



*By Jocelyn Fong*

## How The Press Distorts The News About US Energy Security

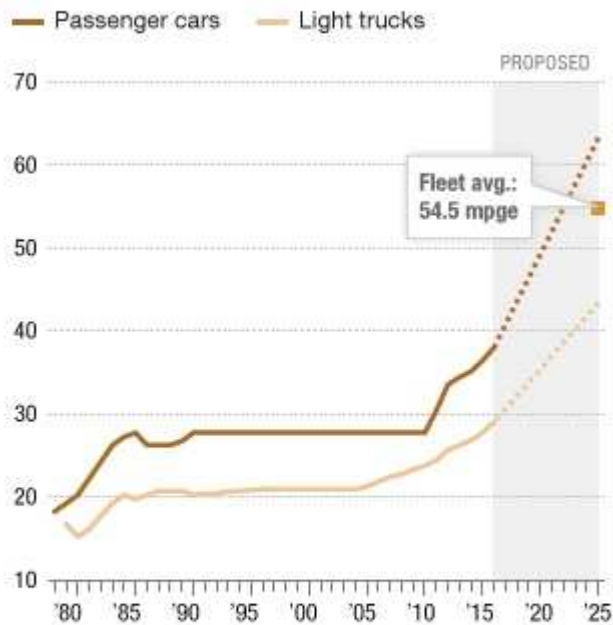
*The facts are compelling: our oil addiction is destroying the country. But as long as the media refuses to talk about it, we won't get policies that lead to real change.*

*June 4, 2012*

Are lawmakers pursuing a "fundamentally misguided" goal when it comes to U.S. energy security? That's the concern voiced by a **group** of retired military officers and business leaders in a **recent report** warning that strategies focused on reducing imports of "foreign oil" are missing "the true nature of the problem." This spring, when average U.S. gasoline prices **jumped 70 cents**, the news media had an opportunity to clarify which policies and candidates actually stand to improve energy security. On the whole, they failed.

The report from the Energy Security Leadership Council (ESLC) says the notion of "energy independence" is "widely misunderstood" in a way that "misdiagnoses the problem as one characterized largely by import levels," when in fact "energy security is almost entirely a function of the importance of oil consumption in the domestic economy." In other words, it's how much oil we need that makes us vulnerable, not where the oil is produced.

## Fuel economy standards by model year (in miles per gallon equivalent)



### Notes

CAFE standards for 1978-2011 are in miles per gallon. For 2012-2025 they include mpge, an EPA standard for alternative fuel vehicles.

Source: White House Fuel Economy Report, NHTSA

Credit: Alyson Hurt/NPR

After all, countries like Canada and Norway, which have long been net oil exporters, saw the **same debilitating price volatility** that Americans have faced in recent years. The report, echoed by a subsequent analysis from the nonpartisan Congressional Budget Office, says expanded domestic oil production benefits the trade deficit and employment, but not energy security -- contrary to the claims of **industry, politicians, and commentators**. Instead, it is vehicle fuel economy standards that the panel identified as "the most important energy security accomplishment in decades."

### Connecting The Dots

While **experts** agree that policies reducing oil consumption do more to protect Americans from price shocks than policies **increasing oil production**, this fact has not been clearly communicated by the news media. Our analysis of news coverage of rising gasoline prices earlier this year **found** that only 2% of broadcast coverage, 4% of cable coverage, and 13% of print coverage mentioned fuel economy standards. Out of 69 print items on gas prices, only three

acknowledged that reducing oil consumption is the most effective solution. Instead, the coverage often discussed **domestic oil production** or the **Keystone XL pipeline**. There are persuasive arguments in favor of both of these, but energy security and gas prices are not among them. (Unfortunately, energy security and gas prices are two of the **arguments used most frequently by proponents** and **relayed uncritically by reporters**.)

In an interview with **Politico**, Steve Koonin, former chief scientist for BP, said "When you hear the international oil companies advocating for energy independence, it's really about making money, which isn't a bad thing." "If they produce a million more barrels a day, they're not going to change the global price much. And since they know the global price is going up, they'll just make more money," he said, adding, "There's nothing wrong with that, but it doesn't solve the price problem."

The price problem, is of course, what Americans care about. So you'd expect news outlets to tell readers which political figures support policies that tackle the problem and which do not.

According to a Nexis search of The Washington Post, The New York Times, CNN.com, The Associated Press, The Los Angeles Times, USA Today, ABC, CBS, and NBC, major news outlets mentioned Newt Gingrich's **pledge** to drill his way to \$2.50/gallon over 65 times this year (excluding instances in which the writer or host explained that his pledge was implausible). But with a single exception (a Dina Cappiello **fact check** for AP), those outlets never mentioned that Gingrich **wants to repeal** corporate average fuel economy standards (CAFE).

And so far this year, not one reporter from those same news outlets has mentioned Mitt Romney's positions on fuel economy standards, alternative vehicle investments, biofuel research or mass transit in their coverage of gasoline prices. (One **column** on gas prices by Doyle McManus at the LA Times did note that Romney endorsed Rep. Paul Ryan's budget proposal, which would slash funding for alternative energy.) By contrast, reporters routinely quoted Romney **blaming** the Obama administration for the price spike and calling for more drilling.

So what are Romney's positions on the policies that promote energy security? Romney said at a **debate** in Rochester, MI, that "the federal government, by putting in place CAFE requirements that helped foreign automobiles gain market share in the U.S., was hurting Detroit."

Romney **said** in February that CAFE standards were one of the reasons the auto companies "got in trouble," adding, "We need to get the government out of these companies' hair and let them go to work to become competitive ... we've got to get these companies on a global footing as

opposed to kowtowing to Washington." Romney also **criticized** fuel economy standards back in 2008 after they were **strengthened** by President Bush's energy bill. The standards hadn't been raised since 1975, an oversight that energy analyst Vaclav Smil **has called** "irrational" and "irresponsible." The Obama administration **has since** improved the requirements considerably.

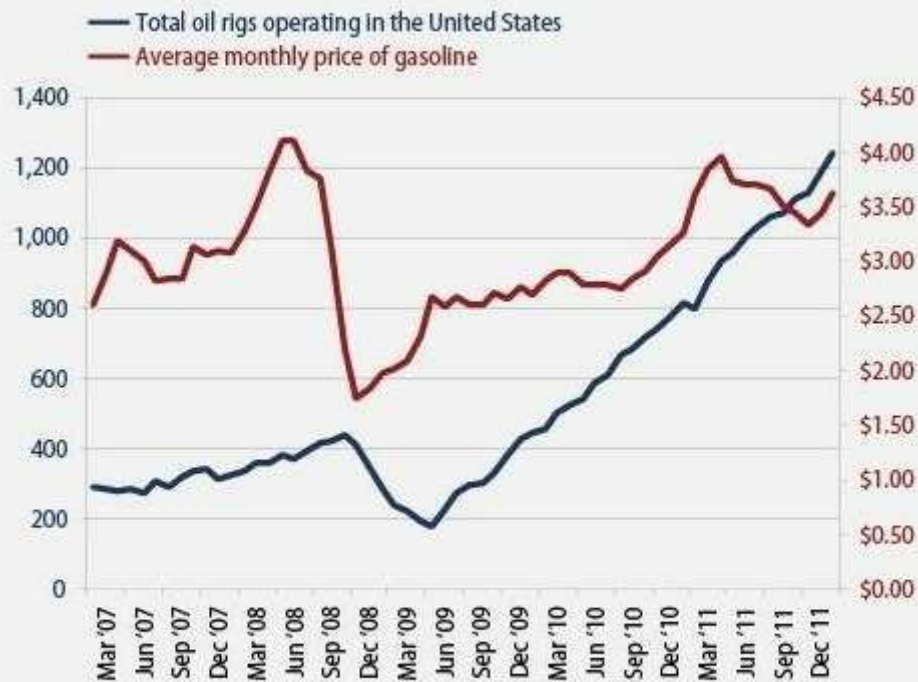
When asked his opinion of the Chevy Volt, GM's plug-in hybrid electric sedan, Romney laughed and **said** it was "an idea whose time has not come." He **opposes** federal programs to fund companies that build alternative vehicles and wants to **limit** clean energy funding to **basic research**. These are the opinions and policy positions that are relevant to gasoline prices and energy security, but reporters are not connecting the dots.

### **The Expert Consensus**

A recent **analysis** by the nonpartisan Congressional Budget Office lends support to the Energy Security Leadership Council's assessment. Defining energy security as "the ability of U.S. households and businesses to accommodate disruptions of supply in energy markets," CBO explained that the U.S. is more vulnerable to disruptions in oil markets than other energy markets because we have few alternatives to oil, we use a ton of it, and it is priced in a turbulent global market. When the price of oil spiked last summer, households' fuel costs jumped \$104.4 billion, "nearly offsetting any benefits of the 2011 payroll tax cut," according to ESLC.

## Increased oil production hasn't lowered gas prices

Number of oil rigs compared to the price of gasoline, March 2007 to February 2012



Source: For gas price data, see: "U.S. All Grades All Formulations Retail Gasoline Prices (Dollars per Gallon)," available at [http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&t=s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&t=s=emm_epm0_pte_nus_dpg&f=m). For rig data, see: "Baker Hughes Incorporated - Overview & FAQ," available at [http://investor.shareholder.com/bhi/rig\\_counts/rc\\_index.cfm](http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm).

CBO stated that increased domestic production would "probably not" improve energy security because, for one, other oil-producing countries will likely reduce their own production in response, "thereby diminishing or eliminating the effect of such U.S. actions on the world price." CBO notes that Saudi Arabia recently made such an **adjustment** in response to increased development in Brazil and Iraq. To the extent that "drill baby drill" actually expands the global supply of oil, the price impact "would be small compared with the price fluctuations that are common to the oil market" (EIA estimates that opening ANWR to drilling would bring down gasoline prices by 1-3 cents in 2025 all other things equal), not to mention that any reduction in price "encourages greater use of oil, thus making consumers more vulnerable," CBO said.

Following two decades of decline, U.S. oil production is now on the rise and the Energy Information Administration **expects** it will continue to increase through at least 2035, due largely to the development of unconventional oil from shale rock and deep offshore wells. The ESLC attributes this oil boom in part to the "progressive increase in prices -- which, critically has been

viewed by most industry participants as predominantly driven by long-term global economic fundamentals."

This gets to a point that much of the media coverage has missed: unconventional oil production doesn't solve high prices -- it **requires** them. As we exhaust traditional wells, engineers have figured out how to reach new geologic nooks and crannies to keep the oil flowing. Since these techniques are more difficult and costly, the price has to remain high to justify the investment. A recent Time cover **story** on "The Future of Oil" noted that "the new supplies are for the most part more expensive than traditional oil from places like the Middle East, sometimes significantly so," concluding: "The oil the U.S. uses may be American, but that doesn't mean it will be cheap."

Like ESLC, **Michael Levi** of the Council of Foreign Relations worries that a fixation on the new American oil boom might lead lawmakers to mistakenly believe the U.S. is less exposed to price disruptions than it truly is:

There is a real risk that policymakers, wrongly convinced that surging supply has solved all U.S. energy vulnerabilities, will neglect the demand side of the equation. But the basic reality hasn't changed: more supply can help, but to fundamentally reduce U.S. vulnerability to the vagaries of world energy markets, we need to rein in our extraordinary (and economically self-damaging) demand.

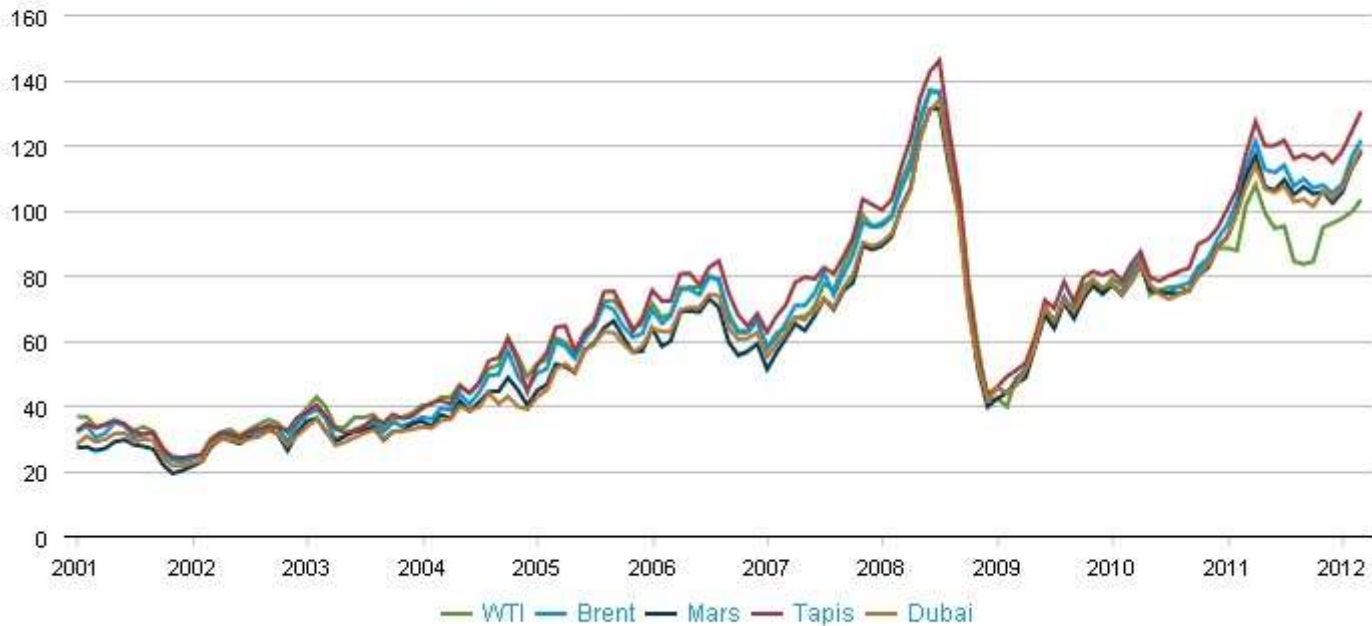
Analysts across the ideological spectrum agree that the push for "energy independence" is essentially a distraction. Harvard's Greg Mankiw, who advised George W. Bush and Mitt Romney, **has said** that "politicians from both political parties often proclaim the importance of energy independence as a policy goal ... but they often leave economists scratching their heads." And the libertarian Cato Institute **says** "reducing or even eliminating oil imports would not reduce our vulnerability to OPEC production decisions, lessen the impact of supply disruptions around the world, reduce oil price volatility, or neutralize the risks surrounding some future embargo."

In its report, ESLC concluded that "the best policies are those that reduce the economy's exposure to oil price volatility" by reducing "the oil intensity of the U.S. economy over time." In addition to fuel economy improvements, the council endorsed policies that tackle "barriers to commercialization of advanced vehicles," with the ultimate goal of shifting the transportation sector away from petroleum.

## World oil prices move together due to arbitrage

### World crude oil prices

dollars per barrel (real 2010 dollars, monthly average)



Sources: Bloomberg , Thomson Reuters , Published by: U.S. Energy Information Administration , Updated: Monthly | Last Updated: 3/31/2012

The CBO analysis indicated that trying to lower the price of oil is the wrong goal. Whether increasing supply or reducing demand, "the effect of either type of policy on the world price would probably be small," CBO said. However, policies that reduce demand have the benefit of "making consumers less vulnerable to increases in oil prices." CBO added:

In general, policies designed to lessen the consumption of oil (for example, greater fuel efficiency requirements) would be more effective at reducing the vulnerability of consumers to disruptions than policies designed to increase the domestic production of oil.

Measures that improve energy security also include, according to CBO, promoting "natural gas or electric vehicles," "increasing the availability of public transportation" including "high-speed electric rail," "ride-sharing or bicycle programs," "telecommuting work policies," and "increasing the gasoline tax." Support for raising fuel taxes is **widespread among economists**.

If these are the solutions to energy insecurity, "energy independence" as it's commonly understood in the news media (eliminating imports from unfriendly or unstable countries) is, frankly, beside the point.