Iran: Regaining Energy Leverage

The Washington Times, January 31, 2006

Michael E. O'Hanlon, *Senior Fellow*, Foreign Policy Studies
David B. Sandalow, *Environment Scholar*, Foreign Policy Studies

As Iran marches forward in an apparent attempt to develop nuclear weapons, the world faces a dilemma. Absent military strikes, which could help entrench a radical regime in power and might only delay an Iranian bomb, sweeping sanctions offer the best chance of changing Iran's behavior.

Such sanctions—to be serious—must involve not only pistachios, rugs and travel by Iranian leaders happy to stay home, but the oil exports on which Iran's economy depends.

Yet far from being a sword the world community can brandish against a recalcitrant Iran, oil is a shield Iran can use to protect itself. Analysts predict interruption in Iranian crude to world markets would send oil prices to more than $100 per barrel, weakening the resolve of governments around the world to take on the security challenge of Iran's nuclear ambitions.

This is unacceptable. Three decades after the first oil shocks—and a quarter-century after the humiliating capture of U.S. diplomats in Tehran—the world community remains hostage to its continuing dependence on Mideast oil. Tough-talking leaders are unable to match words with action because the hard work of reducing our oil dependence remains undone.

More than ever, the world needs an energy cushion that will allow it to consider sanctions against a major oil-exporting country such as Iran that so flagrantly defies the international community. Such a cushion is also needed to prevent political instability on the Arabian Peninsula or terrorist attacks on major oil fields from leading quickly to full-scale global crisis. We are taking a foolish and unnecessary risk by remaining so dependent on every drop of oil pumped that the global economy shudders and political leaders tremble the moment any major source is threatened.

This vulnerability is not new. But today our ability to overcome it is better than at any time in decades, for three reasons.

1. **We have a model of success: Brazil.** While the United States dithered for much of the last quarter-century, pursuing ineffective and inconsistent energy security policies, Brazil set out to reduce dependence on foreign oil in part by harnessing its agricultural wealth. Starting in the 1970s, vast sugar plantations were devoted to producing ethanol, a homegrown liquid fuel. The Brazil stuck with the program through several setbacks and today is essentially independent of foreign oil.

   True, Brazil is blessed with a favorable climate for biofuels. But the real lesson is that determination and resolve pay off. In the United States, wildly fluctuating budgets for energy research have choked progress on biofuels that could increase rural incomes while enhancing national security.

   Building on the Brazilian experience, the U.S. government should immediately launch a crash program to develop advanced or "cellulosic" ethanol made from switchgrass, poplar and other nonfood crops. Technology breakthroughs in the last decade have made this even more practical than before.

   Cities should launch community biodiesel programs, collecting waste oils to produce liquid fuel. Such steps could also help transform global agriculture, reducing the need for the traditional farm subsidies in the West and providing developing countries' farmers more market opportunities.

2. **U.S. automakers are poised for historic transformation:** The strategy of the past several decades—on massive advertising to sell gas-guzzling cars—iled miserably. The terms of the Washington-Detroit dialogue should be rewritten, with Washington recognizing health-care and pension costs put U.S. automakers at a competitive disadvantage, and Detroit recognizing its products profoundly affect our national security.

   Starting in the next few model years, all cars sold in the United States should be "flex-fuel," giving consumers the choice between gasoline or ethanol. GM and Ford already make such cars in Brazil, where they're the hottest-sellers.

Then, automakers should leap ahead to commercialize a new generation of vehicles with oil-saving technologies such as plug-in hybrid engines and lightweight, super-strong carbon composite materials. A grand bargain with Detroit agreeing to put many such vehicles on the road and Washington agreeing to help support health and pension costs would strongly serve the national interest.

By steadfastly pursuing opportunities in biofuels and automotive technologies, the United States could in a generation cut in half its need for oil, reducing the importance of any one supplier. Strategic implications would be profound—thening the U.S. and our allies in all manner of dealings in the Persian Gulf and around the world. The challenge is fundamentally not one of technology, but political will.

3. **Political prospects:** This suggests a third reason the opportunity for progress on oil dependence is greater today than at any time in memory. A far-reaching coalition—including security hawks, farmers, manufacturers, labor unions and environmentalists—is ready to embrace vigorous policies to break our oil addiction.

It's hard to think of a more compelling confluence of events—September 11, 2001, Katrina, Russia's democratic reversals, Iran's nuclear program—to shake us out of our complacency and past ways of doing things. Although it may be too late to promptly resolve this particular crisis with Iran, we can be sure there will be others. This year is the time to act.

The Brookings Institution, 1775 Massachusetts Ave NW, Washington DC 20036
Telephone: (202) 797-6004

E-mail: Brookings Info or Comments on This Site