

Testimony of Linda G. Stuntz*
On Behalf of a Council on Foreign Relations Independent Task Force

Before the Committee on Energy and Natural Resources
United States Senate

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Mr. Chairman and Members of the Committee:

It is an honor to appear before you today to discuss the report, “National Security Consequences of U.S. Oil Dependency,” released this past October and authored by an independent task force organized by the Council on Foreign Relations. This task force was co-chaired by James Schlesinger and John Deutch, no strangers to this committee. Members of the task force included experts in foreign policy such as Graham Allison, leading economists such as Martin Feldstein, energy experts such as J. Robinson West, business leaders such as Norman Augustine and experienced energy legislators such as former Senate Energy Committee chairman Bennett Johnston. As a veteran of many energy policy battles myself and one who continues to believe (nonetheless) that, working together, we can improve our own energy security and that of our children, it was a privilege for me to participate in this effort.

Every member of the task force has a separate view on what is most important in this report. I do not purport to speak for all of them today – the report does that. I would highlight four points from this report.

First, you will not find support in this report for “Energy Independence.” Indeed, the first of several “Myths” highlighted by the report is this one. “Barring draconian measures, the United States will depend on imported oil for a significant fraction of its

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transportation fuel needs for at least several decades.”¹ Moreover, so long as we use ANY oil, we will be subject to world oil market developments and so will our allies. We cannot wall ourselves off from the global oil market, much as we might wish to. Furthermore, policies that attempt to significantly reduce import dependence could dramatically drive up fuel prices. You will find support for reducing our dependence on all oil and on managing better our global energy interdependence, for example, by encouraging the International Energy Agency to work with new major energy consumers such as China and India.²

Second, the constraints on foreign policy caused by energy require greater integration of foreign policy and energy policy. Whether in Asia, Africa, South America or even Europe, our foreign policy is directly affected by the role of that nation in the global energy marketplace. Yet, the task force was unanimous in the view that energy issues have not received sufficient attention in the formulation and implementation of U.S. foreign policy. Among other things, the task force recommends that an energy directorate be established at the National Security Council, similar to those that exist now for counterproliferation, defense policy and international economics.³

Third, one of the things that has changed most in global oil markets over the past two decades is the rise of National Oil Companies. The reality today is that National Oil Companies control some three-quarters of the world’s oil reserves. Exxon Mobil, the largest privately owned oil company, ranks only 14th on the list of proven reserve owners.⁴ We are only beginning to come to terms with this development and what it

¹ P. 14.

² P. 52.

³ P. 57.

⁴ P. 18

means for world oil markets, but with their access to reserves elsewhere increasingly limited, privately owned oil companies are returning to those areas that remain open to them, including the U.S. Gulf of Mexico and the North Sea. Over time, given where petroleum reserves are located and by whom they are controlled, the world will become increasingly dependent on state oil companies to produce the oil that is needed.

Fourth, in order to address the national security consequences of U.S. oil dependency, we need a comprehensive approach that: 1) increases efficiency of oil use, primarily in transportation fuels; 2) uses alternative fuels; 3) diversifies oil supplies, particularly outside the Persian Gulf; 4) makes the oil and gas infrastructure more efficient and secure; and 5) increases investment in new energy technologies. The task force considered an increased gasoline tax, increase in CAFÉ requirements and a tradable permit program for gasoline allowances. While the task force unanimously endorsed the adoption of such measures to slow the growth in petroleum consumption, it did not reach agreement on which of these specific measures to employ. With respect to alternative fuels, the task force was enthusiastic about the possibility of “plug in hybrid” vehicles, particularly in conjunction with greater use of nuclear power. The task force also recommends removing the \$0.54 per gallon tariff on imported ethanol so that U.S. consumers may have the benefit of biomass-derived fuels from countries such as Brazil, where ethanol can be produced at lower cost than in the U.S.⁵

Conclusion

It has been my experience that the energy security debate is one particularly afflicted by misinformation and failure to define the problem being addressed. I commend the Committee for seeking the facts regarding the global oil market, our

⁵ P. 39.

position in that market, what options are available to us in the near and longer term, and what the costs and benefits of those options are. I truly hope that the task force report can be of assistance to you in this effort and would be pleased to try to answer any questions you may have about the report or the matters it addresses.