



Executive Memorandum

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DOMESTIC ENERGY PRODUCTION: VITAL FOR ECONOMIC AND NATIONAL SECURITY

CHARLI E. COON, J.D.

Long before the terrorist attacks on September 11, President Bush recognized the vital role that energy plays in the economy and national security. Shortly after taking office, he established the National Energy Policy Development Group under Vice President Richard Cheney, tasking it with examining America's energy needs and developing a balanced, comprehensive energy policy to assure reliable, affordable, efficient, and environmentally sound energy in the future.

Much has been done since then. On May 17, the Vice President presented President Bush with the group's responsible plan to reach these goals. On August 2, the U.S. House of Representatives passed the Securing America's Future Energy Act (SAFE) of 2001 (H.R. 4), a comprehensive energy bill that incorporates many of the plan's proposals.

Yet, despite such timely steps to help lessen U.S. dependence on foreign oil and promote energy development and production, progress has stalled. The Senate, which began hearings on energy legislation last March, has failed to act. The need for a comprehensive energy plan is becoming more urgent because of the weak economy and threats to security. As the President explained to his Cabinet, "The less dependent we are on foreign sources of crude oil, the more secure we are at home."

Dependence on Foreign Oil. Concerns about America's dependence on foreign oil and the effects that disruptions in supply would have on the economy grew significantly after September 11. Currently, the nation imports about 53 percent of its oil

supply; one-fourth of that comes from the Middle East. The Department of Energy's Energy Information Administration estimates that by 2030, this dependence on foreign oil could grow to more than 65 percent.

The United States has resources that, if tapped, could make it less vulnerable to oil or natural gas disruptions. The most recent assessment (1995) by the U.S. Geological Survey (USGS) estimates that America has a technically recoverable oil resource base onshore of about 112 billion barrels—five times its proven reserves, onshore and offshore, of 21 billion barrels. Gas resources include as much as 1,074 trillion cubic feet in the lower 48 states and an additional 261 trillion cubic feet in Alaska—more than a 33-year potential supply. Moreover, according to an assessment by the Minerals Management Service in 2000, 75 billion barrels of oil and 362 trillion cubic feet of natural gas underlie U.S. coastal areas.

Studies by the USGS and the National Petroleum Council (NPC) find prospects for major new discoveries, particularly natural gas, most promising

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on public land in the Rocky Mountain sedimentary basins, offshore in the Gulf of Mexico (particularly the Eastern Gulf), and on the Atlantic and Pacific Outer Continental Shelves (OCS). Nevertheless, federal law prohibits exploration in the Eastern Gulf of Mexico and on outer continental shelves. Likewise, it restricts or prohibits access to much of the potential resources in the Rocky Mountain basins. A 1999 NPC study estimates that the gas resource potential of all of these areas equals about a nine-year supply at current rates of consumption. As Dr. Naresh Kumar, Vice Chairman of the Committee on Resource Evaluation of the American Association of Petroleum Geologists, noted in testimony before the House Energy and Mineral Resources Subcommittee last March, "It is likely that with further exploration, these resource figures would increase significantly."

Technologies such as horizontal drilling and three-dimensional seismic technology have advanced to allow greater precision in drilling and extraction of a higher percentage of oil and gas from each field. Combining these with management techniques that promote environmental protection should leave no scientifically sound reason for Congress to ban increased access to these promising areas for natural gas and oil exploration.

Alaska's 1002 Area. The 19 million-acre Arctic National Wildlife Refuge (ANWR) in northeast Alaska includes 8.5 million acres of permanent wilderness, 9 million acres of wildlife refuge, and 1.5 million acres set aside by Congress (the 1002 Area) for potential oil and gas exploration and development. The USGS estimates that the 1002 Area could yield up to 16 billion barrels of oil—roughly equal to what the U.S. imports just from Saudi Arabia over 30 years. The President's plan calls for drilling in a tiny 2,000-acre sliver of this area in the refuge's upper northeast quadrant—leaving a full 99.99 percent of ANWR untouched by exploration.

Despite claims otherwise, the 1002 Area is not pristine habitat; it is a flat, treeless plain that reaches -110 degrees with the wind chill in the winter. Reporter Jonah Goldberg noted in *National Review* in August that his recent visit there confirms

a 14-year-old description in *The Washington Post*: "[T]hat part of [ANWR] is one of the bleakest, most remote places on this continent, and there is hardly any other where drilling would have less impact on the surrounding life."

Congress approved exploration of the 1002 Area in 1995, but President Clinton vetoed that legislation. If he had signed it, the United States would be well on its way to reducing its dependence on foreign oil. The House has acted to correct this policy blunder by authorizing oil and gas exploration in the 1002 Area. The Senate should follow its lead and pass comprehensive energy legislation that includes drilling in this tiny section of ANWR.

Economic Effects of Increasing Domestic Supplies. President Bush believes that energy legislation is an essential component of an economic stimulus package and "an integral piece" of homeland security that would provide jobs for Americans. A recent analysis of his energy plan, prepared in part by the leading economics consulting firm of DRI/WEFA Inc., found that it would result in greater energy efficiency, lower prices, and less dependence on foreign sources, thereby improving the nation's economic performance. Moreover, implementing the plan would promote faster economic growth, create over 1.5 million job opportunities, increase investment, and boost disposable income. Such benefits were important before September 11. Now they are crucial.

Conclusion. Energy fuels the economy. Understanding this, President Bush proposed a balanced long-term plan that includes a diverse mix of fuel sources, efficiency measures, and domestic production to ensure reliable, sufficient, and affordable supplies in the future. Each day Congress delays in passing a comprehensive energy bill that the President would sign increases the nation's dependency on foreign oil and undermines national security.

—Charli E. Coon, J.D., is Senior Policy Analyst for *Energy and the Environment* in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.