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U.S. Energy Security
Empowering and Enhancing
National Security

The incident is chilling and hauntingly familiar. An oil-rich Middle Eastern country defies international rule of law and poses a threat to the well-being of millions of people. American policymakers have limited leverage because the renegade nation is so crucial to our energy supply. This time, Iran – which appears to have resumed its nuclear weapons program – is creating the anxiety. The concern is two-fold. First, will the Iranians soon be in a position to detonate a nuclear device? And second, will the markets be disrupted because they can't access the nearly 4 million barrels of oil that Iran churns out each day as the world's fourth-largest petroleum producer?

The specter of nuclear weapons in the wrong hands is always alarming and must be dealt with firmly and decisively. But we need as many policy options as possible as we attempt to resolve the current standoff with Iran in an unyielding and uncompromising way. Indeed, if the United States adopted and embraced an energy policy that was pragmatic, coherent and holistic we'd be better able to safeguard our country's energy – and national – security. Trusted and reliable energy supplies are absolutely critical to a strong foreign policy that fortifies our international muscle and an economic policy that fosters sustained growth and opportunity.

A new U.S. energy policy need not be complicated or confusing. It must, however, focus on energy interdependence rather than elusive energy independence. A new energy policy must clearly reflect the fact that our country *is* becoming increasingly more energy interdependent – in terms of our dependence on diverse sources of oil and gas, our position as the world’s largest oil consuming nation, and our role as a significant and often leading investor in international energy ventures.

A new U.S. energy policy must also take into account the new energy equation whose math tells us that relative to demand, oil is no longer in plentiful supply. The time when we could depend on cheap oil and even cheaper natural gas is ending for several reasons: Asia’s seemingly insatiable energy appetite – China and India alone are expected to raise world demand for both oil and natural gas by nearly 45 percent over the next 25 years; geological difficulty that is making easy access to energy more challenging; the maturing of many of the world’s big production fields; and, of course, geopolitical instability.

Finally, a new U.S. energy policy must be driven by two essential strategic objectives: transparency and alignment. We need to make our policy tradeoffs clear. There is a false assumption, for example, that protecting the environment and developing natural resources are incompatible. And we need to integrate our energy policy with other policies that are central to America’s best interests – environmental, economic, trade and national security. Right now, energy policy – or what is defined as energy policy – is formulated in a disjointed and disembodied way. We need greater coordination rather than additional regulation.

Our lack of policy clarity in the U.S. creates global uncertainty for energy producers and trading partners. Take natural gas, for example. Demand for this environmentally clean and globally plentiful fuel has more than doubled over the past two decades. Natural gas is also the fuel of

choice in 87 percent of new electric plants in America. Yet domestic production has increased less than 1 percent since 1996. Why? Because U.S. environmental policy makes it difficult to access potentially significant natural gas resources in the Rocky Mountains and Alaska, as well as offshore. And at the local and regional levels, regulatory barriers have made investment in vitally needed natural gas infrastructure very difficult.

If we're going to meet the demand for natural gas, and bolster both energy – and national – security in the process, then the U.S. must encourage and enable the safe and sensible development of this fuel and make sure our foreign, trade and environmental policies are aligned around this key initiative. That way, incidents like the Iranian nuclear showdown, while still ultra-serious and nervous-making, pose less of a threat to our energy – and national – security; that way, we hold more power as we deal with this type of crisis; and that way, we don't empower the wrong countries in the world.

Cultivation of new energy sources will also require massive investment in the developing world. We must align our trade and foreign policies to ensure that these emerging markets honor fundamentals such as sanctity of contracts, rule of law and transparency. Without those fundamentals, sustained investment in the developing world becomes difficult; and without that sustained investment, our energy security becomes more tenuous and our foreign policy options become more constrained.

The energy industry continues to make major investments to build additional capacity for future production. The seven largest international oil companies, for example, will spend \$250 billion on capital investments over the next three years, an increase of \$20 billion. This investment will help stem the decline of mature production sites and enable the development of large new reserves, including those found in the North Sea, where advances in reservoir management have protected the environment and raised oil recovery rates by about 5 percent over the last decade, and in Canada and Venezuela, where new technology has been used to access and process previously unusable “heavy oil.”

Industry cannot create American energy security on its own. The administration and Congress both have important roles to play – in terms of formulating and enacting a new energy policy that will align with foreign, trade and environmental policies to provide us greater national security.

There is a model worth noting here: in Japan, where oil accounted for more than 75 percent of the energy supply in 1973, the government coordinates foreign, energy and industrial policies based on a full understanding of the nation’s energy interdependence. As a result, oil now equals less than half of Japan’s energy supply, nuclear power has increased from less than one percent to almost 12 percent, and natural gas use has jumped more than eightfold.

If Washington truly engages in the wake of President Bush’s State of the Union Address, America can lessen its addiction to oil and diversify its energy sources, too. But more importantly, we can achieve greater energy security, which will empower and enhance our national security at a time when a country like Iran appears to be flirting with nuclear devices that potentially threaten us all.