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Special Economic Bulletin

Energy Policy of Presidential Candidates

June 13, 2008



Summary

This paper compares and contrasts the energy policy of the two presidential hopefuls. Although both candidates recognize the need to reduce greenhouse gas emissions and support a cap-and-trade system to resolve this issue, they differ substantially with regard to energy issues pertaining to renewable energy and fuel efficiency standards. While McCain highly favors nuclear energy, Obama is more flexible and are supportive of most renewable energy options, including, but not restricted to, solar, wind and biofuels. Obama proposes a Federal Renewable Portfolio Standard of 25% by 2025, while McCain does not have a proposal on such as standard. In terms of fuel efficiency standard, Obama wants to double it from the current 27.5 mpg (for cars) within 18 years, while McCain does not have a clear proposition on this.

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John McCain – Republican

Summary

1. Support cap-and-trade system

- Propose a cap-and-trade system that would set limits on greenhouse gas (GHG) emissions and allow entities to buy and sell rights to emit.
- The system would encompass electric power, transportation fuels, commercial business, and industrial business – sectors responsible for just below 90 percent of all emissions. Small businesses would be exempt. Initially, participants would be allowed to either make their own GHG reductions or purchase “offsets” to cover 100 percent of their required reductions. Offsets would only be available through a program dedicated to ensure that all offset GHG emission reductions are real, measured and verifiable. The fraction of GHG emission reductions permitted via offsets would decline over time. However, McCain did not offer a detailed emission reduction schedule.
- A portion of the proceeds from the auctions of emissions permits will be used to support the research and development of several “green” initiatives, such as carbon capture and sequestration, nuclear power and battery development. Funds will also be used to provide financial backing for a Green Innovation Financing and Transfer (GIFT) to facilitate commercialization of these initiatives.

2. Reduce demand for oil

- Will stop filling the Strategic Petroleum Reserve (SPR) to reduce the demand for oil and to reduce the upward pressure on oil prices.
- The rationale is that oil is very expensive today and the overall SPR is of adequate size.

3. Support nuclear

- Believe that oil companies should reinvest their profits in alternative sources of energy, especially nuclear power.

4. Eliminate ethanol subsidies

- Will end policies that contribute to higher transportation and food costs, such as ethanol subsidies, tariff barriers and sugar quotas that drive up food prices and hurt Americans.

5. Set targets and timetables for greenhouse gas emissions

- 2012: Return Emissions To 2005 Levels (18 Percent Above 1990 Levels)
- 2020: Return Emissions To 1990 Levels (15 Percent Below 2005 Levels)
- 2030: 22 Percent Below 1990 Levels (34 Percent Below 2005 Levels)
- 2050: 60 Percent Below 1990 Levels (66 Percent Below 2005 Levels)

¹ Financial instruments representing a reduction, avoidance, or sequestration of greenhouse gas emissions practiced by other activities, such as agriculture.

McCain's Voting Record on Energy Related Programs

Date	Program	Vote
Jun 21, 2007	Removing oil & gas exploration subsidies	Abstain
Jun 19, 2007	Making oil-producing and exporting cartels illegal	Abstain
May 15, 2007	Factoring global warming into federal project planning	Abstain
Nov 3, 2005	Disallowing an oil leasing program in Alaska's ANWR ²	Yes
Oct 5, 2005	\$3.1B for emergency oil assistance for hurricane-hit areas	No
Jun 16, 2005	Reducing oil usage by 40% by 2025 (instead of 5%)	No
Mar 16, 2005	Banning drilling in the ANWR	Yes
Jul 31, 2003	Bush Administration Energy Policy	No
Jun 10, 2003	Targeting 100,000 hydrogen-powered vehicles by 2010	Yes
Mar 19, 2003	Removing consideration of drilling ANWR from budget bill	Yes
Apr 18, 2002	Drilling ANWR on national security grounds	No
Mar 13, 2002	Terminating CAFE ³ standards within 15 months	No
Apr 6, 2000	Preserving budget for ANWR oil drilling	Yes
Jun 16, 1999	Defunding renewable and solar energy	Yes
Apr 15, 1997	Approving a nuclear waste repository	Yes
Aug 3, 1994	Do not require ethanol in gasoline	No

² ANWR = Arctic National Wildlife Refuge

³ CAFE = Corporate Average Fuel Economy standard

Barack Obama - Democrat

Summary

1. Reduce carbon emissions 80 percent by 2050

- Supports implementation of a market-based cap-and-trade system to reduce carbon emissions by 80 percent below 1990 levels by 2050.
- All pollution credits are to be auctioned. A 100% allowance auction ensures that all polluters pay for every ton of emissions they release, rather than giving these emission rights away to coal and oil companies. Companies are free to buy and sell allowances in order to continue operating in the most profitable manner. Each year the number of allowances will decline to match the required annual reduction targets. Exact figures on the annual reduction targets are not yet given, however.
- Some of the revenue generated by auctioning allowances will be used to support the development of clean energy.

2. Invest in a clean energy future

- Double science and research funding⁴ for clean energy projects including those that make use of our biomass, solar and wind resources.
- Create and invest \$10 billion⁵ per year (for 5 years) into a Clean Technologies Venture Capital Fund to fill a critical gap in U.S. technology development.
- Establish a federal Renewable Portfolio Standard (RPS) to require that 25 percent of electricity consumed in the U.S. is derived from clean, sustainable energy sources, such as solar, wind and geothermal, by 2025.
- Increase the resources devoted to the commercialization and deployment of low-carbon coal technologies.

3. Support next generation biofuels

- Will invest \$150 billion⁶ over 10 years to advance the next generation of biofuels and fuel infrastructure.
- Goal of getting the first two billion gallons of cellulosic ethanol by 2013.
- Require 36 billion gallons of renewable fuels to be included in the fuel supply by 2022 and will increase that to at least 60 billion gallons of advanced biofuels like cellulosic ethanol by 2030.

4. Set America on path to oil independence

- Reduce oil consumption by at least 35 percent, or 10 million barrels per day, by 2030.

⁴ At present, the federal government spends over \$3 billion per year on all energy innovation efforts.

⁵ It was not explained on Obama's website where/how these funds would be raised.

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- Double fuel economy standards within 18 years. With the CAFE⁷ standards, this implies increasing it from the current 27.5 mpg to 55 mpg for cars.
- Will provide retooling tax credits and loan guarantees for domestic auto plants and parts manufacturers to build new fuel-efficient cars.

5. Improve energy efficiency 50 percent by 2030

- Establish a national goal of improving new building efficiency by 50 percent and existing building efficiency by 25 percent over the next decade to meet goal of making all new buildings carbon neutral, or produce zero emissions, by 2030.

Obama's Voting Record on Energy Related Programs

Date	Program	Vote
Feb 2, 2008	Passed tax credit for installing E85 ethanol at gas stations	Yes
Jun 21, 2007	Removing oil & gas exploration subsidies	Yes
Jun 19, 2007	Making oil-producing and exporting cartels illegal	Yes
May 15, 2007	Factoring global warming into federal project planning	Yes
Nov 3, 2005	Disallowing an oil leasing program in Alaska's ANWR	Yes
Oct 5, 2005	\$3.1B for emergency oil assistance for hurricane-hit areas	Yes
Jun 16, 2005	Reducing oil usage by 40% by 2025 (instead of 5%)	Yes
Mar 16, 2005	Banning drilling in the ANWR	Yes

⁷ Corporate Average Fuel Economy (CAFE) is the sales weighted average fuel economy, expressed in miles per gallon (mpg), of a manufacturer's fleet of passenger cars or light trucks with a gross vehicle weight rating (GVWR) of 8,500 lbs. or less, manufactured for sale in the United States, for any given model year. Fuel economy is defined as the average mileage traveled by an automobile per gallon of gasoline (or equivalent amount of other fuel) consumed as measured in accordance with the testing and evaluation protocol set forth by the Environmental Protection Agency (EPA). The current CAFE standards require that the average for cars must exceed 27.5 mpg, and the light truck average must exceed 20.7 mpg.

Key Similarity among the Candidates

1. Cap-and-trade

- Both candidates support a market-based cap-and-trade system.

Key Differences among the Candidates

		McCain	Obama
1	Alternative energy options	<ul style="list-style-type: none"> Favors nuclear as the leading alternative energy choice Believe that renewable energy sources such as wind and solar will bring energy independence to America 	<ul style="list-style-type: none"> Supports most renewable energy options including biofuels, solar, wind Will explore nuclear as an alternative source as long as nuclear waste can be stored safely
2	Federal RPS	<ul style="list-style-type: none"> Does not have an RPS proposal 	<ul style="list-style-type: none"> 25% by 2025
3	Funding for renewable energy	<ul style="list-style-type: none"> Encourages oil companies to reinvest some of their profits in renewable energy initiatives Other sources of funds can come from the auction of carbon credits and exporting clean technology to other countries 	<ul style="list-style-type: none"> Some of the revenue generated from auctioning the pollution credits will be used to develop clean energy Create a Clean Technologies Deployment Venture Capital Fund to develop and commercialize clean technology
4	Biofuels	<ul style="list-style-type: none"> Proposes elimination of ethanol subsidies 	<ul style="list-style-type: none"> Passed tax credit for installing E85 ethanol at gas stations Proposes development of cellulosic ethanol Will expand federal tax credit programs and additional subsidy for locally-owned biofuel refineries
5	Fuel efficiency standards	<ul style="list-style-type: none"> Does not propose an increase in fuel efficiency standard 	<ul style="list-style-type: none"> Proposes to double it within 18 years, from the current 27.5 mpg to 55 mpg

Acknowledgments

I would like to acknowledge that the information in this paper has been sourced mainly from the following websites:

www.johnmccain.com
www.barackobama.com
www.congress.gov
www.senate.gov

Disclosures

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The views expressed in this report accurately reflect the personal views of Seen Meng Chew, the primary analyst responsible for this report, about the economic issues referred to herein, and no part of such analyst's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed herein.

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