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Rethinking America's energy security

By Bernard L. Weinstein - 02/22/11 10:59 AM ET

Last month, amid fears the Suez Canal might be closed by the political turmoil in Egypt, the price of oil briefly topped \$100 per barrel. As a result of ongoing clashes in Bahrain and Libya, oil prices are again approaching the century mark.

The revolutions in North Africa, along with other evidence of political instability across the Middle East, should remind us that America's lack of a coherent domestic energy policy is putting our economy and our national security at risk.

Rep. Doc Hastings (R-Wash.), Chairman of the House Natural Resources Committee, perhaps best summarized these risks when he recently stated, "The current political unrest in Egypt and its unstable neighbors strongly reinforces America's need to reduce our dependence on turbulent regions of the world and produce more energy at home."

In the spring of 1977, in the aftermath of the OPEC oil embargo, President Jimmy Carter made a similar statement when he declared that energy independence was "the moral equivalent of war." At the time, we were importing about 30 percent of our oil needs. Today, that percentage is close to 60 percent and at \$260 billion accounted for roughly half our total trade deficit last year.

Complete energy independence may be neither achievable nor desirable. After all, much of our imported oil and gas comes from friendly nations like Canada and Mexico. But we can, and must, take steps to increase production of our domestic energy resources. Unfortunately, current and proposed public policies are doing just the opposite.

The Obama administration remains enamored with renewable energy sources such as wind, solar and biofuels. Indeed, in his January State of the Union address the President set a goal of 80 percent clean energy by 2035. But under any realistic scenario, green energy won't come near 80 percent by then – even if nuclear power is included. According to the U.S. Energy Information Agency (EIA), fossil fuels will still account for about 75 percent of energy demand in 2035.

Still, the Administration continues to push for higher taxes on the domestic oil and gas industry in order to provide even greater subsidies to renewables. According to the Independent Petroleum Association, these proposed tax increases will fall disproportionately on small drilling companies and could potentially reduce domestic oil and gas production by 20 to 40 percent.

Making matters worse, the moratorium on drilling in the Gulf of Mexico has been followed by a "permitorium,"

denying companies the necessary approval to drill. Consequently, domestic oil production fell last year after rising in 2008 and 2009 as new supplies from the Gulf came on stream. Unless the Department of Interior quickly revives the permitting process, even more drilling rigs will move overseas, destroying thousands of American jobs and further increasing our reliance on imported oil. At the same time, the current restrictions on drilling on the Outer Continental Shelf and Alaska must be relaxed.

Greater use of natural gas can also reduce our reliance on energy imports. Several weeks ago, the EIA more than doubled its estimates of recoverable shale gas to 827 trillion cubic feet, equivalent to a 150-year supply at current usage levels. This versatile and abundant fuel can be used for power generation, industrial boilers, petrochemicals, and transportation. Importantly, greenhouse gas emissions from the combustion of natural gas in power plants and industrial boilers are 44 percent lower than with coal.

Unwarranted concerns of ground water contamination have again been raised regarding the hydraulic fracturing technology used to extract natural gas from shale formations. Even though the Environmental Protection Agency conducted a comprehensive study several years ago that verified the “fracking” process as safe, political pressures have forced EPA to launch a second study. At the same time, a number of local governments are imposing new regulations that could impede natural gas exploration and production.

The recent political upheavals in the Middle East should be a clarion call for developing and maintaining a complete portfolio of domestic energy sources, including fossil fuels, nuclear and renewables. Egregious subsidies for renewables, regulations that discourage production of oil and gas, and harmful tax increases on energy companies don't constitute sensible energy policies. What's more, they could endanger America's nascent economic rebound as well as our long-term energy and national security.

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