



PAUL R. PORTNEY

Five Easy Pieces Toward Oil Security

As we had all hoped, the war in Iraq has wound down quickly. We can only hope that a lasting peace is as easily won. One consequence of this very short war is that crude oil (and therefore gasoline) prices have already begun falling as of this writing. If this continues and prompts the country once again to shunt energy policy to the back burner, an opportunity will have been lost. The House of Representatives passed an energy bill in mid-April and the Senate version has now gone to the full floor for debate. But if their respective efforts in the previous Congress are any guide to the future, it is hard to be optimistic that anything meaningful will result.

Space does not permit me here to even casually speculate about the dimensions of an overall national energy strategy—that is, one that addresses not only oil, but also natural gas, electricity transmission and distribution, nuclear power, and hydropower and other renewables. But let me take a crack at suggesting at least the major elements of such a plan.

First, it behooves the United States to encourage the development of new oil production around the world, whether in Africa, Russia and other parts of the former Soviet Union, or elsewhere. The United States currently imports about 55% of the oil it consumes, but even if we imported no oil at all, we would not be immune from fluctuations in the price of oil, whatever their cause. This is because the price of oil is set in world markets and domestic producers will charge that going price even if they could produce all the oil we consume. We need more oil production from whatever sources.

Second, we need a *reasoned* debate about measures to expand oil production here at home. If the Arctic National Wildlife Refuge is to be off-limits for production, as seems likely to be the case, where are the places in the lower 48 states we ought to explore? If we elect not to allow more exploration and production on the Outer Continental Shelf off the coasts of Florida and California (again, a seemingly settled issue, at least for the moment), are there measures that could expand production from existing plat-

forms in the Gulf of Mexico and elsewhere? It's not a sin to ask these questions, even in polite company.

Third, we need to come to some kind of agreement about how we'll go about improving the fuel economy of passenger cars and light-duty trucks, which account for 40% of the oil used in this country. The most cost-effective way to dampen gasoline demand is through higher federal excise taxes on gasoline, but we'll need to look at other measures—such as tighter and redesigned new-car fuel economy standards—if (and only if) the tax approach is deemed politically impossible.

Fourth, we need to invest in basic research pertinent to new technologies for vehicle propulsion. The Bush administration's hydrogen initiative is a good one, though it could be beefed up and modified to include support for any and all technologies—including diesel engines—that hold the promise of delivering clean and affordable mobility in the 21st century.

Fifth and finally, the United States is still in need of a coherent strategy for use of the 600 million barrels of oil in the Strategic Petroleum Reserve. Presumably, we have such a reserve because of concern about the adverse macroeconomic effects of a sudden run-up in oil prices. Yet time after time, we endure such increases—whether due to political instability in the Middle East or refinery shutdowns in our own Midwest—without releasing oil to refiners. It's time to set firm rules about when and how the reserve will be used.

You see a faith in (carefully watched) markets in my recommendations about a domestic oil policy. In other articles in this issue, my colleagues show how similar approaches might work to conserve fish stocks, preserve open space, and even protect endangered species. Enjoy! ■

A handwritten signature in blue ink that reads "Paul Portney".