2019 EIA IEO Roll-Out: Policy Uncertainty

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By: Kevin Book

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POLICY UNCERTAINTY GROUND TRUTHS

- Policy: the deliberate choice of a government, corporation and/or individual

- History generally looks back at economic and political milestones, not policy
  - Economics and politics tend to constrain energy policy
  - Economic and political conditions motivate policy intervention
  - When policy succeeds, economic and political results can make headlines
  - When policy fails, economic and political results tend to make headlines
ANATOMY OF A CYCLE (FOR DISCUSSION PURPOSES)

- Low-marginal-cost production expands
- High-marginal-cost producers enter
- Technology gains accelerate
- High-marginal-cost producers exit
- Low-marginal-cost production contracts
- Surviving producers consolidate
- Investigations begin
- Demand contracts
- Incentives for alternatives ramp up
- Efficiency standards ramp up
- Alternatives incentives decline
- Efficiency standards lag or lapse
- Demand expands
- Consumers lock in low efficiency

Source: ClearView Energy Partners, LLC
A Universe of Transportation Policy Options

Fuels

<table>
<thead>
<tr>
<th>OLD</th>
<th>NEW</th>
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</thead>
<tbody>
<tr>
<td>[Carbon Taxes]</td>
<td>1G/2G Ethanol</td>
</tr>
<tr>
<td>[Congestion Charges]</td>
<td>Bio-/Renewable Diesel</td>
</tr>
<tr>
<td>[Gasoline Taxes]</td>
<td>CTL/GTL/BTL/XTL</td>
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<tr>
<td>[Gas Guzzler Taxes]</td>
<td>NGV Retrofits</td>
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Vehicles

<table>
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<tr>
<th>OLD</th>
<th>NEW</th>
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<tr>
<td>[CAFE Standards]</td>
<td>Fuel Cell Vehicles</td>
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<tr>
<td>Gas-Electric Hybrids</td>
<td>Electric Vehicles</td>
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<tr>
<td>ICE/Diesel Performance Gain</td>
<td>Natural Gas Vehicles</td>
</tr>
<tr>
<td>[Cash-to-Clunkers]</td>
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</tr>
</tbody>
</table>

Source: ClearView Energy Partners, LLC
Post-Scarcity Problem: Alignment → Coincidence → Divergence?

Net imports and emissions generally rise together, aligning hydrocarbon conservation with GHG emissions reduction goals.

As domestic production grows, both net imports and GHG emissions generally decline.

GHG emissions and net imports begin, increasingly, to diverge.

Source: ClearView Energy Partners, LLC, using BP data.