

## **COMMENT: America's disastrous energy plan**

By Jeffrey Sachs

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Of the many factors that went into the Bush administration's decision to attack and occupy Iraq, one of the most important was the long-held view of Richard Cheney, the vice-president, that America's power was threatened by the potential loss of control over Middle East oil.

In August 2002, Mr Cheney declared that "armed with an arsenal of these weapons of terror, and seated atop 10 per cent of the world's oil reserves, Saddam Hussein could then be expected to seek domination of the entire Middle East, take control of a great portion of the world's energy supplies, directly threaten America's friends through the region and subject the United States or any other nation to nuclear blackmail".

Mr Cheney's focus on Middle East oil supplies dates back at least 30 years, since he was chief of staff to President Gerald Ford following the first Arab oil embargo. But his long-standing vision of using military might to secure US energy needs has been as erroneous as his assumptions about Iraq's weapons of mass destruction. At the root of his approach has been the arithmetic of global oil supplies.

US oil production peaked in the early 1970s, leading to a long-term rise in US dependence on imported oil. This year the US will have imported about 11m barrels of petroleum a day and mainstream forecasts project a growth of imports to about 20m barrels a day by 2025. Moreover, global competition for worldwide oil supplies is projected to grow markedly, especially with China's emergence as a huge oil importer. Despite discoveries of new reserves elsewhere, petroleum supplies from the Middle East and the nearby Caspian Sea region are expected to become even more pivotal in the coming decades, accounting for two-thirds or more of the world's petroleum reserves in 2025.

With oil supplies and production increasingly concentrated in the Middle East, and with growing competition from other oil importers, Mr Cheney and associates believe the US has a long-term strategic need to secure military pre-eminence in the region. This sentiment helped fuel the invasion of Iraq. Yet the vice-president's view of US energy security is dead wrong, in terms of both energy economics and geopolitics. The energy economics mistake is to confuse petroleum and energy. There is indeed a petroleum bottleneck looming in the coming decades - but no energy bottleneck if we think ahead of the curve. That means using energy more efficiently, as well as seeking out new sources.

It is a basic lesson of chemistry that the energy needs we meet today with petroleum can be met by other hydrocarbons, including natural gas, coal, tar sands and oil shale, for which there are centuries' worth of supplies, and environmentally sound methods of production available today or within economic reach. Petroleum has a cost advantage as a liquid fuel but the cost of making synthetic petroleum from coal or tar sands is modest and likely to fall substantially if carried out on a large scale and with appropriate research and development. If we move increasingly to a hydrogen-based economy, oil's advantages over other hydrocarbon feed stocks become negligible.

The alleged cost advantages of petroleum over synthetic petroleum have probably already disappeared when we recognise the US is paying a fortune in finances and blood for Middle East oil that is not counted in the price at the pump. The dollar costs of US military operations in the Middle East attributable to policing the energy flows are tens of billions a year, if not \$100bn (£57bn) or more. This amounts to a hidden subsidy to oil use of \$10 or more per barrel exported from the region.

Mr Cheney's geopolitical miscalculation is equally bad. As defence secretary in the Bush Sr administration, Mr Cheney initiated the deployment of US troops to Saudi Arabia, which then lasted more than a decade and fuelled the grievances that helped spawn al-Qaeda. In Mr Cheney's current strategy, the US has moved into Iraq on an open-ended basis. Perhaps the main reason the US does not want to turn matters over to the United Nations is not political unilateralism but the core strategy of stationing troops in Iraq to secure long-term access to Middle East oil. Indeed, one of the reasons for moving the US military into Iraq was the need to move out of an increasingly unstable Saudi Arabia.

The fundamental miscalculation, however, is the same one that contributed to the fall of the Shah in Iran, the tottering of Saudi Arabia, the wide popularity among Arab youth of al-Qaeda and the chaos in Iraq. The US cannot secure oil supplies in the Middle East by means of a military occupation. We are in 2003, not 1903. The age of imperialism is past. Nationalism in the Middle East is as fervent as anywhere else in the world, which is understandable given the amount of meddling by the great powers in the 20th century. Each time America embraces a Middle East regime, the regime loses legitimacy.

The US is playing out Mr Cheney's fantastical vision of national security - one in which a future struggle over scarce and vital petroleum resources must be won by force of arms. It should be replaced by a level-headed and internationally co-operative strategy of economising on petroleum demand and developing energy alternatives that are cost-effective and environmentally sound. Mr Cheney's view is technologically naive and politically disastrous. And yet it has become the strategy of the world's most powerful country.

*The writer is director of the Earth Institute, Columbia University For previous articles in this series, see [www.ft.com/usdependence](http://www.ft.com/usdependence)*