

The Cepia Club

Paper Series # 1

May 19, 2006

A Plan for Solving the “Oil” Problem

The Reasons for Action and Guides to Solution

By Tim Krenz

Regardless of whether humans cause climate change, only those too scared or too stupid would deny the reality of the impact of human activity on the planet. Burning fossil fuels and destroying many species of wildlife vital for the balance and cycle of life do not help. Poisoning Creation with the waste products of our civilization destroys the ecology we need to perpetuate our own human species.

Besides harming God’s gift of life on Earth, the economics of fossil fuels presents a great threat to American prosperity. We could stall the country’s economic growth, consume our wealth, and lose the freedom that goes with that wealth because of an out of control “addiction” for oil. Like all addicts, Americans deny the consequences of their addiction.

With two very good reasons, the ecology and the economics of the matter, why doesn’t the United States force itself to change its views on fossil fuels, especially oil? Such a shift in perspective, the change in viewpoint, has become absolutely essential in the present, if only to save the future freedom and liberty. America needs to look at the overall problem honestly, necessary in any recovery from addiction, and surrender to the reality. Then the country can proceed to take positive action in devising and implementing the best solution or solutions.

The world uses 80 or so millions of barrels of oil (MBO) per day.

The United States, with 4% of the world’s population but 25% of its economic activity, consumes around 20 MBO per day, almost one quarter of world usage. On a positive side, the US economy has expanded 150% since the 1973 oil crisis. Yet, because of technology and the foresight of strategic planning in the 1970s and early 1980s, US oil consumption has only increased by 25% since 1973. (Yergin, “Daniel. Ensuring Energy Security.” *Foreign Affairs*, March/April 2006, p.81). While America’s electrical production runs on a diverse mix of natural gas, coal, nuclear, and hydroelectric production, all with problems of their own, most of the oil-derived Petroleum, Oil, and Lubricants (POL) products go into materials for running machines, from cars to airplanes, and to home heating oil. Some oil byproducts are used for things like plastics. A problem exists if the United States reduces its consumption of fossil fuels: It still uses oil-derived products in ways not easily replaced.

Dependence on oil brings with it complicated political choices. Domestic lobbies for car makers, oil companies, transportation and energy industries, tax breaks and government subsidies for special interests, all produce friction against political progress toward more efficient use of oil products and the creation of alternative fuels and substitutes. In addition to these domestic lobbies, the tight world-wide market for oil production AND refining creates a narrow lane through which US foreign policy must pass. If a region of the world can no longer supply oil to other countries, the price at which the US buys its oil, even domestically, increases drastically.

Furthermore, the rise of economic rivals like China and India expand their own oil demand every year; 16% growth in consumption in some recent years. As the major military power in the world, it behooves the United States to keep the world supply of oil flowing. Unfortunately, most of the world’s proven oil reserves exist in unstable and violent regions (the Persian Gulf and Africa) of the world or in countries not friendly (Russia) or openly hostile (Venezuela) to the United States and its political and economic interests.

The high price of oil thus far in 2006 (\$70 + per barrel to May 15th), results from the low cost of oil in the 1990s. Because of the low margin of profits during that decade of stable consumption growth, the oil industry did not invest significant amounts of capital in the development of either new

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production fields or processing infrastructure. Then, in the early part of the 21st Century, growth of demand for oil in China, India, and other growing Asia markets reduced the margin of existing excess production and refining capacity. Since it takes years, up to a decade even, for new oil fields to come on line and new refineries to be built, the price of oil spiked following the 2003 invasion of Iraq. The rise in the price of oil happened partly from worry over the stability of the oil-producing Persian Gulf, but even more from the 10-16% growth in Chinese demand for oil experienced in 2003 and again in 2004.

Yet the explosion on the price of a barrel of oil did not occur until the late-summer 2005 hurricanes on the US Gulf Coast. The destruction and/or damage to US off shore oil drilling platforms, oil import port terminals, and refineries caused the spike on oil futures. Investors worried about future availability bid up the market price of a barrel of oil in order to secure the access for their customers. The market, contrary to all public outrage, worked as intended: The uncertain future of supply raised the price, producing

profit for capital investment in more supply. The 2005 corporate tax returns of US oil companies, decried by an “offended” public, is the only sure source of finance for investment in future supply expansion, and consequently in more affordable oil. The does not even take into consideration the hundreds of billions of dollars such companies paid in taxes to account for their record setting year for profits. Congress cannot outlaw the laws of economics.

It will take hundreds of billions of dollars, if not trillions, to develop new supplies of oil and natural gas, process it to make it useable, transport it to those who need it, and provide the necessary security to ensure access to it. In the long-term, this will bite into America’s prosperity. More per capita income spent on gasoline for inefficient sport utility vehicles (SUVs) and for trucks to transport consumer goods, not to forget the natural gas-powered electricity to run factories, light homes, and refrigerate food, means less money spent on other things. This means less money to spend on vacations, less on new toys for adults, less luxury goods, less money invested in retirement, and less money for a child’s college fund. Dealing with America’s less attractive traits of waste and perfidy require something to change in order to provide financial security, and national and family security, for the future.

Economics demand that America make changes. And American’s cannot forget the environmental impact of fossil fuels. Destroying the sustain ability of nature to recover from harmful human activity will more quickly than anything else destroy America’s security. The bottom line is the less use of fossil fuels,

even so-called “clean coal” and natural gas, the better for the symbiotic relationship between humankind and the forces of nature. Humanity can no longer debate the point while civilization’s ability to recover from disaster goes beyond the point of redemption. The easy part of conserving natural resources and the economics of energy efficiency is that they are both the same sides of the same coin. Doing one of them will inevitably take care of the other, at a significantly lesser long-term cost.

Recognizing the political and economic dimensions of energy and natural conservation does not solve the two-fold problem. In reality, the political obstacles to change will stay in place far longer than the more important change which must happen in order for that to eventually occur. What must happen first is a change in individual attitudes about the use, and abuse, of energy, in particular fossil fuels.

Americans must change the misconceived notion that they have “inalienable” rights to cheap gas, drive anywhere, use an energy inefficient transportation system, and consume unlimited amounts of electrical power at home and work. On the last point, diverting electrical power generation to coal and natural gas won’t help in the long-run. The only feasible alternative on the magnitude of conversion required is nuclear power. What does the world do with the radioactive waste? Americans must change their world-view, their perspective, their relationship to the larger picture on everything about fossil fuels, efficiency, transportation, oil by-products, financial security, natural conservation, investment in and openness to alternative solutions to oil, coal, and natural gas—basically change the paradigm about everything to do with energy.

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In an ideal political world, all levels of government would lead this change in viewpoint and approach to the multiple problems. Like all things political, when the mass of public opinion demands change and people take individual and collective action to implement it, then the political leadership will act. The bottom-line regarding a change in the “system” of energy is, first of all, a personal choice. Faced with the ever-increasing price of oil from natural events and political conflict in producing areas of the world (Iran, Venezuela, and Nigeria at present), this choice should be easy for the individual consumer. It still, however, takes resolution to overcome inconvenience and a little courage in the face of the unknown to make that choice and carry it into positive action. With personal and national financial security at stake now and into the indefinite future, and irreversible natural calamity coming if people do not act NOW, can America mobilize action, opinion, and resources? America built an atomic weapon from scratch in 3-1/2 years. It went to the moon in seven from the time it made the decision. Americans can certainly accomplish the goal of energy conservation and even energy conversion.

What can people do? Here is a short list: Turn off lights and appliances not needed at home or work; use the car smarter by planning short trips for errands; ride the bicycle those 2, 3, or 4 miles with a back pack to get small grocery items or rent a dvd; walk that one mile downtown if you can for that cup of coffee; walk those two blocks between stores instead of driving the car that short distance; invest in the future by choosing wisely the companies that have the growth and earnings potential to invent, develop, or produce “green technology” that reduce the use of

energy. To make this commitment to action, there are many numerous small ways people can take the initiative to be part of a positive solution. It depends on willingness and discipline to do so.

In an ideal political climate, what would the government do to promote energy and environmental conservation and energy conversion? The overall goal should be a complete systems change to “green technology,” or at the very least, non-fossil fuel technology. These are some considerations for government action.

First, and above all else, get out of the way of private enterprise and the free-market to develop new, energy efficient, and cleaner “green technologies.” With the right legal structure, transparency, strategic planning, and the laws of supply and demand, more change will come in this regard than any number of Congressional investigations or government studies. Let the genius of the American small, medium and “big” businessmen take the lead. As with anything, the initial cost might be high, but constant improvements in research, product development, and production methods will inevitably make the cost of these green technologies cheaper.

Second, gradually reduce and then completely terminate tax-supported subsidies to the fossil fuel-oriented and “energy busting” industries. Doing so will automatically make most of these industries, their practices and products, and the physical infrastructure upon which they depend, uncompetitive in a real free-market. Level the playing field for “green technology” and energy alternatives. Favor no one process or product, or company, individual or industry, and the free-market will have a chance to compete. Ultimately, the consumer will decide everything. Would not consumers like to breathe clean air, not burn in hellish temperatures on earth, and save money? What more incentive do they need to support the new creation, distribution, and consumption of energy.

Third, redefine America’s national transportation grid, then redesign it. The government at all levels, as the ultimate guarantor of investment, can promote public transportation where appropriate and where the free-market is unwilling to take the risk. These things would include mass transit, commercial and freight railroad networks, and everything from bike lanes to bike racks. To illustrate the point, this author has been told by contract road builders that the Federal US strategic highway system would cost less and last longer if simple expedients were employed like putting a layer of asphalt on top of concrete. There must be scores of other ways to reduce the cost of highway/ road and air network construction, and improve their longevity and all-around efficiency. This frees taxpayers for other investments. And in a final consideration, the trucking industry in America causes the most damage to roads. Allowing the re-connection of areas of the country

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by an initial investment in railroads would reduce the damage caused by freight trucking. This simple expedient alone may solve most of the problem of money wasted on Congressional "pork" money used in the districts to create taxpayer-financed jobs.

Fourth, the nation might need a little "hard-realism" convincing to switch the paradigm from fossil fuels to action on energy conservation and conversion. This can be easily done with a large excise tax on gasoline. The tax must be large enough to give people an incentive to conserve and change. It will also bring in revenue for investment in the redefinition of transportation. Nothing will bring greater financial, family, and national security to our country's "recovery" from the addiction to oil. The excise tax will make this happen. If only wealthy people can afford to drive, then so be it. At least they are paying the poor people's share of taxes. And the poor and working class will ultimately benefit the most from the change of thinking and getting into action.

The process to do all that is proposed in this paper is just that: A process of change. It begins with the individual, and extends downward to the community, the region, and the country. Eventually, creating "green" and cheaper ways of producing and consuming energy will help, almost by default, with that pressing problem of climate change. Whether or not people can accurately predict the political and economic future, or whether climate change due to fossil fuels can be

proven, the steps outlined here cannot hurt anything. Doing what is proposed in these words just may save the future of America.

The Cepia Club Paper Series #1

A publication of:

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