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**The U.S. Dependence on Foreign Oil**

**By Andrea Susan Glass**

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In late 2004, the Hudson Institute conducted a survey with the following results:

75% of Americans prioritized "reducing our reliance on foreign oil" over "cheaper prices for oil and gas."
83% of Americans agreed that "reducing our dependence on foreign oil must be a top priority for the next administration."
91% of Americans concurred that "when it comes to energy, we need an America that relies on its own ingenuity and innovation–not the Saudi royal family."
How much oil we depend on from foreign sources affects our economy and our national security. Today, we import more than half of the oil we use, and it will increase as we use up domestic resources. The majority (65% to 75%) of the world's oil reserves are in the Middle East and are controlled by the OPEC oil cartel. The U.S. depends on oil for most of its transportation needs––up to 95%. Until alternative energy vehicles start becoming more commonplace, our dependence on foreign oil will only grow.

In the past, dependence on oil has cost our economy dearly. Oil price shocks and manipulation by OPEC between 1979 to 2000 cost the U.S. around $7 trillion, nearly as much as was spent on national defense over the same period and more than the interest payments on the U.S. national debt. An economic recession resulted from each major price shock, so with increasing dependence on OPEC oil, continued price shocks will continue to cost the U.S. economy.

In late 2004, oil prices charged toward $50 a barrel as hurricanes slowed petroleum output from the Gulf of Mexico and rebels threatened Nigerian oil facilities. Not only did that create a surge in gas prices at the pump, but increased the dependence of the U.S. on oil from the middle East. "Higher oil prices could trigger a global recession," according to Purnomo Yusgiantoro, President of OPEC. Analysts reported surging demands from a booming Chinese economy as the cause of putting global demand only slightly below global supply. Most OPEC nations are already producing at full capacities.

All the oil beneath the surface of the earth formed in more than 200 million years, yet in 200 years half of it has been consumed. At that rate, remaining oil resources would be depleted in 40 years. We would still have other fossil fuels like coal, shale oil, tar sands and natural gas. Currently, many of these energy resources are too costly to use, and their conversion to transportation fuels for use in alternative energy vehicles would produce harm to the environment. Investigation is ongoing to find new fuels to develop economically and without environmental damage.

Ultimately, the solution to our dependence on oil lies in our technological progress in developing alternative energy vehicles that are more environmentally friendly and use energy more efficiently. Research continues to find or create new energy sources to replace petroleum cleanly and inexpensively. As people embrace hybrid cars and other alternative fuel vehicles by asking for and purchasing them, automakers will be encouraged to produce more energy efficient, clean cars and to continue their technical advancements.

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**New Energy Bill: Reducing Our Dependence on Foreign Oil**

**By Sam Subramanian**

Growing transportation requirements combined with declining domestic oil production have led to burgeoning oil imports. Rising oil prices are having an adverse impact on the U.S. economy as evident from recent economic data and stock market performance. We need a responsible energy plan which will balance our transportation requirements with the necessity to reduce our dependence on foreign oil.

Rising Oil Prices.

Oil prices have been on a roll this year. As of August 10, crude oil prices have climbed over 45% since the start of 2004. A barrel of West Texas Intermediate recently recorded its all time high of $45.04 on the New York Mercantile Exchange. And this has happened despite the Organization of Petroleum Exporting Countries increasing its oil output.

Earlier in the year, the run up in oil prices was attributed to surging demand for petroleum products due

to a strong global economy. Then it was the unrest in Venezuela and Nigeria.

Concerns on security of oil supplies have heightened more recently. Added to the pipeline disruptions in Iraq are kidnappings of foreign workers in the Middle East.

Yukos, the Russian oil company's tax evasion dispute has taken center stage currently. With a production rate of 1.7 million barrels a day (mmbd), Yukos is Russia's largest oil producer.

While the underlying factors behind the dramatic increase in the price of oil this year are a combination of all the above, the impact is hardly comforting.

Weakening Economy.

Higher oil prices that work like an added tax have the effect of holding down hiring, consumer spending, and corporate profits.

The July jobs report that was released by the Labor Department on August 6 was a disappointment. The U.S. economy added a mere 32,000 to the non–farm payrolls, the lowest monthly addition this year. The rate of employment growth is slowing as business confidence appears to be undermined by rising oil prices. High oil prices are also taking the bite out of consumer spending.

By some economists' estimates, every $10 rise in the price of oil knocks 0.5% off of GDP growth and adds about the same amount to inflation. The equity markets have been fixated with the trend in oil prices and have relentlessly spiraled lower since late June. On August 6, the Dow Jones Industrial Average closed at 9,815.33, its lowest level since Nov. 28 after losing more than 300 points over the last two sessions. The technology heavy Nasdaq Composite Index is down over 11% since the start of the year.

The Root Cause: Transportation Relies on Foreign Oil.

A combination of declining domestic oil production and increasing oil consumption has left the U.S. increasingly dependent on foreign oil.

The U. S. Department of Energy's Energy Information Administration states that domestic oil production in 2002 was 5.8 mmbd, about 36% lower than the 9.0 mmbd produced in 1985. The total use of petroleum products on the other hand has grown from 15.2 mmbd in 1985 to 19.3 mmbd in 2002.

The lion's share of oil consumption stems from transportation needs. In 2002, the transportation sector accounted for about 68% of total petroleum use with gasoline accounting for two–thirds of the petroleum consumed in the transportation sector.

U.S. net oil imports have grown from 4.3 mmbd in 1985 to 10.4 mmbd in 2002. Net oil imports as a percent of U. S. petroleum product use has risen from 28% in 1985 to 54% in 2002.

Based on Sandia National Laboratories and U. S. DOE/EIA forecast, an additional 7.5 mmbd of oil and petroleum products will have to be imported by 2020 to bridge the gap between growing consumption and falling domestic oil production. In 2020, U.S. oil production will supply less than 30% of U.S. oil needs.

The Energy Bill: Long−Term Plan for Energy Security.

The picture the current events paint as a preview of the future is cause for concern.

On August 6, Democratic presidential nominee John Kerry outlined a $30−billion, 10−year plan to veer the U. S. towards energy independence. The plan includes tax breaks and incentives for carmakers and buyers, coal producers and alternative fuels research. President Bush responded saying Kerry's proposals mimic much of what Bush had already proposed but is stalled in Congress.

It will not be adequate if President Bush and Senator Kerry just reignite the energy debate. To bring clarity to energy security, we need a comprehensive long−term national energy plan that will reduce our reliance on foreign oil while meeting the nation's growing transportation needs.

Both supply and demand sides of the transportation issue will have to be addressed to make a meaningful impact in reducing the dependence on foreign oil. Steps to increase the supply of domestic transportation fuels including alternatives to oil will likely be required. So too will efforts to reduce per capita transportation fuel consumption.

Based on what has been outlined to date, neither the Bush proposal nor the Kerry plan appears to fully address the critical transportation issue. The House−Senate conferees have an opportunity to deliver a responsible energy bill to the President's desk for his signature. If the dependence on foreign oil is not reduced, the course of the U. S. economy and the stock market may well be shaped more by decisions made in Moscow, Riyadh, and Vienna rather than being determined by the decisions made at home.

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