The energy enigma

Oil-dependant industry stalled by disjointed energy, transportation policies.

BY THEODORE PRINCE

Sixty-one years ago this month, on April 27, 1942, President Franklin Roosevelt announced a seven-point economic mobilization plan for World War II, which included higher taxes, wage and price controls and the rationing of “all essential commodities which are scarce.” The intent of these controls was more than simply to guarantee a smooth flow of supplies to the war effort. Roosevelt felt that rationing ensured a chance for the entire nation to experience “equality of sacrifice.”

In the wake of the catastrophic events of Sept. 11, 2001, President Bush made no similar appeal to our nation for shared sacrifice. As I write, our nation has not yet launched its imminent attack on Iraq. Today, while nations have stood by our country in this drama, many throughout the world view our dispute with Iraq — despite protestations to the contrary — to be really about the oil.

In a column written last summer, New York Times columnist Thomas Friedman outlined the politics of oil. He described the Islamic world’s view of the United States as needing to maintain its monopoly of nonrenewable energy by keeping collaborators in power — “feudal powers trying to stave off the march of democracy.” This theory is certainly supported by the fact that, since 9/11, the current administration has done nothing to make the world less dependent on oil.

Almost six months after Friedman’s column, President Bush addressed these concerns in his State of the Union address, with a sweeping vision of democratic change, including a proposed $1.2-billion of research funding for hydrogen-powered automobiles. This gesture would appear to align the administration more closely with environmental groups, but the “green” reaction has not been positive. The reasons demonstrate the complex nature of the problem.

For hydrogen fuel cells to be a viable alternative, complicated engineering issues (e.g., vehicle range and power) must be overcome. Based on recent product introductions by Toyota and Honda, the technology is moving towards commercial viability. Yet, as is the case with traditional petroleum products, hydrogen extraction and distribution are problematic. According to the Department of Energy, 96 percent of hydrogen is produced from natural gas, oil and coal. These are the same fossil fuels we struggle to produce today.
Also, to avoid the time and expense of creating a new distribution infrastructure, the administration has suggested using the existing fuel distribution network for hydrogen. For those of us in the transportation industry, oil is a critical factor of production. According to David Greene of Oak Ridge National Laboratory, the U.S. transportation industry is the largest in the world — consuming almost 20 percent of the world’s oil production. The annual movement of 5-trillion passenger miles and 4-trillion ton-miles consumes almost 70 percent of U.S. petroleum. Transportation is 96 percent dependent on petroleum. In addition, most petroleum consumed comes in the form of high-end refined products.

Energy policy today is increasingly interwoven with economics, environments and international politics. In the absence of sustained growth, economics has taken on a greater role. Many policymakers view energy security as an economic security issue (i.e., The government should protect the country from economic damage caused by oil price spikes — such as took place in 1973 and 1979). Meanwhile, the cost of petroleum continues to rise, due to war concerns and turmoil in Venezuela.

To help maintain reliable supplies in such circumstances, Congress established the U.S. Strategic Petroleum Reserve (SPR) in 1974 — after the first oil crisis. It currently holds almost 600 million barrels, and President Bush has announced his intention to raise the inventory to 700 million barrels. Increased supply is one thing, but clear doctrine on how — and when — to use it is another. Although the SPR has been accessed only four times in its history — during the Gulf War, and three times during the Clinton regime — the process is seen by many as erratic and controversial.

The other suggested solution to oil spikes is to reduce U.S. independence on foreign oil — from 56 percent imported today to an intended 45 percent by 2012. President Bush’s energy plan implies this can be accomplished by accessing domestic oil, gas and coal production. It also calls for an increase in nuclear power. All told, 1,300 new power plans are to be built by 2020.

Many of these proposals face opposition from environmental groups. Part of the debate centers around the damage that will be done to protected areas. The debate over drilling in the Arctic National Wilderness Refuge (which has also been sold as a jobs program) is one of the most acrimonious. But many environmental groups feel there is a better way to meet America’s energy needs. For example, the Sierra Club advocates a policy of energy efficiency, expanded use of renewable energy, and power generation conversion from coal power to natural gas. Such a solution would likely address the multiple challenges of fuel, clean air and global warming.

Two years ago, when Vice President Cheney outlined the Bush administration’s energy plan he stated, “the aim here is efficiency, not austerity.” He went on to add, “conservation may be a sign of personal virtue, but it is not a sufficient basis for a sound, comprehensive energy policy.” This statement does not account for the fact that per-capita consumption of energy is less today than it was in 1979. This is partially the result of the economy’s transformation from heavy manufacturing to services, but conservation and efficiency have also had some beneficial impact.

The nexus of energy and environmental issues confront all Americans. The transportation industry faces an added challenge. The trucking industry has been engaged in a long-running dispute with the government over diesel engine emissions. Support (or lack thereof) for intermodal transportation alternatives also touch all these issues. Since funding for these initiatives is always challenging, additional fuel taxes are always perceived to have two benefits. Higher prices can depress demand, while tax revenues could be directed to infrastructure.

Transportation — and our mobile economy — run on energy and impact our environment. And they are key components of our nation’s economic success. The disjointed methods
used today to create transportation policy — primarily by mode — are exacerbated because transportation and energy policy, formed in separate vacuums, must be modified to suit the times and help us rid them out.

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