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Oil Addiction Weakens the U.S.

How energy dependence is weakening the foreign influence of the United States, and what to do about it.

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Issues 2007 - For the first time in three decades, energy has become a central problem in foreign policy. The surge in oil prices—and in oil revenues for producers—has strengthened the ability of such nations as Russia, Iran and Venezuela to pursue political and strategic objectives of their own. Even worse, in the Middle East, oil money has trickled down to support terrorism. Energy producers with rising revenues are far more impervious to U.S. pressures. Thus, the reality of the oil market has reduced the influence of the United States and its allies.

Energy dependence has become a deterrent. Consider the reluctance of our European allies—as well as China or India—to impose serious sanctions on Iran for its nuclear program. The European nations have become far more reticent regarding autocratic tendencies in Russia since the slowdown in gas deliveries in early 2006. Even the United States, less inhibited about such matters than the others, is cautious about pressing democratic reform on Saudi Arabia, for example.

A foreign policy weakened by oil dependence is a national-security problem. Going forward, we should acknowledge two realities. For the decades ahead, the United States (and its allies) will remain substantially dependent on imported oil, which now accounts for 60 percent of consumption and is likely to go higher. Second, the transition away from dependence on oil for transportation will take decades, and will require massive public- and private-sector research and investment. There are no shortcuts.

We need to take action. As demand rises against limited supply, we should encourage the expansion of oil-production capacity in all quarters—not just in non-OPEC countries. To be credible, the United States needs to reduce barriers to its own domestic production, too.

We need to seek to limit the instabilities in the Middle East, and work with producers to reduce the vulnerability of energy infrastructures from natural disaster or terrorist attack. We need to work with China and India, given their interests as oil importers. A dialogue, including the International Energy Agency, China and India, should address the value of open and transparent world oil markets, national petroleum-stockpile policies and measures to respond to supply interruptions. This might serve to reduce the potential tensions with those nations over access to supply.

At home, the United States must strive to limit and reverse the growth of oil demand. A significant tax on gasoline, despite its political difficulties, would dampen demand, encourage efficiency and signal to investors that alternatives would bring returns. Ideally, such a tax should be imposed when prices are moving lower—and the revenue should be used to cut the payroll tax, assist the poor and elderly who are adversely impacted, and support energy research and development. Higher prices will inspire entrepreneurs to pursue fuel-efficient technologies like hybrid cars and new liquid fuels—from ethanol to tar sands, shale and liquefied coal. But attention will need to be paid to the environmental consequences.

Here are the points to bear in mind. First, the United States should pay careful attention to energy in the formation of foreign policy—and to the interrelationship of domestic and foreign energy goals. In the past, energy has all too frequently been treated as a secondary issue. Second, an immense effort will be needed to develop, demonstrate and deploy the new technology that will ultimately move the nation away from petroleum use. Third,

we must accept the reality that perfect "energy security" is unattainable—and set about intelligently managing for the foreseeable future the nation's unavoidable dependence on oil imports.

Schlesinger was the first U.S. secretary of Energy and also served as secretary of Defense and director of Central Intelligence. Deutch was the first director of energy research and has served as under secretary of Energy, deputy secretary of Defense and director of Central Intelligence. They cochaired the recent Council on Foreign Relations study "National Security Consequences of U.S. Oil Dependency."

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