

# GUSHER OF LIES

The Dangerous Delusions of  
“Energy Independence”

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# INTRODUCTION

## *The Persistent Delusion*

Americans love independence.

Whether it's financial independence, political independence, the Declaration of Independence, or grilling hotdogs on Independence Day, America's self-image is inextricably bound to the concepts of freedom and autonomy. The promises laid out by the Declaration—life, liberty, and the pursuit of happiness—are the shared faith and birthright of all Americans.

Alas, the Founding Fathers didn't write much about gasoline.

Nevertheless, over the past 30 years or so—and particularly over the past 3 or 4 years—American politicians have been talking as though Thomas Jefferson himself warned about the dangers of imported crude oil. Every U.S. president since Richard Nixon has extolled the need for energy independence. In 1974, Nixon promised it could be achieved within 6 years.<sup>1</sup> In 1975, Gerald Ford promised it in 10.<sup>2</sup> In 1977, Jimmy Carter warned Americans that the world's supply of oil would begin running out within a decade or so and that the energy crisis that was then facing America was “the moral equivalent of war.”<sup>3</sup>

The phrase “energy independence” has become a prized bit of meaningful-sounding rhetoric that can be tossed out by candidates and political operatives eager to appeal to the broadest cross section of

voters. When the U.S. achieves energy independence, goes the reasoning, America will be a self-sufficient Valhalla, with lots of good-paying manufacturing jobs that will come from producing new energy technologies. Farmers will grow fat, rich, and happy by growing acre upon acre of corn and other plants that can be turned into billions of gallons of oil-replacing ethanol. When America arrives at the promised land of milk, honey, and supercheap motor fuel, then U.S. soldiers will never again need visit the Persian Gulf, except, perhaps, on vacation. With energy independence, America can finally dictate terms to those rascally Arab sheikhs from troublesome countries. Energy independence will mean a thriving economy, a positive balance of trade, and a stronger, better America.

The appeal of this vision of energy autarky has grown dramatically since the terrorist attacks of September 11. That can be seen through an analysis of news stories that contain the phrase “energy independence.” In 2000, the Factiva news database had just 449 stories containing that phrase. In 2001, there were 1,118 stories. By 2006, that number had soared to 8,069.

The surging interest in energy independence can be explained, at least in part, by the fact that in the post-September 11 world, many Americans have been hypnotized by the conflation of two issues: oil and terrorism. America was attacked, goes this line of reasoning, because it has too high a profile in the parts of the world where oil and Islamic extremism are abundant. And buying oil from the countries of the Persian Gulf stuffs petrodollars straight into the pockets of terrorists like Mohammad Atta and the 18 other hijackers who committed mass murder on September 11.

Americans have, it appears, swallowed the notion that all foreign oil—and thus, presumably, all foreign energy—is bad. Foreign energy is a danger to the economy, a danger to America’s national security, a major source of funding for terrorism, and, well, just not very patriotic. Given these many assumptions, the common wisdom is to seek the balm of energy independence. And that balm is being peddled by the Right, the Left, the Greens, Big Agriculture, Big Labor, Republicans,

Democrats, senators, members of the House, George W. Bush, the opinion page of the *New York Times*, and the neoconservatives. About the only faction that dismisses the concept is Big Oil. But then few people are listening to Big Oil these days.

Environmental groups like Greenpeace and Worldwatch Institute continually tout energy independence.<sup>4</sup> The idea has long been a main talking point of Amory Lovins, the high priest of the energy-efficiency movement and the CEO of the Rocky Mountain Institute.<sup>5</sup> One group, the Apollo Alliance, which represents labor unions, environmentalists, and other left-leaning groups, says that one of its primary goals is “to achieve sustainable American energy independence within a decade.”<sup>6</sup>

Al Gore’s 2006 documentary about global warming, *An Inconvenient Truth*, implies that America’s dependence on foreign oil is a factor in global warming.<sup>7</sup> The film, which won two Academy Awards (for best documentary feature and best original song), contends that foreign oil should be replaced with domestically produced ethanol and that this replacement will reduce greenhouse gases.<sup>8</sup> (In October 2007, Gore was awarded the Nobel Peace Prize.)

The leading Democratic candidates for the White House in 2008 have made energy independence a prominent element of their stump speeches. Illinois senator Barack Obama has declared that “now is the time for serious leadership to get us started down the path of energy independence.”<sup>9</sup> In January 2007, in the video that she posted on her Web site that kicked off her presidential campaign, New York senator Hillary Clinton said she wants to make America “energy independent and free of foreign oil.”<sup>10</sup> Former North Carolina senator John Edwards believes the U.S. needs “energy independence from unstable and hostile areas of the world.”<sup>11</sup>

The Republicans are on board, too. In January 2007, shortly before Bush’s State of the Union speech, one White House adviser declared that the president would soon deliver “headlines above the fold that will knock your socks off in terms of our commitment to energy independence.”<sup>12</sup> In February 2007, Arizona senator and presidential candi-

date John McCain told voters in Iowa, “We need energy independence. We need it for a whole variety of reasons.”<sup>13</sup> In March 2007, former New York mayor Rudolph Giuliani insisted that the federal government “must treat energy independence as a matter of national security.” He went on, saying that “we’ve been talking about energy independence for over 30 years and it’s been, well, really, too much talk and virtually no action. . . . I’m impatient and I’m single-minded about my goals, and we will achieve energy independence.”<sup>14</sup>

On April 26, 2007, another Republican candidate, Mitt Romney, the former governor of Massachusetts, used the *Jerusalem Post*’s e-mail list to conflate the issues of oil, terrorism, Israel, and energy independence in a fund-raising appeal for his presidential campaign. The e-mail message, which showed a large picture of Iranian president Mahmoud Ahmadinejad, asked several questions, including “Do you believe that those who support terrorism against America and against the state of Israel should be held accountable?” The next question: “Do you agree that we must become energy independent and stop sending \$1 billion a day to nations like Iran and Syria who use that money against us?”<sup>15</sup> (Syria exports modest amounts of crude oil.)<sup>16</sup>

The Democratic Party, which won control of the House and Senate in the November 2006 elections, has made energy independence a key talking point. About the time of the elections, Nancy Pelosi, the congresswoman from San Francisco who became Speaker of the House, issued the Democrats’ “New Direction” agenda. The third point on that list—right after raising the minimum wage and repealing certain tax incentives—is “invest in research and development to promote energy independence.” It says the Democrats will achieve energy independence “within ten years. We should be sending our energy dollars to the Midwest, not the Middle East. America’s farmers will fuel America’s energy independence.”<sup>17</sup>

A Democratic think tank, the Center for American Progress, which was created by a group of politicians from the Clinton administration, has launched a campaign called “Kick the Oil Habit,” an effort that seems to imply America can quit using oil with the same ease that a smoker might

give up cigarettes.<sup>18</sup> In May 2006, the group's lead spokesman, actor Robert Redford, appeared on TV talk shows and wrote opinion pieces in which he said the U.S. should quit using oil altogether so that it can get away from "dictators and despots." The solutions proposed by Redford and the Democrats: more ethanol, biofuels, and hybrid vehicles.<sup>19</sup> During an appearance on CNN's *Larry King Live*, Redford said that he supported corn ethanol production because "it's cheaper. It's cleaner. It's renewable. And you know what? It's American because we grow it."<sup>20</sup>

In January 2007, Andy Grove, the former chairman of giant computer-chip maker Intel Corp., penned an opinion piece for the *Wall Street Journal* in which he decried the lack of progress toward energy independence: "Even though the importance of the energy independence issue has been recognized and emphasized by every president since 1974, our vital national objective is vanishing like a mirage in the distance." Grove went on to claim that our use of foreign energy "gives great power to other nations over our destiny."<sup>21</sup>

In September 2007, S. David Freeman, a longtime advocate of renewable energy who once chaired the Tennessee Valley Authority and has headed several other electric utilities, released a book called *Winning Our Energy Independence: An Energy Insider Shows How*. Freeman's book calls for a multidecade effort to close America's older coal and nuclear power plants while focusing on more efficient plug-in hybrid cars. A press release publicizing the book says that "Freeman charges that the reason we aren't already using more renewable energy is that the oil companies and electrical utilities have waged a slick campaign to deceive Americans."<sup>22</sup>

In October 2007, a book with a similar theme—*Freedom from Oil: How the Next President Can End the United States' Oil Addiction*—rose to number 8 on the *Washington Post's* bestseller list. The book, by David Sandalow, a senior fellow at the Brookings Institution and a former official in the Clinton administration, touts the potential of plug-in hybrid cars, biofuels, and fuel efficiency to cut America's oil consumption. The front cover of the book has a blurb from Al Gore which says that when Sandalow "writes about energy and the environment, we should all pay close attention."



Polls show that an overwhelming majority of Americans are worried about foreign oil. A March 2007 survey by Yale University's Center for Environmental Law and Policy found that 93 percent of respondents said imported oil is a serious problem and 70 percent said it was "very" serious.<sup>23</sup> That finding was confirmed by an April 2007 poll by Zogby International, which found that 74 percent of Americans believe that cutting oil imports should be a high priority for the federal government. And a majority of those surveyed said that they support expanding the domestic production of alternative fuels.<sup>24</sup>

The energy independence rhetoric has become so extreme that some politicians are even claiming that lightbulbs will help achieve the goal. In early 2007, U.S. Representative Jane Harman, a California Democrat, introduced a bill that would essentially outlaw incandescent bulbs by requiring all bulbs in the U.S. to be as efficient as compact fluorescent bulbs. Writing about her proposal in the *Huffington Post*, Harman declared that such bulbs could "help transform America into an energy efficient and energy independent nation."<sup>25</sup>

While Harman may not be the brightest bulb in the chandelier, there's no question that the concept of energy independence resonates with American voters and explains why a large percentage of the American populace believes that energy independence is not only doable but desirable.

But here's the problem, and the reason for this book: It's not and it isn't.

Energy independence is hogwash. From nearly any standpoint—economic, military, political, or environmental—energy independence makes no sense. Worse yet, the inane obsession with the idea of energy independence is preventing the U.S. from having an honest and effective discussion about the energy challenges it now faces.

This book focuses on the need to acknowledge, and deal with, the difference between rhetoric and reality. The reality is that the world—and the energy business in particular—is becoming ever more interdependent. And this interdependence will likely only accelerate in the years to come as new supplies of fossil fuel become more difficult to find and more expensive to produce. While alternative and renewable

forms of energy will make minor contributions to America's overall energy mix, they cannot provide enough new supplies to supplant the new global energy paradigm, one in which every type of fossil fuel—crude oil, natural gas, diesel fuel, gasoline, coal, and uranium—gets traded and shipped in an ever more sophisticated global market.

Regardless of the ongoing fears about oil shortages, global warming, conflict in the Persian Gulf, and terrorism, the plain, unavoidable truth is that the U.S., along with nearly every other country on the planet, is married to fossil fuels. And that fact will not change in the foreseeable future, meaning the next 30 to 50 years. That means that the U.S. and the other countries of the world will continue to need oil and gas from the Persian Gulf and other regions. Given those facts, the U.S. needs to accept the reality of *energy interdependence*.

The integration and interdependence of the \$5-trillion-per-year global energy business can be seen by looking at Saudi Arabia, the biggest oil producer on the planet.<sup>26</sup> In 2005, the Saudis *imported* 83,000 barrels of gasoline and other refined oil products per day.<sup>27</sup> It can also be seen by looking at Iran, which imports 40 percent of its gasoline needs. Iran also imports large quantities of natural gas from Turkmenistan.<sup>28</sup> If the Saudis, with their 260 billion barrels of oil reserves, and the Iranians, with their 132 billion barrels of oil and 970 trillion cubic feet of natural gas reserves, can't be energy independent, why should the U.S. even try?<sup>29</sup>

An October 2006 report by the Council on Foreign Relations put it succinctly: "The voices that espouse 'energy independence' are doing the nation a disservice by focusing on a goal that is unachievable over the foreseeable future and that encourages the adoption of inefficient and counterproductive policies."<sup>30</sup>

America's future when it comes to energy—as well as its future in politics, trade, and the environment—lies in accepting the reality of an increasingly interdependent world. Obtaining the energy that the U.S. will need in future decades requires American politicians, diplomats, and businesspeople to be actively engaged with the energy-producing countries of the world, particularly the Arab and Islamic producers.

Obtaining the country's future energy supplies means that the U.S. must embrace the global market while acknowledging the practical limits on the ability of wind power and solar power to displace large amounts of the electricity that's now generated by fossil fuels and nuclear reactors.

The rhetoric about the need for energy independence continues largely because the American public is woefully ignorant about the fundamentals of energy and the energy business.<sup>31</sup> It appears that voters respond to the phrase, in part, because it has become a type of code that stands for foreign policy isolationism—the idea being that if only the U.S. didn't buy oil from the Arab and Islamic countries, then all would be better. The rhetoric of energy independence provides political cover for protectionist trade policies, which have inevitably led to ever larger subsidies for politically connected domestic energy producers, the corn ethanol industry being the most obvious example.

But going it alone with regard to energy will not provide energy security or any other type of security. Energy independence, at its root, means protectionism and isolationism, both of which are in direct opposition to America's long-term interests in the Persian Gulf and globally.

Once you move past the hype and the overblown rhetoric, there's little or no justification for the push to make America energy independent. And that's the purpose of this book: to debunk the concept of energy independence and show that none of the alternative or renewable energy sources now being hyped—corn ethanol, cellulosic ethanol, wind power, solar power, coal-to-liquids, and so on—will free America from imported fuels. America's appetite is simply too large and the global market is too sophisticated and too integrated for the U.S. to secede.

Indeed, America is getting much of the energy it needs because it can rely on the strength of an ever-more-resilient global energy market. In 2005, the U.S. bought crude oil from 41 different countries, jet fuel from 26 countries, and gasoline from 46.<sup>32</sup> In 2006, it imported coal from 11 different countries and natural gas from 6 others.<sup>33</sup> American consumers in some border states rely on electricity imported from Mexico and Canada.<sup>34</sup> Tens of millions of Americans get electricity from nuclear

power reactors that are fueled by foreign uranium. In 2006, the U.S. imported the radioactive element from 8 different countries.<sup>35</sup>

Yes, America does import a lot of energy. But here's an undeniable truth: It's going to continue doing so for decades to come. Iowa farmers can turn all of their corn into ethanol, Texas and the Dakotas can cover themselves in windmills, and Montana can try to convert all of its coal into motor fuel, but none of those efforts will be enough. America needs energy, and lots of it. And the only way to get that energy is by relying on the vibrant global trade in energy commodities so that each player in that market can provide the goods and services that it is best capable of producing.

This book is designed to provide a sober look at America's energy situation. To that end, it is divided into several sections.

Part 1 examines the appeal of energy independence, a concept that has gained traction in the minds of many Americans because it appears to offer a solution to a number of thorny problems now faced by the U.S. This section details the many false promises that lie behind the rhetoric of energy independence. It also looks at America's energy imports and compares them to the imports of other key mineral commodities.

Part 2 discusses America's history in the global energy market and how it went from being a dominant producer that dictated the global price of oil to an oil importer that has the price of oil dictated to it by OPEC. This section explains how nearly every presidential administration since that of Richard Nixon has responded to this shift in power by making strategic alliances with certain Persian Gulf countries, by militarizing the region, and by promising that energy independence lay just around the nearest corner service station. It will also show how the latest push for energy independence is being led by the same group of warmongering neoconservatives who led the cheerleading for the Second Iraq War.

Part 3 provides a discussion of why the U.S. cannot wean itself off foreign energy. There are three main reasons: Energy use keeps growing; energy efficiency won't necessarily mean a reduction in consumption; and most important, renewable energy and alternative fuels

simply cannot provide the volume of energy needed to replace traditional fossil fuels at any time in the foreseeable future.

This section provides a comprehensive dissection of the ethanol scam. The promise of energy independence has given powerful members of Congress the excuse they need to provide ever greater subsidies to special interests, Big Corn and Big Ethanol being the primary beneficiaries. Whether the issue is subsidies, food supplies, land use, air pollution, energy balance, Brazilian ethanol, or the way ethanol affects the selection of America's presidential candidates, ethanol is one of the biggest frauds ever perpetrated on U.S. taxpayers. In addition to providing a critical look at ethanol, this section examines the challenges facing other energy sources, including natural gas, wind, solar, coal, and nuclear power. And it shows why none of those sources will be able to provide enough energy to obviate the need for imports.

Part 4 discusses the rising power and influence of the Arab and Islamic states in the Persian Gulf and tells why the U.S. cannot ignore this trend. Saudi Arabia, Dubai, and Iran are all gaining influence, much of which is due to their energy resources. For the Saudis and the Iranians, that influence comes directly from oil and gas. Dubai's influence is coming from the emirates' skill in trading and its embrace of open markets. This section gives examples of the world's growing energy interdependence and offers ideas about how the U.S. should move forward with regard to energy over the coming years and decades.

The goal throughout this book is to use common sense and easily verifiable facts—nearly all of them footnoted—not hyperbole and emotion.

There is no partisan agenda at work in these pages. There is no such thing as Democratic kilowatt-hours or Republican gasoline. Consumers don't purchase liberal electricity or conservative motor fuel. Their interest is in obtaining the energy they need at affordable prices.

This book is designed to provide facts, not propaganda. Understanding the facts behind America's energy situation requires perspective. And that requires a deeper understanding of how America's energy imports compare to imports of other essential commodities. While American politicians are obsessed with imported oil, little attention is given to the potential dangers of America's need for platinum, even though

the U.S. imports 91 percent of the platinum that it consumes. The U.S. relies on foreign suppliers for dozens of other critical commodities, ranging from semiconductors to steel.<sup>36</sup> All of which raises an obvious question: Why should America stop at energy independence? Why not demand fresh-flower independence? Or perhaps iPod independence?

That's the focus of Chapter 1.