



At Least He's Consistent 11/06/22

The one thing you can say about the President is that he is consistent. Unfortunately, he's consistently wrong! That has been true in a whole host of areas, but particularly when it comes to energy.

Last week, he told the oil companies that he'd propose a tax if they didn't produce more oil. The industry has increased production, but it has come from private (non-federal) lands. Production this year, primarily from the Permian, will grow $\frac{1}{2}$ MMB/D and nearly as much next year. The Administration has offered the least amount of acreage for drilling. What is worse, they continue to refuse to permit the limited amount of acreage they have offered, creating a "catch 22". You can't produce if you don't drill, and you can't drill without a permit.

He's proven once again the theme from Seinfeld, George's dilemma, "if everything you do has turned out wrong, do the opposite."

This week he said he would close all existing coal units and replace them with wind and solar (over what time frame?). He has said that wind and solar are cheaper. Why then the continued need for subsidies? Wind and solar are intermittent fuels, not base load. You would need huge storage capabilities at each utility that you don't have today. Yes, wind and solar are cheaper than **new coal units**. But no one is ordering new coal units. This is not China, India, or even Germany where new coal units are being installed.

Existing coal units already operating offer the lowest cost at least half the cost of wind and solar. According to EIA (STEO) the average cost of coal generation is about 2cents/KWH, while wind and solar are much higher.



If inflation is an issue and we know it is, then we should appreciate the role coal plays in holding down the exploding electric costs. We've seen a dramatic reduction in the use of coal. In 2005, 50% of our generation came from coal, while today it's 20%. And natural gas has been the principal reason for coal's decline. Natural gas represented 19% of utility use in 2005; today it's about 36%. One of the positive externalities of natural gas's substitution for coal has been the sharp decline of carbon emissions in the utility sector. Ironically, several states and the federal government's paranoia with fossil fuel use seem to desire a ban on natural gas.

When you listen to the President speak, he can sound reasonable, yet when you watch what he does, well that's something else. For example, he says quite reasonably that he's for a basket approach. A little of this and a little of that. An all of the above approach. Sounds reasonable. Yet he must be taken literally. To him, all of the above means **all of the above ground**.

MR. PRESIDENT, it's time you took Jerry's advice to George, "do the opposite".