



Misguided Energy Policies

Posted by [Robert Rapier](#) on July 21, 2008 - 10:00am

Topic: [Policy/Politics](#)

Tags: [barbara boxer](#), [chuck schumer](#), [energy policy](#), [original](#), [politics](#), [spr](#) [[list all tags](#)]



I have a friend who is addicted to nicotine. His liberal friends tell him that this addiction is bad, and point out that it is costing him too much money. Therefore, they want policies passed that ensure that he can continue to consume as much as he likes, and not hurt his budget too much. They are sure that nicotine substitutes will come along soon to save the day. For reasons I detail below, I call this the Boxer approach, but it could just as easily be the Pelosi/Democratic Party approach.

His conservative friends agree that he is addicted, but their solution is to carve out areas in the U.S. where we can grow more tobacco, and therefore his addiction can at least be homegrown. Sort of like "If you are going to smoke pot, at least smoke American pot." This is the Bush approach.

It seems to me that his friends perhaps have good intentions, but their policies are misguided and don't address the root cause of the addiction. In fact, much like their policies on our addiction to oil. On one hand, the Democratic Party argues 1). We are too dependent upon fossil fuels; 2). We must find alternatives; 3). Carbon emissions are too high; and 4). We need to promote higher fuel efficiency.

Those are good points. But they can't seem to see the irrationality in one of their proposals. At a time when Americans are starting to conserve; starting to trade-in their SUVs for Priuses, it seems to be fast-becoming a core principle of the Democratic party that we should: 5). Tap the [Strategic Petroleum Reserve](#) (SPR) to bring oil prices down so people can afford to consume more. In fact, [in a recent chain letter to me](#), Senator Barbara Boxer - who even [maintains a website](#) on the importance of acting on global warming, stated that we must go after "*real solutions on gas prices*", like "*releasing some oil from the Strategic Petroleum Reserve.*"

Ignoring for a moment the glaring inconsistency between this proposal and her position on global warming, just what is the purpose of the SPR?

[In the event of an energy emergency](#), SPR oil would be distributed by competitive sale. The SPR has been used under these circumstances only twice (during Operation Desert Storm in 1991 and after Hurricane Katrina in 2005). Its formidable size (700-plus million barrels) makes it a **significant deterrent to oil import cutoffs** and a key tool of foreign policy.

However, the calls for tapping the reserve continue to come, because high prices apparently constitute an energy emergency in some people's minds. Here [American Progress](#) defends this view:

[Eight Reasons to Release Oil from the Strategic Petroleum Reserve](#)

Let's look at a couple of the reasons given:

1. Record oil prices have hurt American families

Ordinary families are struggling with record high energy prices. Many families' gas costs have increased by hundreds or even thousands of dollars a year. The price of home heating oil has doubled in the past year. And the Department of Energy predicts that average electricity prices will increase by 5 percent this year, and go up 9 percent in 2009.

Yes, and we are [seeing significant drops in gasoline demand](#) as a result. You know what that means? The people who argue for lower fossil fuel usage and by extension lower carbon emissions should be happy. The kicker is that the author of this article, [Daniel J. Weiss](#), is "**the Director of Climate Strategy at American Progress, where he leads the Center's clean energy and climate advocacy campaign.**" What's wrong with this picture? Do climate advocates think getting people to change is going to be easy? No, there is going to be cost, pain, and [inconvenience](#). But people respond to price, and we are seeing that now. It is not hypothetical, it is observable. What people don't respond to are feel-good speeches about the need to cut back.

Let's look at one more:

6. There is plenty of oil in the reserve to withstand a supply disruption

The SPR has more oil than ever before—706 million barrels, which is 98 percent capacity. Selling 50 million barrels over 100 days would still leave it filled to over 90 percent capacity. This is enough oil to cope with a complete foreign supply disruption for nearly two months, assuming zero reduction in demand in the wake of such a catastrophe.

This is just an argument that the SPR is bigger than it needs to be. Yet the authorization to fill (eventually to 1 billion barrels) was made by congress as a part of the Energy Policy Act of 2005. Per the DOE, it the filling of the SPR is also funded by royalties on oil companies extracting oil from the Outer Continental Shelf (OCS):

The royalty-in-kind program applies to oil owed to the U.S. government by producers who operate leases on the federally-owned Outer Continental Shelf. These producers are required to provide from 12.5 percent to 16.7 percent of the oil they produce to the U.S. government. The government can either acquire the oil itself or receive the equivalent dollar value.

As someone who is very concerned about disruptions of future oil supplies, I want a healthy volume in the SPR. I want it tapped only in the event of something like a major supply disruption that actually threatens to sharply reduce the amount of available oil. I didn't want it tapped at \$20 oil, and I won't want it tapped at \$500 oil. If my choice in the long run is between a gallon of gasoline for \$30 or no gasoline at all, guess which one I am going to pick?

Let's also not forget the history here. A story right here at TOD shows that Chuck Schumer has been [Wrong on the SPR Since 1999](#), when oil was hitting the outrageous value of \$20 a barrel. He won't learn his lesson, as here Schumer (and others) [are at it again in 2004](#) (which was also an election year). Oil at that time had risen to \$35 a barrel. [Here's another TOD essay](#) that recognizes Schumer's misguided logic in tapping the SPR.

Where would we be had we heeded these perpetual calls to tap the reserve? With higher gasoline consumption, higher carbon emissions, a drained SPR, and Senator Schumer still complaining that we need to reduce our dependence on oil. We would be much more vulnerable to supply disruptions, and our financial position with respect to the SPR would be billions of dollars worse off than it is now (i.e., down 100 million barrels or more from today's level with oil at \$130/bbl). Think about that. Heeding Schumer's calls would have endangered national security, and put us in a multi-billion dollar hole.

High fuel prices have led to many positive changes in people's behaviors. [Demand is down](#), fuel efficiency is being embraced, and sales of SUVs are down. The very same people who advocate these things are the same people who would reverse these positive changes by tapping the SPR. It appears that they don't understand that cheap energy is the very reason we became so dependent upon fossil fuels. We won't wean from fossil fuels if they remain cheap. As I have noted before, a big reason that Europe's per capita energy usage is half that of the U.S. is because they have maintained prices at artificially high levels. This caused them to develop different living/transportation/consumption preferences than is the case in the U.S.

If people are forced to tighten budgets - and heaven forbid carpool, ride the bus, or simply drive

less as a result of high prices - that does not constitute an energy emergency. We need to get past these ridiculous calls to tap the SPR, and highlight the inconsistencies (and past history) of those who advocate such a move.

In the next essay, I am going to address President Bush's calls to answer our addiction to oil with more drilling. It makes as much sense to tell a heroin addict that what they really need is homegrown heroin. I think there is a compromise that may satisfy both sides.



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