

Jimmy Carter: Energy Security - May 12, 2009

It is a pleasure to accept Senator Kerry's request to relate my personal experiences in meeting the multiple challenges of a comprehensive energy policy and the inter-related strategic issues. They have changed very little during the past three decades.

14 years ago I responded to a similar invitation from Senator Sam Nunn to report on one of the peace missions I had made in 1994 to North Korea, Haiti, and Bosnia. At that time I was the 5th president to appear before a Senate committee, and the first since Harry Truman.

Long before my inauguration, I was vividly aware of the interrelationship between energy and foreign policy. U.S. oil prices had quadrupled in 1973 while I was governor, with our citizens subjected to severe oil shortages and long gas lines brought about by a boycott of Arab OPEC countries. Even more embarrassing to a proud and sovereign nation was the secondary boycott that I inherited in 1977 against American corporations doing business with Israel. We overcame both challenges, but these were vivid demonstrations of the vulnerability that comes with excessive dependence on foreign oil.

At the time, we were importing 50% of consumed oil, almost 9 million barrels per day, and were the only industrialized nation that did not have a comprehensive energy policy. Senators Dodd and Lugar will remember those days. It was clear that we were subject to deliberately imposed economic distress and even political blackmail and, a few weeks after becoming president, I elevated this issue to my top domestic priority. In an address to the nation, I said:

"Our decision about energy will test the character of the American people and the ability of the President and the Congress to govern this nation. This difficult effort will be the 'moral equivalent of war,' except that we will be uniting our efforts to build and not to destroy."

First, let me review our work with the U.S. Congress, which will demonstrate obvious parallels with the challenges that lie ahead.

Our effort to conserve energy and to develop our own supplies of oil, natural gas, coal, and renewable sources were intertwined domestically with protecting the environment, equalizing supplies to different regions of the country, and balancing the growing struggle and animosity between consumers and producers.

Oil prices were controlled at artificially low levels, through an almost incomprehensible formula based on the place and time of discovery, etc., and the price of natural gas was tightly controlled - but only if it crossed a state line. Scarce supplies naturally went where prices were highest, depriving some regions of needed fuel.

Energy policy was set by more than 50 federal agencies, and I was determined to consolidate them into a new department. In April 1977, after just 90 days, we introduced a cohesive and comprehensive energy proposal, with 113 individual components. We were shocked to learn that it was to be considered by 17 committees and subcommittees in the House and would have to be divided into five separate bills in the Senate. Speaker Tip O'Neill was able to create a dominant ad hoc House committee under Chairman Lud Ashley, but the Senate remained divided under two strong-willed, powerful, and competitive men, "Scoop" Jackson and Russell Long.

In July, we pumped the first light crude oil into our strategic petroleum reserve in Louisiana, the initial stage in building up to my target of 115 days of imports. Less than a month later, I signed the new Energy Department into law, with James Schlesinger as Secretary, and the House approved my omnibus proposal.

In the Senate, the oil and automobile industries prevailed in Senator Long's committee, which produced unacceptable bills dealing with price controls and the use of coal. There was strong bi-partisan support throughout, but many liberals, preferred no legislation to higher prices. Three other Senate bills encompassed my basic proposals on conservation, coal conversion, and electricity rates.

I insisted, however, on the maintenance of a comprehensive or omnibus bill, crucial - then and now - to prevent fragmentation and control by oil company lobbyists, and the year ended in an impasse.

As is now the case, enormous sums of money were involved, and the life of every American was being touched. The House-Senate conference committee was exactly divided and stalemated. I could only go directly to the people, and I made three primetime TV speeches in addition to addressing a joint session of Congress. Also, we brought a stream of interest groups into the White House - several times a week - for direct briefings.

The conferees finally reached agreement, but under pressure many of them refused to sign their own report, and both Long and Jackson threatened filibusters on natural gas and an oil windfall profits tax.

In the meantime, I was negotiating to normalize diplomatic relations with China, bringing Israel and Egypt together in a peace agreement, sparring with the Soviets on a Strategic Arms Limitation Treaty, allocating vast areas of land in Alaska, and trying to induce 67 members of a reluctant Senate to ratify the Panama Canal treaties. Our closest allies were vocally critical of our profligate waste of energy, and OPEC members were exacerbating our problems.

Finally clearing the conference committee and a last-minute filibuster in the Senate, the omnibus bill returned to the House for a vote just before the 1978 elections, and following an enormous White House campaign it passed, 207-206.

The legislation put heavy penalties on gas-guzzling automobiles; forced electric utility companies to encourage reduced consumption; mandated insulated buildings and efficient electric motors and heavy appliances; promoted gasohol production and car pooling; decontrolled natural gas prices at a rate of 10% per year; promoted solar, wind, geothermal, and water power; permitted the feeding of locally generated electricity into utility grids; and regulated strip mining and leasing of offshore drilling sites. We were also able to improve efficiency by deregulating our air, rail, and trucking transportation systems.

What remained was decontrolling oil prices and the imposition of a windfall profits tax. This was a complex and extremely important issue, with hundreds of billions of dollars involved. The big question was how much of the profits would be used for public benefit.

By this time, the Iranian revolution and the impending Iran-Iraq war caused oil prices to skyrocket from \$15 to \$40 a barrel (\$107 in today's prices), as did the prospective deregulated price. We reached a compromise in the spring of 1980, with a variable tax rate of 30% to 70%, the proceeds to go into the general treasury and be allocated by the Congress in each year's budget. The tax would expire after 13 years or when \$227 billion had been collected.

Our strong actions regarding conservation and alternate energy sources resulted in a reduction of net oil imports by 50%, from 8.6 to 4.3 million barrels per day by 1982 - just 28% of consumption. Increased efficiency meant that during the next 20 years our Gross National Product increased four times as much as energy consumption.

This shows what can be done, but unfortunately there has been a long period of energy complacency and our daily imports are now almost 13 million barrels. For instance, I dedicated solar collectors on the White House roof in 1979

and set a reasonable national goal of obtaining 20% of energy from renewal sources by 2020. The 32 panels were soon removed, with assurances that such drastic action would no longer be necessary.

The U.S. now uses 2½ times more oil than China and 7½ times more than India or, on a per capita consumption basis, 12 times China's and 28 times India's.

Although our rich nation can afford these daily purchases, there is little doubt that, in general terms, we are constrained not to alienate our major oil suppliers, and some of these countries are publicly antagonistic, known to harbor terrorist organizations, or obstruct America's strategic interests. When we are inclined to use restrictive incentives, as on Iran, we find other oil consumers reluctant to endanger their supplies. On the other hand, the blatant interruption of Russia's natural gas supplies to Ukraine has sent a warning signal to its European customers.

Excessive oil purchases are the solid foundation of our net trade deficit, which creates a disturbing dependence on foreign nations that finance our debt. We still face criticism from some of our allies who are far ahead of us in energy efficiency and commitments to environmental quality, and we must also remember that the poorest people also pay the higher oil prices that result from our enormous per capita consumption.

A major new problem was first detected while I was president, when Science Advisor Frank Press informed me of evidence by scientists at Woods Hole that the earth was slowly warming and that human activity was at least partially responsible. Now, my wife and I have personally observed the shrinking of glaciers, melting of Arctic ice, and inundation of villages along the Alaska shoreline. Top newspaper headlines greeted us on a recent visit to Anchorage: "Polar Bears to be Extinct in 25 Years."

There is no doubt that rejecting the Kyoto Accords incurred severe condemnation of our country, and damaged our overall status as a world leader.

To address this challenge forthrightly should not create fear among us. A source of income for our government that parallels the windfall profit tax is some means of auctioning carbon credits, and it is likely that many more jobs will be created than lost with new technologies derived from a comprehensive energy plan.

We have visited more than 125 nations since leaving the White House, and The Carter Center has programs in about 70 of them. We know that the people in abject poverty

are suffering most from expensive and uncertain energy supplies, and are destined for much greater despair with rising sea levels, increased pollution, and desertification. It is difficult for us to defend ourselves against accusations that our waste of energy contributes to their plight.

Everywhere, we see the intense competition by China for present and future oil supplies (and other commodities), and their financial aid going to other key governments. Recently I found the Chinese to be very proud of their more efficient, less polluting coal power plants. They are building about one each month, while we delay our first full-scale model.

We also lag far behind many other nations in the production and use of windmills, solar power, nuclear energy, and the efficiency of energy consumption. Last week, we found especially confident - almost exuberant - business and political leaders in Brazil. Their banking and financial system is relatively stable, worldwide popularity and influence is very high, enormous new oil deposits have been discovered, and Brazil is now the world leader in producing cellulose, wood products, cotton, orange juice, soybeans, corn, sugar cane, and are poised to export products and technology from their remarkable biofuels industry using non-food resources.

In closing, let me emphasize that our inseparable energy and environmental decisions will determine how well we can maintain a vibrant society, protect our strategic interests, regain worldwide political and economic leadership, meet relatively new competitive challenges, and deal with less fortunate nations. Collectively, nothing could be more important.