-AK) and Jeff Bingaman (D-NM) may hold the fate of a clean energy standard (CES) in their collective hands. We will know more about the possible nature of next steps sometime next week when Bingaman, chair of the Senate Energy and Natural Resources Committee, will unveil his energy agenda.

Also playing into the Congressional energy debate will be another political debate – one that pits Republicans against each other on May 2nd. On that day, the Reagan Presidential Library will host the first 2012 GOP Presidential Debate. Widely expected to attend are current and former governors Mike Huckabee, Tim Pawlenty, Sarah Palin, Haley Barbour, and Mitt Romney and perhaps South Dakota Senator John Thune and current U.S. Ambassador to China and former Utah Governor, John Huntsman. No matter whom the participants may be energy policy will be a very significant topic during the debate.

Without a doubt the President has switched gears to campaign mode, shifting his focus to bipartisan solutions on issues such as education, infrastructure, spending and taxes, and importantly to innovation, doubling of exports by 2014, approving new trade agreements, and energy. This new focus reflects not only the new reality of a more divided government, but also the need to debate issues that will create jobs and boost more quickly U.S. economic recovery. How the Administration interacts with and compromises on pieces of their proposed agenda with Congressional members will determine the failure or success of policies like energy and may well decide the winner of the 2012 elections.

Paul Frazer is a Principal in 3Click Solutions LLC where he brings his expertise to bear on behalf of companies with interests to promote and protect in Washington. He has worked on a variety of economic/trade and policy cross-border issues affected by legislation or attempts at legislation for clients in financial services, energy, environment/climate, health care, and natural resources sectors. He can be contacted at 202.683.6085 or Paul.Frazer@3ClickSolutions.com