



## **Energy Insurance. Why bet America's future on anything as slippery as oil?**

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Bud McFarlane served in the Marines and, years later, as President Reagan's National Security Advisor. So I listened up when, at a Foundation for Defense of Democracies workshop on energy security, he said of Saudi Arabia's oil facilities: "Any self-respecting suicide-bomber could take them out. Any artillery man could do it, too."

Not only that: Two years ago, McFarlane wrote an article for *The National Interest* noting that al-Qaeda terrorists had attempted to blow up a major Saudi oil-processing facility. Had the attack succeeded, he wrote, "it would have taken the terminal off line for weeks if not months and raised the price of oil to more than \$150 per barrel ..."

The price of oil today is nearing that level anyway. So just imagine what a terrorist attack on the global oil supply network would mean now. McFarlane articulated it clearly: "If oil flows from the Persian Gulf were disrupted (as al-Qaeda has promised and which could easily happen), we would see oil at more than \$200 per barrel overnight. ... the global economy would likely fall into deep depression."

You'd think politicians would be making it a top priority to insure against such a dire possibility. You'd think the presidential candidates would be seriously debating policies that could protect us should this strategic commodity - lifeblood of our economy, essential to our military -- stop flowing or continue

to soar in price. But you'd think wrong.

The slogan on Newt Gingrich's [www.AmericanSolutions.com](http://www.AmericanSolutions.com) website: "Drill here. Drill Now. Pay Less." Certainly, it makes sense to tap America's proven energy reserves and, as Gingrich says, "reduce our dependence on foreign energy sources from unstable countries."

We should have started years ago. In early 2001, I served as an advisor to Interior Secretary Gail Norton. Utilizing energy resources in Alaska and off our coasts - while scrupulously protecting the environment - was among her top priorities. But even with a Republican in the White House and a Republican majority in both houses of congress she could not get the job done.

Now Democrats control Congress and most of them continue to oppose drilling just about everywhere. If they were to change their minds tomorrow, it would have an impact on the futures market, but it would be years before you could fill your tank with gas from new American sources.

The fastest way to begin protecting ourselves from supply disruptions and price hikes: Congress could establish an Open Fuel Standard, requiring that every automobile sold in America be capable of burning a variety of liquid fuels. The technology already exists and the cost is only about \$100 per vehicle.

The prospect of many Flexible Fuel Vehicles (FFVs) coming onto the market would provide an enormous incentive to entrepreneurs to compete for consumers' dollars by producing alternative fuels more abundantly and more rapidly. (Leveling the playing field among fuel-makers also should be on Congress' to-do list.)

If incentives for automobile manufacturers are required to open up the fuel market to competitive forces, provide them. Consumers, too, should be encouraged to trade in their old (high-polluting) mono-fuel vehicles for FFVs.

Gingrich has pointed out that the government - not least the military - drinks oceans of oil. Creating a free and competitive fuel market could bring the price of that oil back down to \$90, \$70 or even \$50 a barrel. That would translate into enormous savings - enough to pay for the incentives.

Longer term: Accelerate the production of both plug-in hybrid and pure electric cars. In America today, we've just about stopped burning oil to generate electricity. In America tomorrow, we should be using nuclear, coal, wind and solar power to make more electricity and give Americans additional transportation choices.

Plug-in hybrids have flexible fuel engines that power the car when it would be inconvenient to re-charge the battery by plugging into a wall socket. Pure electric cars may have

small engines that simply re-charge the battery when you can't plug in.

There is more that can be done, but by starting with the policies outlined above, foreign oil can be stripped of its strategic status. Terrorists targeting oil facilities in Saudi Arabia would no longer be a major concern. Iranian mullahs couldn't threaten to cut off oil exports to teach Americans a lesson - as Iranian Supreme Leader Ali

Khamenei did again just this week. The price of fuels will be determined - and disciplined -- by market forces in a competitive environment.

Less money will end up in the hands of terrorists. And the mobility we Americans prize will not be sacrificed. If the politicians you're keeping in Washington have a better way to insure our future, by all means let's hear about it.

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