



Recurring Energy-Supply Shortages Could Result in a Nationwide Crisis if an Energy Policy isn't Developed Soon, Warns an Independent Task Force Report of Rice University's Baker Institute and the Council on Foreign Relations

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There could be more Californias in America's future unless the U.S. government adopts a long-term, comprehensive energy policy now, according to an independent [task force report](#) co-sponsored by the James A. Baker III Institute for Public Policy of Rice University in Houston and the Council on Foreign Relations.

Given the capital-intensive nature of the energy industry, such energy woes could worsen before they get better, the study notes. Americans should therefore brace themselves for more California-style electricity problems and seasonal shortfalls of natural gas and heating fuels, as well as occasional spikes in regional gasoline prices. The experts note, however, that the situation is not a sign that the world is running out of energy resources. Rather, the situation finds its roots in chronic under-investment and soaring energy use.

The report, signed by 51 experts with widely different backgrounds and perspectives on the problem, believes that President Bush has an opportunity to begin educating the public about this reality and to start building a broad base of popular support for the hard policy choices ahead.

The report warns that the United States now faces the consequences of not having had an energy policy over the last several decades. The task force concludes that "there are no overnight solutions to the energy supply and infrastructure bottlenecks facing the nation and the world."

The task force, chaired by Edward L. Morse, a widely recognized authority on energy at Hess Energy, and assisted by Amy Myers Jaffe of the Baker Institute, noted that both Democratic and Republican administrations have allowed energy policy to drift despite its central importance to the domestic economy and to the nation's security. In particular, energy policy has underplayed energy efficiency and demand management measures for two decades.

The report also notes that a spike in oil prices preceded every American recession since the late 1940s and that despite the obvious pattern, successive governments did nothing to craft a coherent and visionary national energy policy.

The task force warns that what lies ahead now are agonizing policy tradeoffs between legitimate and competing interests. Among those tradeoffs, the task force states, is whether Americans are willing to compromise their hunger for cheap energy to achieve their increasing demand for cleaner energy and a cleaner environment.

The economic boom of recent years has only exacerbated the energy crisis. Strong growth in most countries and new demands for energy have led to the end of previously sustained surplus in hydrocarbon fuels.

As a result, the world is now precariously close to using all its available global oil production capacity. If an accident or other disruption in production occurred -- whether on the Alaskan oil pipeline, in the Mideast or elsewhere -- the world might be on the brink of the worst international oil crisis in three decades. The situation in oil markets is compounded by shortages of other forms of readily available, clean energy in the U.S., including natural gas and electricity in certain localities.

"The situation is, by analogy, like traveling in a car with broken shock absorbers at very high speeds, such as 90 miles per hour," the report says. "As long as the pavement on the highway is perfectly smooth, no injury to the driver will result from the poor decision of not spending the money to fix the car. But if the car confronts a large bump or pothole, the injury to the driver could be quite severe..." Oil field production capacity limitations today in the Middle East mean that the U.S. can no longer assume that the oil-producing states will provide more oil at will. Moreover, it is not politically desirable for the U.S. to increase its dependence on a few foreign sources.

The task force states that the Bush administration, while not responsible for the current problems, needs to make some hard policy choices to secure the energy future of the United States. A comprehensive energy policy that combines supply, demand restraint and environmental objectives is required, the report concludes.

The [Baker Institute/Council on Foreign Relations task force report](#) is being offered on the eve of the final deliberations of the administration's energy task force headed by Vice President Cheney.

Any viable energy policy will need to cope with the following important and often conflicting foreign policy issues:

- U.S. policy in the Middle East;
- U.S. policy toward the former Soviet Union and China;
- The fight against international terrorism;
- Environmental policy;
- International trade policy, including the U.S. position on the European Union energy charter;
- NAFTA;
- Foreign aid and credits.

In describing the nation's policy choices in creating a national energy policy, the task force report emphasizes a tough bottom line: When it comes to energy, the American people cannot achieve both a painless present and a secure future. The report states that if the current administration tells it like it is to the American people, the U.S. would be taking the first step in years toward achieving a much-needed national energy policy.