

COMMENTARY

On Energy Independence

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In a provocative op-ed entitled “Iran and Brazil Can Do It, So Can We” in the July 6, 2008, edition of the *Washington Post*, Gal Luft argued that, contrary to a variety of recent analyses on the topic, the United States can and should be energy independent. While Dr. Luft’s points are worthy of thoughtful examination and consideration, regrettably, many of his assertions are misleading, incomplete, or factually incorrect.

It is indeed true that U.S. oil import dependence has increased over the past several decades—as a consequence of both increased domestic demand (we now use over 20 million barrels of oil per day, representing roughly a quarter of the world’s demand while we have less than 5 percent of its people) and declining domestic production (at least in part due to restrictions on domestic drilling).

The author ridicules recent analyses performed by both the Council on Foreign Relations (CFR) and the National Petroleum Council (NPC), in large part because they do not support his premise. His answer is simply to ignore them. He describes the NPC as merely a “privately funded group that offers advice from the oil and gas industries to the federal government,” when the council is, in fact, federally chartered pursuant to provisions of the Federal Advisory Committee Act and includes not only representatives from the energy industry but also officials from groups such as Resources for the Future and the Alliance to Save Energy. The 2007 study he referenced was the result of over two years of effort and involved over 350 analysts from all sectors of the economy. I was privileged to serve as chairman of the Geopolitics and Policy Task Group for the NPC study. I was also a member of the CFR effort and would note that that study was cochaired by Drs. James Schlesinger and John Deutch, two former CIA directors with outstanding security credentials, as well as energy and foreign policy expertise.

Both reports analyzed the concept of “energy independence” in terms of economic, foreign policy, and energy reliability implications. Both fully appreciated the importance of enhancing energy security and reducing oil import dependence and recommended actions and policies to achieve those objectives. The NPC effort specifically recommended that a balanced and sustainable energy policy needed to include demand reduction and efficiency measures, efforts to promote increased energy suppliers and supplies of all types—including renewables, nuclear, and electric transport options in addition to conventional fuels. It argued for increased research to accelerate tomorrow’s technologies, for the enhancement of delivery infrastructure, and for a more balanced and thoughtful management of global geopolitical challenges. Both reports also emphasized the need to recognize the scale and scope of the global energy market as well as our limitations to effect quick solutions. Even with the right policies, technologies, and incentives, transforming the global system will necessarily take decades to accomplish. Furthermore, as we overlay the need to control greenhouse gas emissions in a world nearly 85 percent dependent on fossil fuels, we will need to balance our environmental, security, and economic objectives thoughtfully if we are to succeed at all.

With specific respect to the international examples that Dr. Luft proposes as models for the United States to follow, I would respectfully suggest that he examine those ideas a bit more closely, particularly as they relate to issues of scale-up and relevance to our market. For each of the proposed “solutions,” some additional scrutiny is clearly warranted.

In the case of Iran, a country with an enormous endowment of both oil and natural gas, its import reliance on gasoline is largely a function of lack of domestic investment in refineries. Although it is true that Iran is pursuing alternative fuel

vehicles, it is also constructing additional refining capacity to better match its domestic demand. Iran holds the world's second-largest reserves of natural gas, but it is injecting massive amounts of that product into the oil fields in order to maintain its crude oil output. In the future, Iran may become a world-scale exporter of natural gas (a potentially more valuable product in a carbon-constrained world), but to do so would require them to find a replacement source for power generation—an argument they employ to justify adoption of a civilian nuclear program.

In the case of Brazil, again a more complete understanding of the facts would prove instructive. Although it is true that Brazil has invested massively in its sugar cane-based ethanol industry and has today a sizeable fleet of flex-fuel vehicles, the main reason for its fuels success remains oil based. Brazil's fuel mix is roughly a 20-80 blend of ethanol to gasoline. In past years, it has been as much as 25 percent ethanol, but exports (to the United States and other places) forced a reduction in the blend mixture. Scale is also an issue. While the United States consumes some 20 million barrels of oil each day, Brazil's total oil demand is about one-tenth that volume (2.3 million barrels per day). Its ethanol consumption last year ran about 330 thousand barrels per day, while U.S. gasoline demand exceeds 9 million barrels per day. And while the United States also has some 5 million flex-fuels vehicles, our total vehicle fleet exceeds some 240 million.

Finally, I would dispute the notion that reducing oil consumption and by extension, oil import dependence, in this country is not a high priority. With oil at \$140 per barrel and gasoline at \$4 per gallon, it has become a priority. The "business-as-usual" trajectories of sustained demand growth and assumed reliability of ever-increasing supplies have been replaced by new energy imperatives, in part, because they are simply unsustainable—for economic, foreign policy, security, and environmental reasons. We now live in a world of increasing energy demand, constrained supply, and higher prices. And this world is further complicated by the emergence of new energy players on the international scene, a changing geopolitical landscape, and the additional challenge of finding new and scalable sources of low-emission energy forms.

A transformation is already underway. But it is one that must be balanced and thoughtfully managed for it will take decades not months or even a few years to achieve. It will require workable strategies not political slogans. The new energy future will require sustained improvements in efficiency of energy use and contributions from all energy forms, including renewables, nuclear, and conventional sources. And it will require a global commitment of producers and consumers alike. As tempting as it is to believe there are quick and easy solutions that carry no adverse consequences, that is simply not the case. We live in a decidedly interdependent world. To suggest otherwise is truly political fantasy.

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