

## Running on Empty

Is there an really energy crunch in America, or is it contrived? What are the real reasons why the price of fuel is rising? Is the situation getting worse? Is gasoline going to continue to be in short supply this winter? How high will prices go? This is the first of a four-part series that will explore the subject of gasoline and energy sources in general, based on a radio series by the same title that's currently being broadcast on public radio stations. [contact your local public radio station for broadcast times]

First, let's dispel the myth that there's a shortage of oil and fuels. There's really no crisis. According to Dr. Harold Schobert, Director of the Energy Research Institute at Pennsylvania State University, "We have to remember what an energy crisis is. It doesn't mean that we are running out of energy. What it means is that we have problems in matching supply and demand and we have problems in the energy distribution infrastructure."

American motorists have always been accustomed to plenty of gas at cheap prices. But, lets place this in a perspective with the rest of the world. The US has roughly 5% of the world's population, and consumes 25% of the world's energy. This is at the crux of the matter concerning an energy crisis. President Bush even acknowledged it in his State of the Union Address, "We have a serious energy problem that demands a national energy policy."

### HISTORY LESSONS

Oil always has been at the root of politics ever since it was first discovered. The history of economics, politics, and war are intimately connected with oil, especially in the twentieth century. Dr. Timothy Moy, Associate Professor of History at the University of New Mexico, says,

"An enormous amount of the diplomatic, political and military history of the twentieth century has been shaped by concerns over energy, particularly oil. A great deal of World War II was shaped by the need for oil. Japan was, for much of the twentieth century, a rising industrial power and in the twentieth century rising industry meant an enormous consumption of oil. And, so a great deal of its military expansion, beginning in the 1930s was a result of the need for oil. The move into China, in the early 30s and especially after 1937, was largely due to the need for oil and the way the United States and Japan eventually came to blows with one another in WW II was largely over oil. At that time Japan produced only something like 7% of the oil that it consumed, they imported 80% of the oil they consumed from the United States. They were completely addicted to American oil. It's actually in the summer of 1941 that the United States clamps a strict oil embargo on Japan and at that point the Japanese do in fact decide, exactly as everybody had feared, that they have no choice if they're going to try to continue their... their industrial expansion, they need more oil, they're going to have to take it."

### THE WAR

December 7th, 1941, was "a date which will live in infamy." said Franklin D. Roosevelt. That was the date Japan bombed the US and we entered into the last world war. And the Japanese attack was over oil.

Back in the 50's we produced nearly all the petroleum we needed. And during the 1<sup>st</sup> half century since World War II, our petroleum drove our economy. Petroleum and coal heated our homes, fueled our industries, and kept our cars and trucks rolling. Since then, what's happened to us?

Not only did our petroleum consumption began to exceed our domestic production, but we began to buy our oil from elsewhere, and started to ramp up our oil importing. Instead of turning inward and looking at how to develop our own vast reserves, we broke away from the mom-and-pop coil, gas and oil producers in our own backyard and began pouring our money into Middle Eastern countries. Then, almost immediately afterward, America became involved in political events that couldn't help but effect those imported oil supplies.

## OPEC

By turning our dependence on foreign oil, we set ourselves up for our first oil crisis. When fighting between Egypt and Israel broke out in October of 1956, Egypt blocked the Suez Canal—a strategic shipping lane for oil tankers. By simply sinking a few ships in the Canal, the US was thrown into its first oil crisis since World War II.

You probably don't remember when in 1960, Iran, Iraq, Kuwait, Saudi Arabia and Venezuela the Organization of the Petroleum Exporting Countries, or OPEC. Prior to then, the big international oil companies set pump prices simply by controlling supplies. That's when OPEC stepped in and took control of prices. And it's been "pay and pay" ever since. Algeria, Indonesia, Libya, Qatar, Nigeria and the United Arab Emirates joined OPEC in 1971, bringing the cartel to its present size if 11.

Nixon called on Congress for a long-term approach to broaden our energy supply. When he introduced a complex set of oil price controls, OPEC countered by hiking the price of oil. But, without a crisis to get people to rally, the call was largely ignored. Then, by late summer 1971, OPEC started flexing its muscles in response President Nixon's wage and price freezes. And they had us by the barrels!

By then, the growth of world oil demand was in the hands of OPEC. And they showed the world they were in charge of oil production, and the world became hostage to their price increases. By 1973 Americans were importing 35% of our oil, half of it from OPEC. This dependence on others, and a sequence of sudden dramatic events led to our first energy crisis.

### THE SHOWDOWN

Do you remember Groundhog Day, February 2, 1973? It had been a bitter winter. There were shortfalls of home heating oil and natural gas—unequaled since the first energy shortage of World War II. Here's what John Chancellor reported. [NBC Evening News Report 02.02.73]

*"Today was Groundhog Day. The groundhog at Punxsutawney came out of his burrow looked around, saw his shadow, and went back in, and that means six more weeks of winter. The Washington Star News reported today that the Office of Emergency Preparedness, has prepared a contingency plan to ration fuel, and set up priorities for its distribution. The fuels would include heating oil, gasoline, and diesel fuel. The plan, if carried out, would allow the government to require the use of substitutes, such as coal."*

Eight months later America got a big wake-up call. OPEC, decided to respond to our support of Israel during the October Arab-Israeli war by completely halting the flow of oil to the United States. Here's what Walter Cronkite said: [CBS Evening News Report October 1973]

*"Just yesterday, eleven Arab oil producing nations announced phased reductions in oil exports to countries supporting Israel, five percent per month. Well, today King Faisal of Saudi Arabia, one of those eleven nations, announced an immediate ten percent production cutback through November. He also threatens to stop completely oil exports to the United States."*

The impact on the world of this oil stranglehold was immediate and staggering. Not only did our economy get zapped, but as this news report from Kawasaki, Japan illustrates, the effect was also felt in Europe and Japan:

*"Japan's need for oil is growing, eight to nine percent a year. Japan remembers how a western embargo on oil shipments to this country in 1941 helped to create a war psychosis. Japan's point of view on the oil problem is simply this: If the Middle East producers turn off the spigot, America hurts, Europe agonizes, Japan strangles." [Irv Chapman, ABC News October 1973]*

Just like flipping a switch, the effect on energy prices shot up overnight. Demand instantly exceeded supply and the price went up six-fold. People reacted and got in lines, which quickly formed running around the block. Rationing began and spot shortages reared their ugly head for the first time since WWII. Hysteria and anger ran amuck and the American way of life came to a screeching halt—almost overnight.

- People drove around town looking for a gas station that hadn't run out, or for the shortest lines.
- An even-off rationing system was instituted based on the last digit of your license plate.
- Frantic people lost their tempers with each other while waiting in the long lines, horns were blown at those who didn't move up or let another family member but in line. Fights broke out.
- Station attendants and owners began taking bribes from their favorite customers and a black market for gasoline was born.

Between 1973 and 1975, an intense flurry of legislative action signaled the first attempts to develop a coherent set of energy policies.

#### HOME POLITICS

The OPEC oil embargo lasted six months, and all the nightly news turned its attention to Watergate, the resignation of President Nixon in August of 1974, and the fall of South Vietnam to communist forces in 1975. All of the hoopla about reducing dependence on foreign oil became a distant memory. Then the natural gas shortage hit during the bitterly cold winter of 1976 and 1977. On Groundhog Day (again),

February 2, 1977, President Carter proclaimed a national emergency in an effort to deal with severe natural gas shortages. It was the first thing he did immediately after his inauguration—a true foreshadowing of what was to come. Carter saw the challenge and announced:

*“One of our most urgent projects is to develop a national energy policy. As I pointed out during the campaign, the United States is the only major industrial country without a comprehensive, long-range energy policy. The extremely cold weather this winter has dangerously depleted our supplies of natural gas and fuel oil and forced hundreds of thousands of workers off the job. I congratulate the Congress for its quick action on the Emergency Natural Gas Act, which was passed today and signed just a few minutes ago. But the real problem--our failure to plan for the future or to take energy conservation seriously--started long before this winter, and it will take much longer to solve.”*

Two months later, in much the manner of a soothsayer, Carter predicted, *“Solving the energy crisis is the greatest challenge that our country will face during our lifetime. The energy crisis has not yet overwhelmed us, but it will, if we do not act quickly. It's a problem that we will not be able to solve in the next few years, and it's likely to get progressively worse through the rest of this century. Our decision about energy will test the character of the American people and the ability of the president and the Congress to govern this nation. This difficult effort will be the ‘moral equivalent of war’, except that we will be uniting our efforts to build and not to destroy.”*

His plan included:

- The development of an energy policy
- dramatic fuel conservation efforts
- higher gas taxes to encourage conservation
- heavy penalties for wasteful use of energy
- proposed tax credits for the use of solar energy
- creation of the US Department of Energy. This new Cabinet level position would
  - develop policies and supervise federal programs in the field of energy
  - extensive research to develop technologies to convert coal to liquid fuels.

After several false starts, and much political wrangling, The National Energy Act was passed, and so was the formation of the Federal Energy Regulatory Commission and the U.S. Department of Energy.

### GULF WAR

Unexpectedly, the supply of Persian Gulf oil was cut when civil war broke out in 1978 when Iran revolted against the US-friendly Shah. Fear of the 1973 oil shortages happening again caused widespread panic as people scrambled to buy up diminishing gas. Stations ran out and lines formed again.

Seizing the opportunity to become even richer than before, the OPEC nations immediately increased oil prices, increasing it to \$40 a barrel. Gas and diesel price soared, and the nightmare returned. As the gas station ran dry, the independent truckers ran out of gas or shut down in protest. A crude and sometimes rowdy nationwide trucker protest ensued as the truck owner operators came shuddering to a halt.

Once again, Americans swore they would do all that was possible to stop having such a dependency on foreign oil, and once again technology research was mounted to find alternative sources of fuel. But by 1986 the OPEC nations had dropped the per barrel price to \$20, Americans became hooked on imported—and cheap—oil once again.

Once again, interest in stopping our dependency on foreign oil fell by the wayside. Energy research budgets appropriated during President Carter's term were slashed during President Reagan's administration. There wasn't any economic incentive to spend even a dime for R&D in order to develop new energy technologies with foreign oil prices at \$20 a barrel. Again, in the 90s, America returned to energy complacency. And a new generation grew up not knowing what it was like to sit in gas lines.

### CONCLUSION

As a nation, America's commitment to clean air and water has set an example for the world to follow. No question about that. But our actions have been knee-jerk responses to environmental disasters. What about the big picture? What will our energy policy do to help solve our energy problems? Could there be outside influences that are guiding us into making financially irresponsible and environmentally unsound decisions? In the next part, we'll examine our energy resources, where they are, what available right now, and what's coming just around the bend.

The 4-part program is available on 2 CDs for \$29 from Vision Trust, PO Box 10423, Albuquerque, NM 87184 We have treated our energy crises like a headache—when the pain goes away, we forget how bad it was? Could there be outside influences that are guiding us into making financially irresponsible and environmentally unsound decisions?

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- The Alaskan pipeline is being purposely throttled down to only pump a fraction of its capacity.
- American oil wells are being capped while we are importing more and more from other countries.
- The government (EPA) mandated the use of methanol, in the form of Methyl Tertiary Butyl Ether (MTBE) and similar oxygenates, then did a complete reversal and passed laws against it after discovering how it pollutes our groundwater.
- The US Supreme Court gave the EPA tacit approval for any law they choose to create and enforce, even if there are no proven environmental benefits from such enforcement.

- The EPA has begun passing laws that only serve to cause economic harm for Americans, with no foreseeable environmental benefit. For example, the EPA requires as many as fifty different gasoline formulas for top air-polluted cities—driving prices up on those areas for no practical benefit.
- The government spends billions on development of space exploration, but allocates nothing for research for cheap, dependable, and non-polluting energy sources for our transportation industry.
- There is plenty of abundant energy ready and waiting in the ground, right here in America. We have more gas, oil and coal energy reserves than just about anywhere else on earth, enough to easily provide for us until new technologies can come on line.
- Despite our energy wealth, we continue to increase our dependence on Middle Eastern oil. With oil flowing freely from OPEC countries, and our oil appetite increasing, oil imports continue to rise, now surpassing 50% of our consumption.

Presently, our energy consumption relies on coal, natural gas, oil, and nuclear fission. The balance between our available at-home resources, and imported is going the wrong way. Even though we have a huge abundance of coal, we devour imported petroleum and natural gas like no other country.

#### ENVIRONMENT

Energy sourcing has also suffered an unavoidable series of energy-related accidents, which were destined to happen because of the large quantities of crude oil, combined with the high seas. As long as our energy is imported, the consequences for bringing it from off shore has built-in consequences. Everyone remembers those TV images of oil-soaked sea birds struggling for their lives with blackened beaches in the background.

Calamities like the Santa Barbara oil spill of 1969, when Union Oil's offshore drilling platform leaked oil for a week, and the spill by the Exxon Valdez mobilized our government and energy decision making started. The disasters spurred a flood of legislation, as well as the formation of new regulatory agencies. The National Environmental Policy Act, the Clean Air Act, the Federal Water Pollution Control Act, and the Environmental Protection Agency, to name but a few.

Then on March 28<sup>th</sup> 1979, another environmental disaster, Three Mile Island. The near meltdown of the nuclear plant near Harrisburg, Pennsylvania, setback the construction of additional nuclear electric power plants for many years to come. That day delivered another wake-up call about our energy policy shortsightedness, as Howard K. Smith reported: ABC news report 03.28.79]

“Not since Nero fiddled while Rome burned have leaders seemed so indifferent to on-rushing crisis, as the US towards the oil situation. Five years ago, the Arab cutoff warned us an oil crisis was sure to come. What have we done about it? Today's Wall Street Journal headlines—Few American's Conserve Fuel, Auto Travel Is Undiminished. Our plentiful Alaskan oil is in low gear production, as plans for a pipeline to get it where it's needed have been dropped. Texas oil output is falling as there's no price incentive to risk new drilling. Few industries are switching from oil to abundant coal, and coal mining is in near depression. Nuclear power, once the great alternate, is dead in the water, after today's scary accident at the nuclear plant near Harrisburg. Planned government storage of oil for great emergencies, now five years later, equals one week's supply. We're buying more, not less, from OPEC, at prices that in the extreme case of Libya, have risen from two dollars a barrel in 1970 to twenty dollars and rising today. We who possess more fossil fuels in the form of shale, coal, plus oil than any nation on earth are doing inexcusably little about a dire threat.

Nearly as inexcusable as the White House report that the President will call us to action, but not on prime time television, because that might sound like crisis.”

Overall, our environmental efforts have been good. Smog-causing automobile emissions have reduced by 95%. Coal mining no longer leaves behind moon-like barren landscapes. Now the mined land is restored to its approximate natural state. Sulfur and nitrogen oxide emissions from coal-fired power plants were dramatically reduced and so has the acid-rain that they produce. Dead lakes and streams are coming back.

And now global warming issues dealing with carbon dioxide emissions are the focus of environmental policy planning. But will these policies be effective in producing a clean environment? Or are we still being subjected to a helter-skelter energy policy that is having no effect at ensuring a safe, clean, affordable, energy future? If we look at the failure of the Montreal Protocol as an example, the answer is a resounding “No!”

One thing is for sure, the future direction we take with sourcing our energy will have profound consequences on our standard of living. Anyone who sat in a long gas line knows this! What the US needs is a thorough energy plan, with well thought-out energy policies. We need to stop operating under a the helter-skelter “just-patch it up for now” energy policy. Otherwise, the US will continue to suffer from rising prices and, gas lines, outages and a diminishing standard of living from what we now enjoy.