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Environmental Regulations Collide with Alternative Energy

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Michigan politicians led by Gov. Jennifer Granholm are touting the development of an alternative energy industry as a way to diversify the state's economy and replace jobs lost by the downsizing of Detroit automakers. While it will be difficult, if not impossible, to replace the more than 100,000 auto-related jobs the state has lost since the 1970s (with more losses forecast), the development of a viable alternative energy industry could certainly help. Unfortunately, state regulators and policymakers have put severe roadblocks in the path of companies that would utilize Michigan's considerable alternative energy resources.

Most economists agree that Michigan's economy is still too dependent on the American automobile industry. Yet this state cannot attract the capital investment needed to make alternative energy a significant component of its economy without a cohesive strategy that includes regulatory reform. Press releases and subsidies will do nothing to promote alternative energy if the state's regulatory structure erects a gate through which entrepreneurs find it difficult or impossible to enter. Neither the governor nor the Legislature can create an alternative energy industry in this state. They are, however, effectively impeding that development by not removing the existing regulatory barriers.

The Detroit News has reported that researchers from the University of Detroit Mercy and Wayne State University are exploring ways to use peat — decomposed plant material often found in swamp areas — as a more environmentally friendly energy source than the currently fashionable alternative of corn-based ethanol. The research is funded by federal dollars along with some money from universities and private companies.

Most scientists agree that using corn to produce ethanol has severe limitations. Studies have concluded that it takes almost as much energy to grow, harvest and convert corn to ethanol as is derived from the fuel that's produced. Widespread use of corn for ethanol would raise the cost of a grain that's an important staple for feeding people and livestock.

Michigan certainly has the organic soils capable of producing peat: A study conducted by the state geologic survey estimates that there are more than 4.5 million acres of such soils here. However, having the peat and being able to harvest it are two very different things.

An example is the Michigan Peat Company, which operates in Sanilac County in the thumb area. Michigan Peat has been extracting peat since the 1960s on about one-third of its 2,800-acre property. In 1991, the company applied for a permit to expand the operation on company-owned land. State environmental regulators would allow only the use of a limited additional area, and attached so many conditions that Michigan Peat judged the expansion to be unprofitable.

The refusal at that time by the Department of Natural Resources to negotiate reasonable permit conditions led to a decade of contentious litigation that has cost both the company and taxpayers. The intractable attitude of the Department of Environmental Quality and federal Environmental Protection Agency regulators in Chicago regarding peat and all types of wetlands sends a chilling message to companies wanting to generate energy using the natural resources so abundantly available in Michigan.

Another sign that Michigan is moving in the wrong direction is over-regulation of the state's groundwater. Under legislation passed last year, the state has imposed for the first time in history regulations on the use of groundwater. Abundant water gives Michigan a competitive advantage over more arid states.

The right to use water has been a traditional property right enjoyed by landowners since the state's founding. Taking this right from property owners diminishes the value of their land as well as the likelihood that it will be used for job-producing economic activities. While such regulations may be popular with environmentalists and land-use restriction advocates, they make Michigan a more difficult and costly place in which to develop alternative energy. Michigan has an advantage of abundant water, which is necessary for development of biomass forms of alternative energy. New groundwater regulations have made the use of water more difficult and eroded Michigan's water-rich advantage.

If Gov. Granholm and other elected officials are serious about Michigan becoming a center for alternative energy research and development they need to reform the regulatory bureaucracy and the unfriendly attitude toward business that currently exists at the DEQ. Such reform is vital because most alternative energy development will involve the use of natural resources. Serious regulatory reform will require bold leadership on the part of elected officials, not just rhetoric.

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