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The Best Energy Policy Is To Let Markets Work Freely

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But more competition can be a scary thing for companies that fear change and have not planned for the future

Energy policies – in Washington and in states, including Pennsylvania – should put American consumers first

Throughout 2015, we saw aggressive push-back from some refiners during the debate to lift the decades-old ban on American oil exports. Prices will spike at the pump and jobs will be lost, they claimed. However, since that Jimmy Carter-era ban was lifted two years ago – on a bipartisan basis, no less – none of those claims have played out. In fact, that policy shift has now resulted in the United States becoming a major player in the international crude markets for the first time, enhancing our government's leverage in negotiations with other countries.

With Midwest refiners ramping up output, current and new pipelines are adjusting accordingly because, well, that's what free markets do.

In Pennsylvania, state regulators this week are considering one such commonsense, market-driven pipeline proposal that should be a no-brainer for approval given the clear consumer benefits it will provide.

Some strange bedfellows have emerged to oppose this project. And while blocking pipelines and other key energy projects has become a full-time job for many activists, it's not "keep it in the ground'ers" leading the opposition. The Laurel Pipe Line, after all, is already in the ground, having safely moved fuels from East Coast refineries to points west for the past six decades.

Instead, several businesses are working together to block the proposed partial reversal of this pipeline, claiming – you guessed it – that jobs will be lost and prices will increase for consumers.

The problem is, the facts don't really support those arguments. Westward deliveries from East Coast refiners whose output keeps falling have dwindled (note that they rely heavily on OPEC- and other overseas imports). Midwest refiners, however, want to use that pipeline to reach more regional consumers.

Philadelphia-area refiners – including those who've received heavy taxpayer subsidies – want the state to again prop up their business by maintaining westward flow on a section of pipeline that's increasingly underutilized. And fuel retailers with a hold on certain markets want the state to help them preserve that position – and keep competition at bay no matter the potential benefits to consumers.

Reversing Laurel between Pittsburgh and the Altoona area – as its operator, Buckeye Partners LLC, has proposed – would bring an additional 40,000 barrels a day of lower-cost, American-made fuel into Pennsylvania. This is a market-based business decision that would definitely benefit consumers. Blocking those benefits to artificially protect selective business interests that have failed to keep up with the energy revolution would be the worst form of government picking winners and losers – a scenario that always harms consumers.

While many policymakers, academics and leading free-market organizations have voiced support of this project, others are clinging to the less productive status quo. Perhaps most surprisingly, some are Republicans who ironically claim to support enhanced competition and free markets, talking points that make no sense when one considers the position they've staked out on this issue.

Energy policies – in Washington and in states, including Pennsylvania – should put American consumers first , not special interests and corporate rent-seekers. Letting Laurel move forward with its proposed flow reversal is a no-brainer for good energy policy, because it's a business decision driven by the markets, not by regulators.

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About the Author:

David Blackmon is an independent energy analyst/consultant based in Mansfield, TX. David has enjoyed a 38-year career in the oil and gas industry, the last 23 years of which have been spent in the public policy arena, managing regulatory and legislative issues for various companies, including Burlington Resources, Shell, El Paso Corporation, FTI Consulting and LINN Energy. During this time, David has led numerous industry-wide efforts to address a variety of issues at the local, state and federal level, and from April 2010 through June 2012, he served as the Texas State Lead for America's Natural Gas Alliance. In addition to client-related work, David also maintains a growing media communications practice. He is currently Associate Editor for Shale Magazine (www.shalemag.com), a contributor on energy-related matters at Forbes.com, and a feature writer for World Oil Magazine. He is the resident energy expert on the "In The Oil Patch" radio program, and executes frequent public speaking engagements around the state of Texas and at conferences. The text or links to all of David's writings and podcasts can be found at www.dbdailyupdate.com. He attended Texas A&I University and The University of Texas, earning B.A. in accounting in 1979.

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