

# Energy Security of the United States

Selected Issues

# Outline of the Lecture

- Foreign Policy and Energy Security
  - Focus on the administrations from Nixon to Obama and their role in securing a supply of oil, presence in the Middle East
  - Military costs to the United States
  - Iran and Venezuela – effect on U.S. global interests
- Domestic issues in supply
  - Hurricane Katrina
  - Drilling and exploration in the Outer Continental Shelf
- Ensuring energy security – measures the United States should adopt

# Foreign Policy and Energy Security

- Importance of oil in transport and the U.S. economy has made disruptions in supplies of oil a potential national security concern
- U.S. has made access to oil a high priority among its foreign and defence policies
- Use of military power to guarantee a free flow of oil from the Persian Gulf has been the main tenet of U.S. national energy policy since the 1980s
  - During the Iran-Iraq War, U.S. protected Kuwaiti oil tankers
  - It has gone to war to prevent the domination of the Persian Gulf region by powers hostile to the U.S.
    - Energy security played a role in the 1990-91 Gulf War, U.S. military presence in Saudi Arabia for the past few decades and since 2003 in Qatar and Bahrain
    - Role of oil in the Iraqi War is debatable

# The Nixon Doctrine

- Presented in 1969
  - “...we shall furnish military and economic assistance when requested in accordance to our treaty commitments. But we shall look to the nation directly threatened to assume the primary responsibility of providing manpower for its defence.”
- Impact on American foreign policy in the Middle East
  - Opened the door to U.S. military aid to allies in the Persian Gulf
  - Set the foundations for the Carter Doctrine and subsequent direct military involvement in the Gulf War and Iraqi War

# The Carter Doctrine

- “Let our position be absolutely clear: Any 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.”
  - Response to the Soviet invasion of Afghanistan
  - Intended to deter the Soviet Union from seeking a hegemony in the Persian Gulf
  - Clear connection to military strategy
  - Introduced a policy that would govern U.S. actions for the next decades

# Carter's Policy Initiatives

- First demonstration of U.S. interest in protecting the supply of Middle Eastern oil
- Rapid Deployment Force
  - Established in a presidential directive in 1977
    - Describes a “deployment of light divisions with strategic mobility’ for global contingencies, particularly in the Persian Gulf region and Korea”
  - Provides immediate air attacks in the event a situation arose contrary to U.S. interests
  - Contingent of 200,000 troops
  - Evolved into the U.S. Central Command – CENTCOM

# Carter's Policy Initiatives

- “Review of U.S. Strategy Related to the Middle East and the Persian Gulf”
  - Issued 1978 by the Joint Chiefs of Staff
  - Directly states the interest of the U.S. in the Middle East
  
- “To assure continuous access to petroleum reserves, prevent inimical power or combination of powers from establishing hegemony, and to assure the survival of Israel as an independent state.”

# The Reagan Doctrine

- Inherited from Carter's administration a well-defined military policy
  - Carter Doctrine and the Rapid Deployment Force
  - Carter warned external forces to stay away while Reagan worked to secure internal stability
- “Reagan's Corollary to the Carter Doctrine”
  - Aimed to maintain internal stability
  - The U.S. would intervene to protect Saudi Arabia whose security was threatened after the outbreak of the Iran-Iraq War
  - Iran-Iraq War demonstrates the interest of the U.S. in protecting oil flows and preventing the development of a hostile power
  - In a press conference:
    - ““There is no way...that we could stand by and see (Saudi Arabia) taken over by anyone that would shut off the oil.”



# Reagan's Initiatives

- Continued to develop the Rapid Deployment Force leading to the establishment of the United States Central Command (CENTCON, 1983)
- National Security Directive in 1983 states:  
“President Ronald Reagan directs that consultations begin with regional states willing to cooperate with the U.S. on measures to protect Persian Gulf oil production and its trans-shipment infrastructure. The U.S. will give the highest priority to the establishment of military facilities allowing for the positioning of rapid deployment forces in the region to guard oil facilities.”

# Bush Sr.

- 1989 - National Security Directive states  
“Access to Persian Gulf oil and the security of key friendly states in the area are vital to U.S. national security. The U.S. remains committed to defend its vital interests in the region, if necessary and appropriate through the use of military force against the Soviet Union or any other regional power with interests inimical to our own.”

# Bush and the Gulf War

- Invoked the Carter Doctrine to confront Iraq for invading Kuwait
- Hussein's takeover of Kuwait represented a serious threat to the energy security of the U.S.
  - Hostile force could control a large portion of the world's oil reserves and influence Arab producing nations
- In response to the Kuwaiti invasion and threats aimed at Saudi Arabia, Bush ordered the Pentagon to make plans to protect Saudi oil fields
  - Authorized Secretary of Defence Cheney to begin deploying troops in the region
- Thousands of troops were placed in Saudi Arabia to fight the war and stayed until 2003

# Clinton

- Era marked by a policy of dual containment
  - Supported the continuation of sanctions on Iraq and Iran in order to isolate both states from the int'l community
  - Sanctions protected U.S. interests in the Middle East and maintained a favourable balance in the region as the U.S. didn't have to rely on Iran or Iraq
  - Also cited the U.S. critical interest in access to oil, especially from the Middle East
- “Our paramount national security interest in the Middle East is maintaining the unhindered flow of oil from the Persian Gulf to world markets at stable prices.”

# Bush Jr.

- Bush and Energy Security:

“Keeping America competitive requires affordable energy. And here we have a serious problem: America is addicted to oil, which is often imported from unstable parts of the world.” (State of the Union Address, 2006)

- This dependency makes the U.S. “vulnerable to hostile regimes, and to terrorists who could cause huge disruptions of oil shipments, and raise the price of oil, and do great harm to our economy” (State of the Union Address, 2007)

# The Bush Doctrine

- 2002 – National Security Strategy of the USA
    - Outlined a new era in U.S. policy which emphasizes military pre-emption, unilateral action, commitment to extending democracy to all regions
    - U.S. will not make any distinction between terrorists and the states that harbour them
- “Every nation, in every region, now has a decision to make. Either you are with us, or you are with the terrorists”

# Bush Jr.

- First used to invade Afghanistan to dispose of the Taliban then Iraq and Saddam Hussein
- War in Iraq – arose from a number of factors
  - Key concern expressed by the Bush administration was the potential of Hussein, armed with WMDs to “seek the domination of the entire Middle East and take control of a great portion of the world’s energy supply” (Cheney, 2002)
  - Marks the start of enhanced military presence in the Middle East

# Obama

- Breaks with the unilateral, pre-emptive military approach of Bush's National Security Strategy
- Remains consistent with American foreign policy towards the Middle East by stating "access to energy" is an important interest (p. 24)

"as long as we are dependent on fossil fuels, we need to ensure the security and free flow of global energy resources...our energy dependence will continue to undermine our security and prosperity." (p.30)



# Obama

## The Big Difference:

- Acceptance of the Democratic nomination for presidency:  
“And for the sake of our economy, our security and the future of our planet, I will set a clear goal as president. In 10 years, we will finally end our dependence on oil from the Middle East.”
- Plans to do this through using America’s natural gas reserves, clean coal technology, safe nuclear power, fuel-efficient cars built in America
- Pledges to invest 150 billion in affordable, renewable sources of energy – wind, solar and biofuels
- Removed 100,000 troops from Iraq leaving 50,000 troops and plans a total withdrawal by the end of 2011

Has the U.S. been successful in securing a safe, reliable supply of oil from the Middle East?

Do you think Obama can do it?

# Military

- U.S. efforts to secure access to foreign oil goes beyond the Middle East region
- Since the 1990s, the U.S. has strengthened its economic, political and military connections with oil producing states in Central Asia, South America and West Africa
  - Central Asia: U.S. military forces are either deployed in or provide military assistance in Azerbaijan, Kazakhstan, Uzbekistan (2006), Kyrgyzstan (2008)
  - Latin America: U.S. Special Forces are deployed in Columbia to help the government protect pipelines that are attacked by drug lords and terrorists

# How much does this cost the military?

- Budget for the Department of Defence in 2009 was over USD 500 billion
- Estimates vary from USD 13 – 143 billion
  - Wide range of estimates reflect the difficulty in calculating the cost
  - Certain forces have multiple aims and missions
  - Cost generally includes CENTCON, protection of maritime transit in the Persian Gulf region and Indian Ocean, aiding in the defense of friendly oil producing governments

# Navy

- Issue of energy security is one of maritime security
- Since the 1980s, the Persian Gulf has experienced greater US Navy presence
- 1995 USN established the headquarters of its U.S. Naval Forces Central Command and U.S. 5<sup>th</sup> Fleet in Bahrain
- If ensuring oil security was no longer a military mission the most important reason for maintaining a strong naval presence in the Persian Gulf would disappear

# Effect of oil-rich rogue states on American global interests

U.S. decision-makers are concerned that proceeds from payments of imported oil are being used to finance activities contrary to U.S. interests

- If these rogue states earned less revenue either from lower oil prices or decreased consumption their ability to influence U.S. interests weakens

# Iran

- Home to the 3<sup>rd</sup> largest reserves of oil
- Is the 4<sup>th</sup> largest producer
- Oil revenues are critical to the Iranian government's budget
  - 70% of total budget revenues in 2007
- High world market prices of oil in 2007 increased government revenue
- Government spending increased from USD 13 billion in 1999 to 70 billion in 2008

# Iranian Policies Contrary to U.S. Interests

- Nuclear: appears to be becoming a nuclear power
  - Increased oil revenues have allowed it the resources for the construction and operation of nuclear facilities
  - Allowed it to more easily withstand sanctions meant to stop its uranium enrichment activities
- Military: spending has increased from 1.77 billion in 1998 to 8.4 billion in 2008
  - Oil funds domestic missile programs, technologies, assistance from other countries
  - Medium-range missiles could be used to carry nuclear weapons and have enough range to reach Israel or US forces stationed the Persian Gulf



# Other policies

- **Iraq:** finances different groups which oppose U.S. presence in Iraq through military support, cultural donations and religious training
- **Hizballah:** has provided considerable funding since the group emerged through training, military supplies (1000s of short range missiles), antitank guided missiles, antiship cruise missiles
  - Total funding estimated at USD 200 million per year
- **Oil as a political weapon:** 2006, threatened to cut off its oil exports to drive up prices
  - 2007-08 threatened to close the Strait of Hormuz in response to a military attack by the USA

# Limitations

- Too dependent on oil exports
  - Large reduction in oil export volumes would result in severe financial and balance of system payments
  - Decline in world market prices in 2008 threatened the 2009 budget
- Strait of Hormuz
  - Navel forces are still less capable than the U.S. 5<sup>th</sup> Fleet
  - Iranian government also depends on this strait for export
  - Damage its relationship with member states of the Cooperation Council for the Arab States of the Gulf (GCC) and especially, the United Arabs Emirates

# Venezuela

- Biggest annoyance to U.S. energy security in Latin America
- Supplies around 11% of U.S. oil imports
- U.S. buys 60% of Venezuela's oil output
- 2006, Venezuelan government relied on oil revenues for 53% of its budget
- Wants to reduce its dependence on the U.S. market
  - Close proximity, transport costs are much lower than to other major oil importers – EU, China or Japan

# Venezuelan Policies Contrary to U.S. Interests

- Expansion of influence in Latin America and Internationally:
  - Funded political parties and presidential candidates in Bolivia, Ecuador, Nicaragua, Paraguay and Peru
  - Provides Chavez with ideological allies
  - Tries to influence neighbours by selling them cheaply priced oil
  - Consistently opposes U.S. policy initiatives in the UN and elsewhere
  - Tries to create coalitions of countries to counterbalance U.S. int'l influence with Iran, China and Russia
    - Recent joint naval exercises with Russia

# Other policies

- Military:
  - Expenditure has doubled under Chavez
  - Historically, the U.S. was the source of Venezuelan's military equipment
  - Oil revenues have allowed it to modernize and turn to other suppliers than the U.S.
- Destabilization:
  - Has used oil revenues to support movements that destabilize nearby governments such as FARC

# Limitations

- Chavez's policies have led to a decrease in oil production since 2002
  - 2002 – massive strike halted production
- Foreign and domestic investors are afraid to invest
  - Weary of the next round of nationalization
- Oil revenues have allowed Chavez to follow a foreign policy orientation that opposes U.S. interests but haven't permitted him to become a serious threat

# Domestic Threats to the Security of Supply

- U.S. produces about 48% of its oil supply
  - Domestic production peaked in the 1970s
- Importance of the Gulf of Mexico
  - Over 50% of the country's refinery capacity is located along the Gulf Coast and 60% of the nation's imports enter through this region
- Yergin 2006:

“We focused all this time on protecting our energy security in “the Gulf”, but now we discover that we needed to be worrying about the Gulf of Mexico, not just the Persian Gulf.”

# Hurricane Katrina and Rita

- Late August/Late September 2005
- Shut down 25% of crude oil production that comes out of the OCS
- Crude oil from offshore rigs couldn't be landed, refinery operations near the Gulf of Mexico stopped, product pipelines couldn't operate
- Refineries producing over 3 mbd of refined product (nearly 20% of the country's daily refinery) went off-line and remained unavailable
- Gas prices increased by 30%
- U.S. has become dependent on production here due to off-shore drilling bans for the Gulf Coast of Florida, most of Atlantic and Pacific Coasts



# Outer Continental Shelf

- Drilling in the OCS as a way to increase domestic oil production has been a sensitive issue
- Technology and higher prices have made it profitable to explore in deeper waters
  - New reserves are being found
- Key offshore areas in the Eastern Gulf of Mexico, Pacific and Atlantic OCS and Alaska are off-limits due to explicit federal regulations prohibiting drilling in environmentally sensitive areas

- Moratoria on exploration
  - 1990 - Bush Sr. enacted a 10 year moratorium which included most of the Eastern Gulf of Mexico
  - 1998 – Clinton extends the moratorium to 2012
- Bush Jr. opened some access with the U.S. Gulf of Mexico Energy Security Act in 2006
- Opening these areas for drilling would likely boost U.S. domestic oil production over the next 10 years but it wouldn't be enough to significantly reduce imports
- Resulting diversity of supply is important as higher OCS production weakens the potential for large foreign exporters to exert control over the market

# Ensuring Energy Security

- Increasing Supply:
  - Open exploration and drilling in environmentally sensitive areas such as the ANWR and OCS
    - At their peak, it might add to 7-8% of U.S. demand
  - Increase supplies of unconventional fossil fuels such as oil shale, oil sands, coal-to-liquid production
  - Increase renewables - ethanol
- Reducing Consumption:
  - Higher fuel tax - politically unpopular
  - Raising Corporate Average Fuel Economy Standards (CAFE)