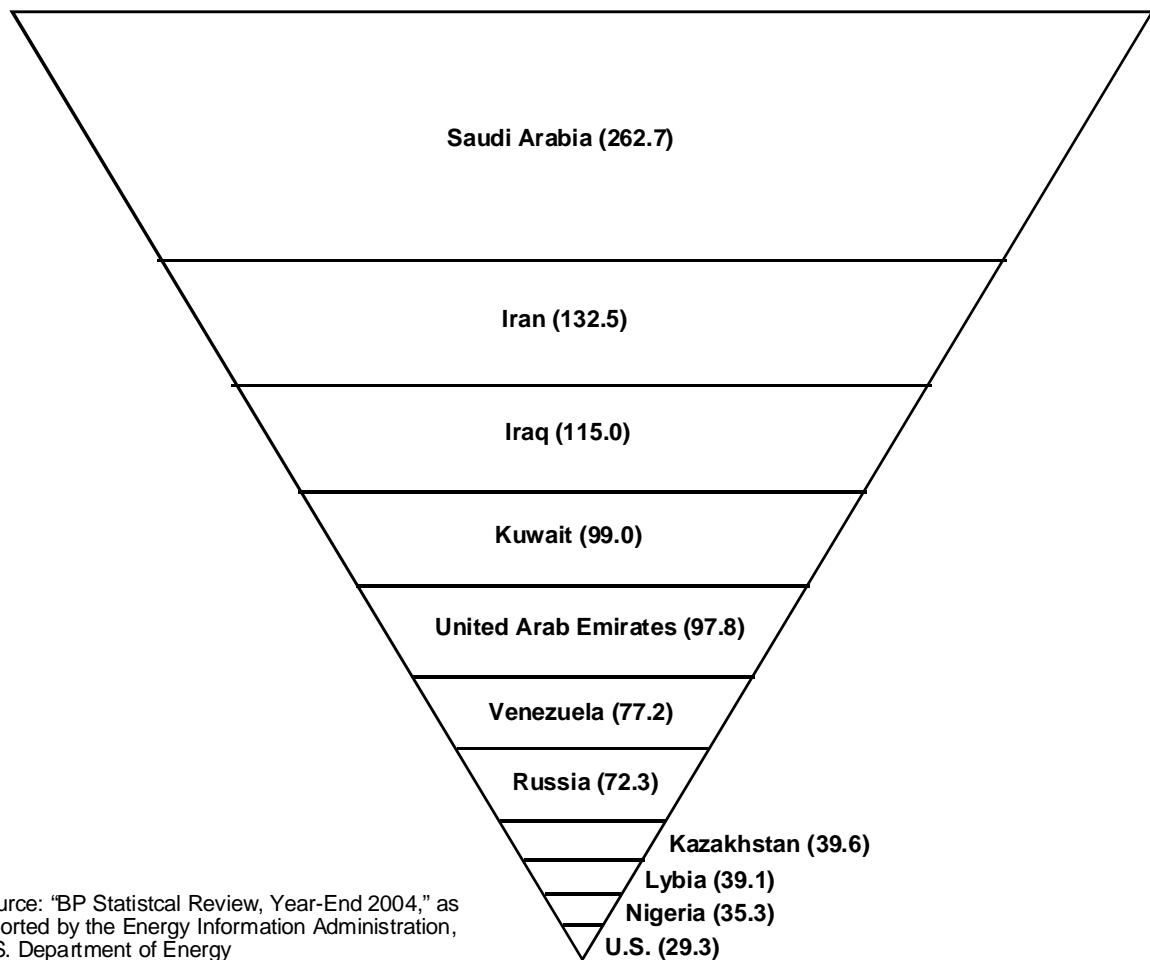


What is Wrong With This Picture?

How Can We Improve US Energy Security?

Proved Oil Reserves (billion barrels)



Source: "BP Statistical Review, Year-End 2004," as reported by the Energy Information Administration, U.S. Department of Energy

We can't conserve our way to energy security. Although conservation has a role to play in any national energy policy, it is not a substitute for securing access to sufficient oil reserves. That, in a nutshell, is the meaning of the above picture.¹ The U.S. can't change domestic reserves, but we can improve our access to global petroleum deposits.

The countries above the United States in the Reserve Pyramid lack the US's technological capabilities. Few of the oil rich countries have the indigenous technology base necessary to fully and effectively produce, transport and refine their oil resources. The issue then becomes which companies/countries will they partner with in developing their petroleum resources. The real question for America is how can the federal government use its leverage to ensure that US-based oil companies become major strategic partners in the development of large oil fields?

¹ The data source used for the pyramid chart estimates Canadian oil reserves based on an official estimate that includes Canadian oil sands "under active development." *Oil and Gas Journal* estimates that, including oil sands, Canada has 178.8 billion barrels of proven oil reserves, second only to Saudi Arabia. For more information, please see <http://www.eia.doe.gov/emeu/international/reserves.html>.

The US government needs to develop a coordinated strategy for encouraging oil-rich companies to team up with American companies. Federal officials have a diverse array of tools that can be used to help secure American access to needed oil resources including, trade, economic aid, regulatory policy, and military and diplomatic relations. The US not only has direct relations with most of the major oil resource countries, they also have a variety of relations with countries and institutions that themselves work with the governments of oil rich counties. Thus, the US is in a position to employ a wide range of direct and indirect measure to promote America's energy security.

There is nothing novel or new about the federal government using its capabilities, including those nominally concerned with domestic policy, in order to promote our international economic interest.

Over twenty years ago, a senior career official in the White House Office of Management and Budget (OMB) [explained](#) that foreign governments "often interfere with U.S. exports and the operation of multinational corporations...." In response to this situation, "OMB is helping U.S. trade negotiators encourage foreign governments to eliminate onerous regulations... *** we can encourage comparable relief by foreign governments by using a 'carrot for a carrot' approach instead of a 'stick for stick' approach." In a Memorandum to all agencies, the OMB official highlighted that "Business involved in international operations are dependent on services that cut across national boundaries. Accordingly, it is the policy of the Administration to remove impediments to international trade in services...."

The definition of energy security is evolving. It was commonly thought that the more reliant the U.S. was on domestic sources of energy, the greater the country's energy security. However: 1) domestic petroleum sources alone cannot meet America's long-term needs; and 2) Hurricane Katrina demonstrated that even domestic sources of petroleum are subject to serious disruption. The US cannot afford to become too reliant any on any single locale for energy supplies.

Oil is and will be crucial to America's future. Federal officials need to recognize this fact and take calibrated proactive measures to encourage voluntary, mutually beneficial agreements between major oil producing countries and US-based energy companies.