

# National Security and Fuel Economy

How Dependence on Oil Impacts  
National Security





# WELCOME

Brigadier General Steve Cheney

*CEO of the American Security Project*

*ASP is organized around the belief that honest public discussion of national security requires a better-informed citizenry—one that understands the dangers and opportunities of the 21st century, the spectrum of available responses, and the benefits and drawbacks of each course of action*

# Energy Security



“by the year 1980, the United States will not be dependent on any other country for the energy we need to provide our jobs, to heat our homes, and to keep our transportation moving.”

– *President Richard Nixon, 1974*

# Energy Security



What do we mean by **Energy Security**?

- Access to Energy Supplies

*But: we must include the full spectrum of national security -*

- Economic Security
- Environmental Security
- Independence of National Security Policy



# FACTS ABOUT OIL CONSUMPTION

**Andrew Holland**

*Senior Fellow for Energy and Environment,  
American Security Project*

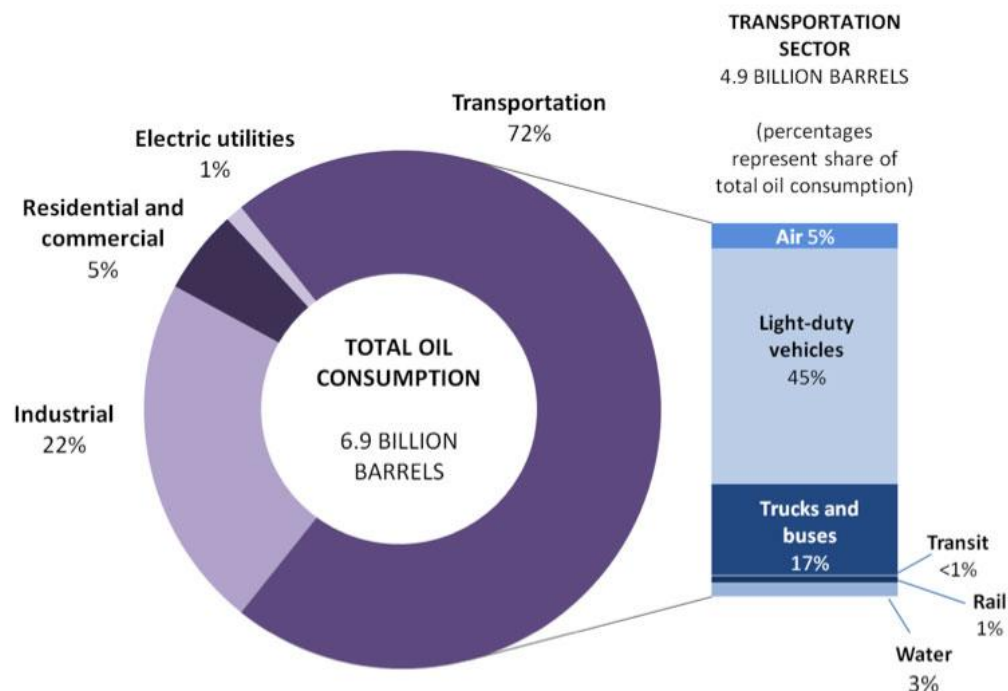
# Facts about oil consumption: 2010



- The U.S. used **19 million barrels of oil** per day
- About **940 gallons** of crude oil per person
- The U.S. consumed **\$1.45 trillion** worth of oil
- **\$680 billion** was spent on imported oil
  - More than the 2010 trade deficit (**\$497 billion**)

# U.S. Oil Dependence

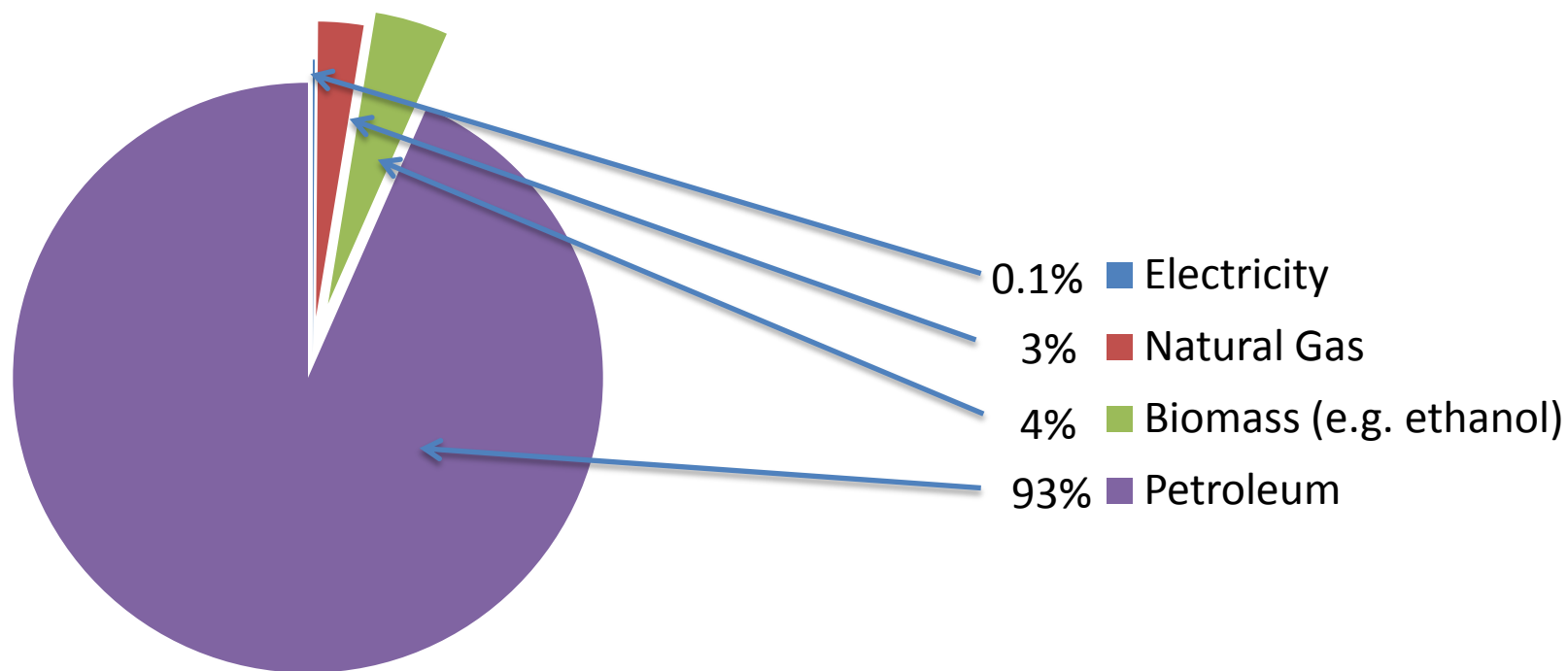
- Oil is used predominantly for transportation
- 71% of the oil used in the U.S. is for transportation
- The largest chunk (45%) is light-duty vehicles (i.e. cars)



# U.S. Oil Dependence

Oil has a virtual monopoly on use as a fuel for transportation

**U.S. Energy Use for Transportation, 2010**





# U.S. Oil Dependence



- Consumers have no other option when oil increases in price
- Oil has a monopoly on transportation
  - Consumers have no other choice
- We have to break that monopoly



# How Oil Dependence Harms National Security

Lieutenant General Norman R. Seip,  
USAF (Ret)

# Oil Dependence Harms National Security



- Entangles security policy in unstable regions
  - Particularly in the Persian Gulf
- Reliance on imports transfers hundreds of billions of dollars abroad
- Leaves American economy vulnerable to sudden shifts in energy costs
- Weakens international leverage

# Military Entanglement with Persian Gulf



- The Carter Doctrine - January, 1980
  - The U.S. pledges to protect the Middle East from external threats

*“Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and **such an assault will be repelled by any means necessary, including military force.**”*

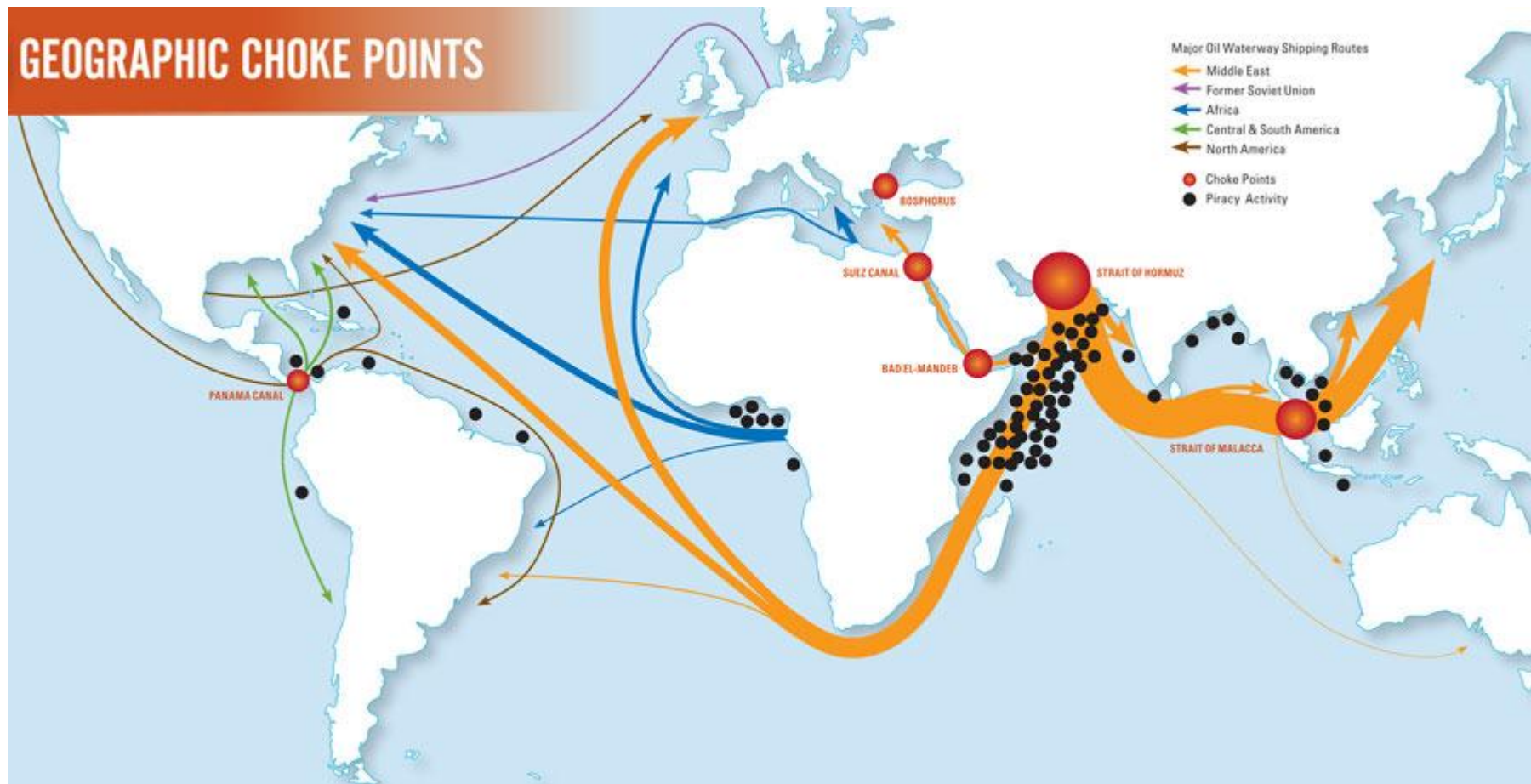
# Military Entanglement with Persian Gulf



- The Reagan Corollary - October, 1981
  - The U.S. pledges to protect Saudi Arabia from threats from within the region

*“We cannot permit Saudi Arabia to become Iran.”*

# Military Entanglement Worldwide



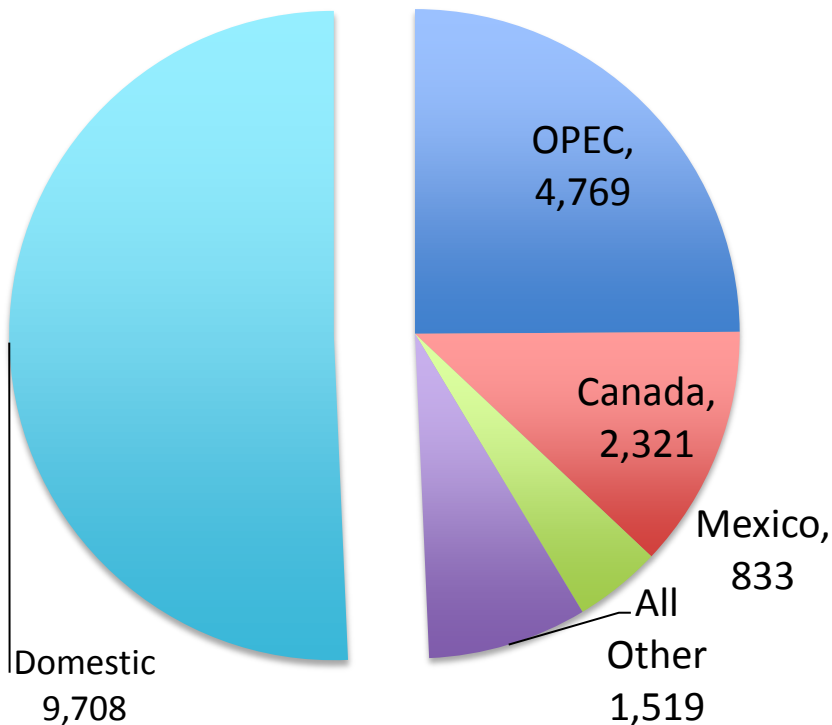
# Military Entanglement - Costs

- Protecting oil supplies has direct costs
- **\$7.3 Trillion** for three decades (1977-2007) of U.S. Navy patrols in the Persian Gulf



# Import Dependence

Source of US Oil Consumption,  
2010 (Thousand Barrels Per Day)

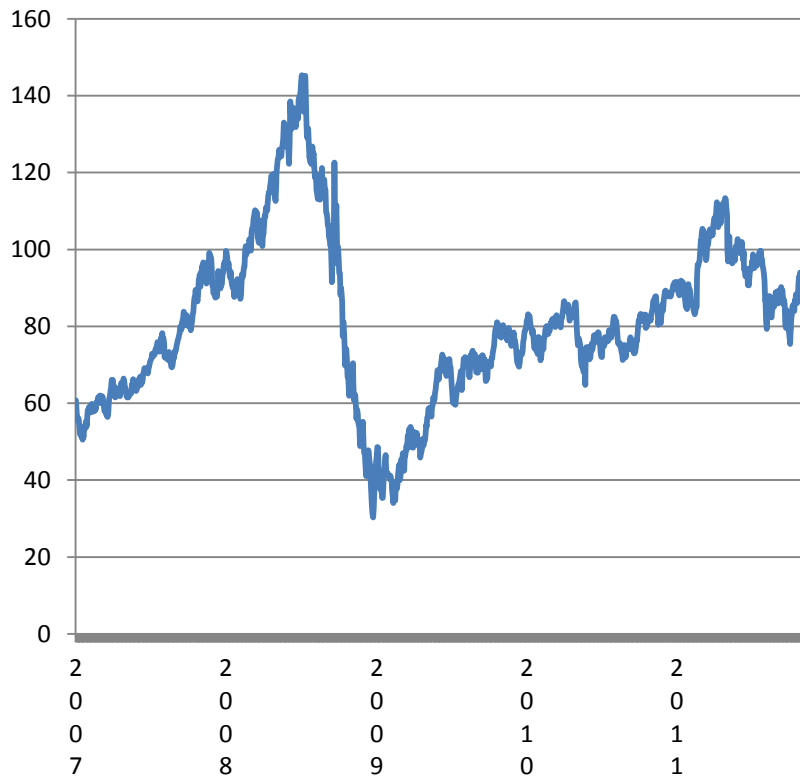


- The U.S. imported 49% of oil used in 2010
- This is the lowest since 1996
- Due to increases in U.S. production and decreases in consumption
- But – import dependence is not the central problem it once was



# Price Volatility

Oil Spot Price (WTI), Dollars per Barrel



- Oil price fluctuation over the last decade has harmed economic security
- 7% of consumer income spent on gasoline in April, 2011, up from 4% in 2009
- Consumers and businesses become unable to plan for the future

# World Markets: Why We Cannot Drill our Way Out

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- Oil is a global market
  - so more production will not insulate Americans from price fluctuations
- Example: Libya
  - In 2010, Libya provided less than ½ of 1% of America's oil imports
- Even so, in the Spring, 2011, oil rose above \$120 per barrel due to the turbulence in Libya

# Oil Dependence Undermines National Security

- Persian Gulf:
  - 30% of global oil production
  - 50% of total reserves
- An open question:
  - *Would U.S. responses to the Arab Spring in Gulf countries like Saudi Arabia or Bahrain have been different if they were not oil producers hosting American forces?*
- Stability of oil prices should not be a determining factor in foreign policy

# Summary of the Problem



- The U.S. is dependent upon oil
- That dependence:
  - Undermines economic security
  - Forces military deployments
  - Harms our national security
- **There must be a better way**



# A SOLUTION – INCREASING FUEL ECONOMY

Brigadier General Steve Cheney  
*CEO of the American Security Project*

# Solution – How to use less oil



- We need to reduce the need for oil
- 45% of our oil use is by cars
- This is not about changing behavior
- Emerging technology means that we can now drive further with less oil
- We need to work with industry to go further

# Solution – Increase Fuel Efficiency

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- More efficient cars will allow us to use less, but at the same value
- The car companies have begun this process
- Government has a duty to set standards and determine the national interest, then let the market work
- This makes it a truly American solution

# Fuel Economy Standards



White House: Fuel Economy increase to 54.5 miles per gallon by 2025

- Developed with automakers and the U.A.W.



# Projected Effects of 54.5 mpg



By 2025, the standards will:

- Save an estimated 12 billion barrels of oil
- Reduce oil consumption by 2.2 million barrels a day, increasing to over 4 million barrels per day
- Save families \$8,200 in fuel savings over the lifetime of a new vehicle
- save an estimated \$1.7 trillion dollars in fuel costs over the life of their vehicles

# Conclusion

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- The New Standards:
  - Reduce the need for oil
  - Encourage economic growth
  - Increase American manufacturing competitiveness
- This is how America should work