Center for American Progress

The Bill From Bush's Broken Energy System

Clean Energy Investments Now Will Save American Families Money in the Next Recovery

Ben Furnas April 2009

Former President George W. Bush's energy policies, which today's conservatives would continue, plowed billions of dollars of subsidies into dirty energy while neglecting clean energy reform. What effect did this have on American families? Spiraling gasoline and electricity prices, a nation more dependent on oil and coal, and more pollution than ever before.

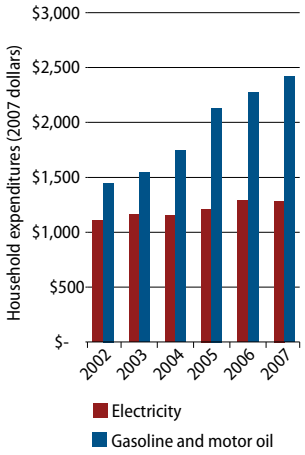
Bush oversaw a lackluster economic expansion even before the Bush recession of December 2007. Over this period, **the typical annual American household expenditure on electricity rose more than $170, and the typical annual American expenditure on gasoline rose more than $960 (in 2007 dollars)**. Note that the gasoline price increases listed here *do not* include the unprecedented $147 per barrel of oil and $4.11 gasoline prices that occurred in the summer of 2008.[1]

America needs to invest in a diverse clean energy economy now instead of doubling down on dirty energy. The recession and the low prices of gasoline and electricity provide an opportunity to ensure the next period of economic growth is not like the last one.

Economic growth under Bush lasted from November 2001—when the United States emerged from the first Bush recession—to December 2007— the beginning of the second Bush recession, according to the National Bureau of Economic Research, which tracks and measures business cycles.[2]

Over Bush's period of economic growth, expenditures on electricity for a typical American family (earning the median income) grew 16 percent to $1,285 in 2007, up from $1,106 per year in 2002, an increase of $179. The typical family's expenditure on gasoline grew nearly 70 percent to $2,418 in 2007, up from $1,450 in 2002, an increase of nearly $1000 (All dollar amounts in inflation-adjusted 2007 dollars.)

In the last recovery, gasoline and electricity prices battered household budgets



Source: BLS

The price of gasoline and home electricity grew faster then general inflation because of the lack of diversity in our energy system and spiraling global demand for fossil fuels: 1.6 times faster in the case of residential electricity and a staggering 6.4 times faster in the case of gasoline.

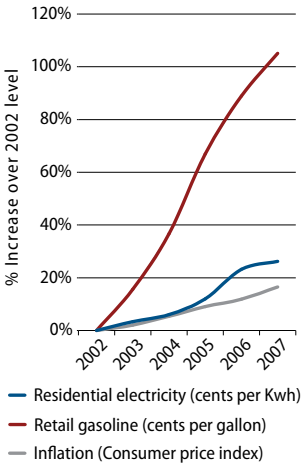
These price spikes occurred despite the Bush administration's massive public subsidies for dirty energy. The 2005 energy bill contained a token level of investment in renewable energy, but it also provided billions of dollars of support for dirty energy, offering $27 billion in subsidies for coal, oil, and nuclear energy.[3]

Although the current recession has dragged down gas prices from the record $4.11 per gallon of July 2008, gas prices still averaged $2.01 in March 2009, up 67 percent from a $1.28 average in March of 2002.[4] The fundamentals that created the huge increases in oil and electricity prices from 2002 through the summer of 2008—after the recession officially began but before demand plummeted worldwide—still lurk, and will return with a vengeance once the global economy begins to rebound.[5]

Less economically-developed countries such as India and China are now entering a phase in their development where their energy demands are growing toward the levels of industrialized nations. What's more, demand is on the rise as populations and economies grow worldwide. World energy consumption is expected to expand by 50 percent from 2005 levels by 2030.[6] The global economic slowdown has only stalled these long-term trends that are contributing to a rise in oil, coal, natural gas and other fossil fuel prices.

We can ease the dirty energy burden on American families by investing in efficiency improvements, winning the race for clean 21st century energy, modernizing our electricity grid, requiring utilities to produce more renewable energy from the wind, sun, and other renewable sources, and mandating that utilities boost energy efficiency instead of pollution. We can make sure that, during the next recovery, American families have access to energy that's cleaner and cheaper.

In the last recovery, gasoline and electricity prices grew much faster than inflation



Source: EIA, BLS

Endnotes

1 Energy Information Administration, "Petroleum Navigator," available at http://tonto.eia.doe.gov/dnav/pet/hist/mg_tt_usM.htm

2 National Bureau of Economic Research, "US Business Cycle Expansions and Contractions," available at http://www.nber.org/cycles.html

3 Public Citizen, "The Best Energy Bill Corporations Could Buy: Summary of Industry Giveaways in the 2005 Energy Bill," 2005, available at http://www.citizen.org/cmep/energy_enviro_nuclear/electricity/energybill/2005/articles.cfm?ID=13980

4 Energy Information Administration, "Petroleum Navigator."

5 See, for example, AP, "Oil prices rise sharply on hints of rebound," April 9, 2009, available at http://www.google.com/hostednews/ap/article/ALeqM5i5TtajgUpSm7KY5jf-ICJGHBB-tAD97F4IV80

6 Energy Information Administration, "International Energy Outlook 2008," available at http://www.eia.doe.gov/oiaf/ieo/world.html