

PROJECT
INDEPENDENCE

a project of the
American Security Council Foundation

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THE PROBLEM:

Relying on Foreign Oil Endangers our Nation

America sends almost a billion dollars per day overseas to buy oil, bankrolling dictators who reinvest our money to directly support terrorist groups that despise our freedom and way of life. Our dollars buy them high-tech weapons arsenals, help them undermine our allies, and fund their anti-American propaganda efforts. We are literally giving our enemies the means to attack our people and destabilize our economy.

Despite three decades of rhetoric, America has still not taken action to reverse this dangerous situation. The terrorist attacks of September 11, 2001 should have begun that process. Freeing our nation from its dependence on foreign oil is one of the most important national security missions we can undertake, and **the time to begin is now.**

ENRICHING OUR ADVERSARIES

Our consumption of foreign oil enriches our adversaries, who use our money to support terrorist organizations, build and proliferate high-tech weapons arsenals including weapons of mass destruction, undermine our allies, and fund anti-America propaganda efforts.

Venezuela:

Venezuela is consistently our nation's third or fourth largest supplier of oil. In 2008 we imported over 435 million barrels of Venezuelan oil. At an average price of \$99.57 per barrel, that means Americans sent Hugo Chavez more than \$4.3 billion last year. (source: U.S. Energy Information Administration)



Iran:

While we don't buy oil directly from Iran, our consumption of over a quarter of the world's oil production drives up the global price of oil, thereby increasing Iran's profits. Iran's oil output exceeds 4.3 million barrels per day; for every \$5 increase in the global price of a barrel of oil, Iran stands to take in over \$21 million more per day. (source: U.S. Energy Information Administration, Energy Business Review)

OPEC:

A full 46% of our oil imports in 2008 came from OPEC countries

(source: U.S. Energy Information Administration)

DESTABILIZING OUR ECONOMY

In addition to foreign oil's ties to terror and despotism, our oil dependency also translates to economic weakness.

Vulnerable to Outside Forces:

As a petroleum-reliant country, the global price of oil affects virtually every aspect of our economy. Our markets are susceptible to flare-ups of unrest in the Middle East, mere threats of terrorist attacks here at home, deliberate manipulation of oil prices by foreign regimes, and supply disruptions – whether due to natural disasters like Hurricane Katrina or economic warfare like the oil embargo of 1973.

Sending Dollars Overseas:

In 2008, the United States imported 4.7 billion barrels of foreign oil. At an average price of \$99.57 per barrel, that means Americans spent \$468 billion on foreign oil last year – well over a billion dollars per day and more than \$1,500 for every man, woman, and child in our country. (source: U.S. Energy Information Administration)

Costing American Consumers:

At a time when we are working to grow our economy, the rising cost of oil will slow those efforts. The 50 cent increase in gas prices since April will cost Americans more than \$40 billion this year – that is, if the price doesn't increase any further. (source: AAA Fuel Gauge Report, U.S. Energy Information Administration)

Trade Imbalance:

Imported oil is the largest contributor to America's annual trade imbalance.

THE SOLUTION:

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Every American president for over thirty years has set energy independence as a goal, but our country has not made significant progress toward its achievement. It's time for a direct, united, focused American campaign to finally achieve energy independence. The American Security Council Foundation's PROJECT **INDEPENDENCE** proposes doing so by following three concurrent tracks:

- 1.** Develop a diversified domestic energy supply;
- 2.** Build the infrastructure necessary to deliver the energy of the future;
- 3.** Improve our energy efficiency.

The Project Independence Goal

Last year, 46% of our oil imports came from OPEC countries. Within ten years, we should replace every drop of OPEC oil with domestically produced energy. We can attain this goal by producing more energy here at home and improving efficiency to reduce our rate of consumption. The key is enacting commonsense policies that encourage private sector innovation and market-based solutions.

Develop a Diversified Domestic Energy Supply

Recent House passage of the Markey-Waxman bill and the dominance of climate change in the current energy policy debate demonstrate that Washington is once again failing to focus on energy independence as a primary goal. Addressing climate change may be an important goal, but it does not attack the root cause of our dangerous foreign oil dependency: our overreliance on petroleum for transportation.

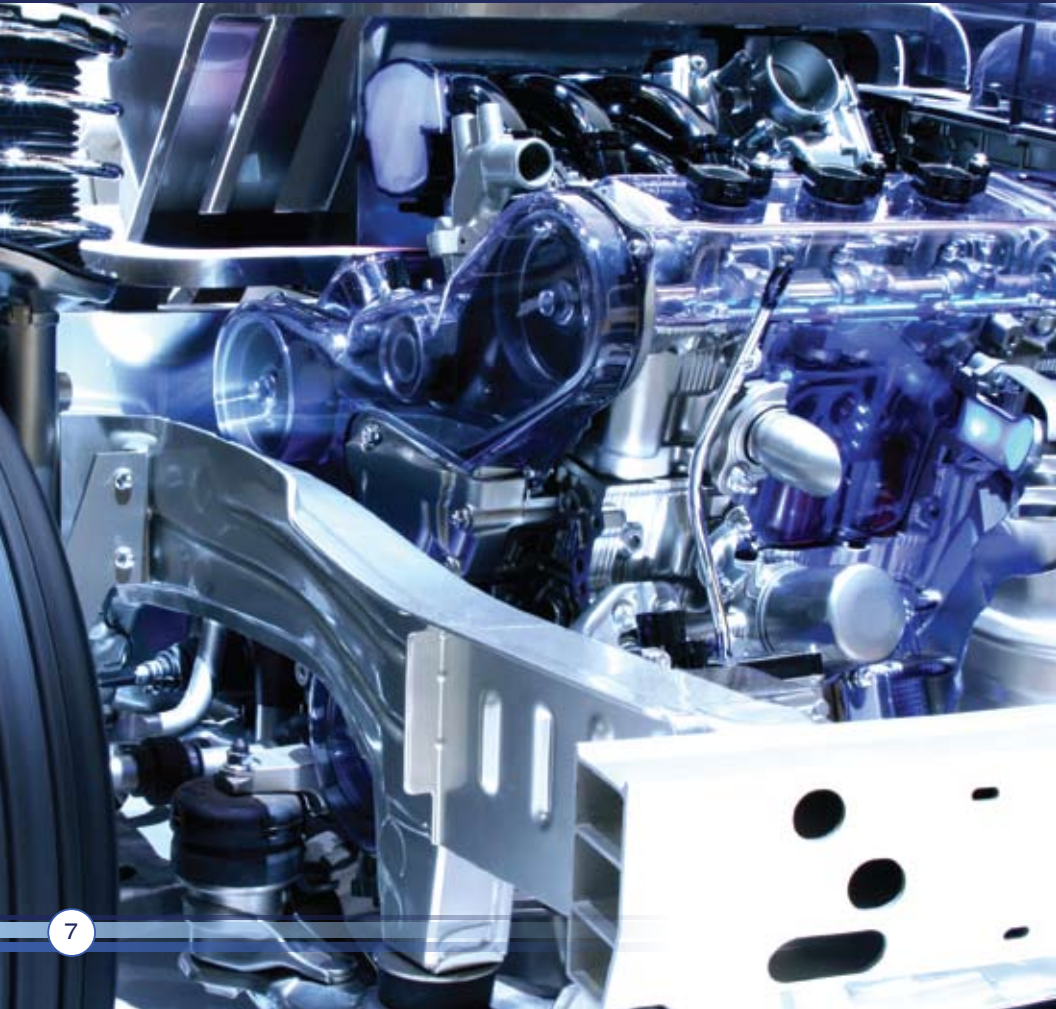


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Petroleum Alternatives for Transportation

Transportation accounts for 71% of U.S. petroleum consumption and that percentage continues to grow. That's because the vehicles we rely on to move our people and goods are 95% dependent on just one type of fuel: petroleum.

inner workings of a hybrid motor



Developing petroleum alternatives for transportation is therefore the central challenge to achieving energy independence. Some alternatives, such as ethanol, natural gas, and biodiesel-powered vehicles are already on the market but in limited quantities and at high prices. Others, like cellulosic ethanol, fuel cells, and hydrogen-powered vehicles, are in various stages of development. Without choosing winners and losers, we need national policies that provide the impetus for any and all of these petroleum alternatives to reach the marketplace more quickly and cheaply.

We can do this by enacting market-based policies that incentivize the manufacture, sale, and purchase of non-petroleum vehicles and alternative transportation fuels. The work should come from the private sector, and our federal government can spark those activities through policies that minimize investment risk and reward innovation and technological breakthroughs, including:

1. Enact legislation repealing federal income and sales taxes on the first 5 million affordable cars that achieve a fuel economy of 70 miles per gallon, which is equal to twice the mandated Corporate Average Fuel Economy (CAFE) standard by 2020;
2. Dramatically reduce the up-front cost and risk of building alternative fuel production and retail facilities by allowing companies to immediately expense their capital investment in these projects;
3. Provide alternative transportation fuel producers and non-petroleum vehicle manufacturers with long-term federal research & development and production tax credits; and
4. Leverage the federal government's huge purchasing power by moving the federal vehicle fleet to petroleum alternatives within the next ten years.

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Expand American Oil Production

Expanding American oil production is also critical. It is important to note that developing and marketing petroleum alternatives will take time, and it would be naïve to assume that the U.S. will ever be completely free from petroleum. The federal government should therefore do more to ensure that the petroleum we rely upon in the short term comes from American suppliers rather than our adversaries. Lifting the outdated restrictions on oil and gas exploration in appropriate areas of the United States is critical to replacing foreign oil with domestic oil.

Alternative Energy for Power Generation

A final important step to developing a diversified domestic energy supply is developing alternative sources for power generation. Breaking our petroleum addiction is going to place an even greater burden on the power grid due to innovations like electric cars. Producing that new power with alternative energy technologies will benefit not only our environment but also our economy by allowing us to market those technologies to other nations. Our federal government should:

1. Support the safe expansion of nuclear power generation; and
2. Ensure the viability of American power production by continuing to invest in the development environmentally-friendly new technologies including carbon capture and sequestration (CCS) and clean coal.

Build the Infrastructure Necessary to Deliver the Energy of the Future

Developing petroleum alternatives is only part of the solution to achieving energy independence. We also need to ensure that we have the infrastructure in place to deliver the energy of the future, which will help private sector producers market their new technologies.



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Interstate Alternative Fuel System

In the 1950s, the U.S. built the interstate highway system to improve our national security. In this century, we need to make the same commitment to developing an interstate alternative fuel system. Several policy initiatives would help accomplish this objective:

1. Offer tax incentives and immediate expensing of capital investment for the installation of alternative fuel pumps at service stations across the United States; and
2. Eliminate federal motor fuel taxes on alternative fuels.

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Update the U.S. Power Grid

Updating the U.S. power grid is essential to increasing energy efficiency and allowing the integration of renewable power generation facilities. The existing U.S. grid is broken into three largely separate interconnections – eastern, western, and Texas – with regional differences within each of those interconnections. The current grid cannot shift the power supply to meet changing demand due to variable electricity usage, and it has inadequate carrying capacity in areas where renewable power generation facilities must be located.

We need to install a high-tech national “smart grid” to overcome these problems. A smart grid would create a national high voltage transmission system including renewable energy corridors, which would allow projects like wind and solar farms to flourish. It would also embed our transmission system with sensors and computers that utilities can use to more precisely manage power delivery according to demand.

The U.S. electric transmission siting process is currently subject to regional authority that slows down permitting, jeopardizing progress on building a national smart grid. Washington should:

- 1.** Take a lesson from our federal highway system and develop a truly national grid by fixing the siting process to give the federal government siting authority parallel to its authority over natural gas pipelines;
- 2.** Develop a truly “smart” grid by utilizing technology that makes the grid interactive, with the ability to monitor where power is coming from and how it is being utilized, for the purpose of ensuring efficiency and safety; and
- 3.** Work with the private sector to continue developing protections against foreign-based security threats including spying and cyber terrorism, to which experts believe current smart grid technology is vulnerable.



Improve Our Energy Efficiency

In addition to developing new sources of American-made energy and the infrastructure necessary to deliver it, we can cut our consumption of foreign oil by simply reducing our overall energy usage. The most effective way to do that is by improving efficiency, and there are several steps our federal government should take to achieve this goal:

- 1.** Adopt a national “green building” tax credit to encourage greater efficiency in both commercial and residential construction; and energy consumption by 35% relative to 1990 levels.
- 2.** Require federal government agencies to reduce their their energy consumption by 35% relative to 1990 levels.



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