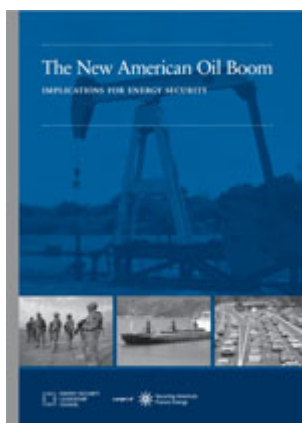


The phrases “energy security” and “energy independence” get thrown around a lot in debates about clean energy, climate change, oil drilling and any policy having to do with our energy supply. And they get used in at least two highly misleading ways by groups that are often diametrically opposed to each other. First, supporters of aggressive alternative energy policies frequently argue that policies like renewable portfolio standards will “promote [energy independence](#).” The [California](#), [Connecticut](#), [New Hampshire](#), and [Washington](#) Renewable Portfolio standards, for example, all highlight energy independence as one of the standard’s goals. Second, supporters of aggressive domestic energy production, including deep water and arctic oil drilling, claim that increasing domestic supply will [strengthen national security](#) by reducing our dependence on foreign oil. [President Obama](#) and Republican presidential nominee [Romney](#) have each made this claim in supporting more domestic oil drilling. Both arguments are flawed.

Renewable portfolio standards and other policies to reduce our consumption of energy to fuel homes and businesses may be laudable for many reasons, including for emitting far fewer greenhouse gas emissions than conventional sources like coal and natural gas. But these policies do not increase energy independence if by energy independence proponents mean weaning ourselves from foreign sources of energy. That’s because utilities in the U.S. are entirely (or almost entirely) reliant on domestic sources of conventional fuels. Coal and natural gas are abundant in the United States. Increasing the supply of alternative sources will replace these conventional sources with other *domestic* sources of fuel. Again, there are plenty of laudable reasons for doing so. But reducing our dependence on foreign sources of fuel is not one of them.



Fuel for transportation — planes, trains, automobiles, trucks and ships — is another matter. More than 90 percent of our transportation fuels are petroleum-based. And we still rely heavily, though in decreasing amounts, on foreign oil to fuel our transport fleets. This year we’ll [import](#) about 45 percent of our fuel from foreign sources, down from

60 percent just seven years ago. But would complete reliance on domestic sources of petroleum protect us from, say, political turmoil in the Middle East? No, according to a just-released [report](#) from the Energy Security Leadership Council. The Council is comprised largely of retired high-ranking military brass and CEOs of large corporations including a cruise line and an airline (excluding the oil industry) so this is hardly a group opposed to domestic oil drilling. In fact the report endorses more domestic drilling in order to promote economic activity and create jobs. But the Council report also makes clear that weaning ourselves from dependence on foreign oil by replacing that oil with domestic sources does *not* solve national or energy security issues because oil markets are global, not local:

the concept of energy security through self-sufficiency in supply alone ignores America's true vulnerability as an oil consumer, driving policymakers toward a goal that is fundamentally misguided.

Because it is fungible and relatively easy to ship by tanker overseas and through pipelines, rail, and trucks onshore, there is essentially a single global market for oil. Oil prices are set in open commodity markets, and oil is traded globally, which means that prices are affected by events in oil-producing and oil-consuming countries around the world. In fact, in some cases, oil prices can be significantly impacted by events in countries that are neither large oil consumers nor large producers—for example, by countries that host important shipping channels or infrastructure. The key consequence of this dynamic is that changes in oil supply or demand anywhere tend to affect prices everywhere. The impact on the United States—or any other consuming country—is a function of the amount of oil consumed and is not related to the amount of oil imported.

The Council Report notes, for example, that Canada is a net oil exporter yet experiences exactly the same volatility in oil prices that the U.S. does. The Council concludes that our long-term goals in the fuel transportation sector should be not to achieve an entirely domestic oil market but instead to wean ourselves off of oil. As the report puts it:

The long-term goal of energy security policy must be to break the petroleum's stranglehold on the transportation sector.

To break the stranglehold the report recognizes the significant potential of electrifying the automotive fleet and of transitioning to natural gas as a fuel for heavy duty transportation.

The findings of the Energy Security Leadership Council are not new ones and indeed the organization has for several years been making similar points. But the gravitas of the members of the council and their pedigrees in business and the military are important for spreading the message about petroleum beyond familiar and already sympathetic circles. If policymakers truly care about national security and oil consumption then the only means to promote national security is to eliminate our dependence on oil all together.