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Are We Funding Iranian Terrorists?

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As long as Congress continues to defer action on comprehensive climate and energy legislation, the United States is funding -- by way of importing oil from the Middle East -- terrorist activities in Iran and other unstable countries in the region.

So goes the argument made by Senate Foreign Relations Committee Chairman John Kerry, D-Mass., chief architect of the proposed American Power Act, as well as by progressive groups supporting the bill, including the Center for American Progress, the Natural Resources Defense Council, and the Truman National Security Project.

"We're paying the Ahmadinejad Iran tax every single day," Kerry told reporters recently, referring to Iranian President Mahmoud Ahmadinejad, whose defense of his country's nuclear ambitions has been unstinting. "We send $100 million a day to Iran. Does that make sense? Does it make sense nine years after 9/11 to be more dependent on foreign oil and sending $365 billion-plus a year to countries who don't like us very much? Some of which funds the wars against us?" Kerry asked.

Kerry's rhetoric on the climate-change bill -- and the legislation's potential impact on terrorism and on U.S. dependence on foreign oil -- has become more heated in the weeks since he and Sen. Joe Lieberman, ID-Conn., unveiled the legislation on May 12 without their Republican negotiating partner, Lindsey Graham of South Carolina.

In conversations with**National Journal**, experts wasted no time poking holes in the specific connection between Iranian oil profits and the climate bill. But many of them support the general notion that Middle Eastern oil money does, at least in part, fund terrorism. A U.S. climate bill's effect on that link remains unclear and may only be realized decades after the measure's passage.

In a nutshell, this is how Kerry and the progressive groups reached the conclusion that Tehran benefits from inaction on a climate-change bill, even though the U.S. does not import any oil directly from Iran: The Massachusetts Institute of Technology did research in 2007 that showed that a firm cap on carbon emissions at both the domestic and global levels would eventually reduce world oil prices. The Center for American Progress analyzed the MIT report and concluded that Tehran would lose $100 million a day in oil revenue if the U.S. were to pass a bill that priced carbon and if (and this is a big if) a global climate-change policy were put into place. The worldwide decline in oil consumption would trigger a price drop that would sap profits from Iran's oil exports, the center's analysis shows.

Advocacy groups -- including the Truman Project's Operation Free, a coalition of Iraq and Afghanistan war veterans and national security organizations that support climate legislation, and the American Values Network, a faith-based coalition that seeks action on climate change -- have turned those reports into an ad campaign suggesting that the American Power Act "would cut Iran's oil profits by up to $100 million -- every day." At an event in his office in April, Kerry stood with several members of Operation Free as the group unveiled its "Iran Oil Profits Counter," a digital clock-like device that tallies the oil profits that the Kerry-Lieberman bill would deny to Tehran. Next to the rising number is a large photo of a smirking Ahmadinejad.

Given that many of the Copenhagen climate summit's organizers and participants have deemed the meeting a failure and that negotiations haven't moved forward since the December talks, assuming any global climate-change deal is a stretch. "If we had a global cap on carbon -- since Iran is selling some oil abroad -- it would undoubtedly over time have an impact on Iran," said Charles Ebinger, director of the Brookings Institution's energy-security initiative. "But with the U.S. importing no oil from Iran and if only the U.S. takes action, it would literally have negligible, if any, impact on Iran. The senator is a little off [the] mark."

Climate researcher John Reilly of MIT, a co-author of the 2007 study, also questioned the Center for American Progress's interpretation. "The $100 million is a reduction in total imports of oil into the U.S.," said Reilly, who was unaware that the groups were using his research in their campaign until a reporter recently questioned him. "A relatively small share of that would be a reduction in revenue in Iran." **Chris Preble,** director of foreign-policy studies at the Cato Institute, echoes their take on the argument and predicts that China, India, and other countries with emerging economies would pick up the slack. "If our reduced oil consumption is merely replaced by greater consumption of others, the price of oil doesn't change at all," he says.

The criticism of the Kerry argument doesn't stop there. Michael Levi, senior fellow on energy security at the Council on Foreign Relations, is skeptical of the timeline that the center uses to chart the decline in oil revenue. "The main problem is that a lot of the rhetoric neglects to mention that this is mostly about what happens several decades from now," says Levi, who has squared off in blog posts with Brad Johnson, who led the Center for American Progress's analysis. "If you want to stop Ahmadinejad from getting nuclear weapons, lowering oil prices in 2030 isn't going to do the trick."

Even if the complexity of the global oil markets makes it impossible to determine how one U.S. bill might affect Tehran's oil profits, the argument still resonates with Americans. A**USA Today**/Gallup poll taken May 24-25 indicates that Americans deem terrorism to be the greatest threat to the country's well-being, more so than government debt, health care costs, and unemployment. "They've probably hit the best messaging they can with the Iran angle and made the most direct connection that they can," notes Christine Parthemore, a fellow at the Center for a New American Security. "But they can't get around the fact that it's a really complicated global picture."

Presented with these arguments, Johnson acknowledged that "we live in a world where people make oversimplified arguments." He didn't back away from his work or Operation Free's campaign, but he downplayed the specific numbers behind it. "The details and exact numbers are, in a certain sense, guesses," Johnson said, in a nod to the complex world market. Still, he insisted, "I believe that when you essentially announce to the world that you've put a policy in place that will no longer need oil ... that will change the politics of the world, and especially for states that depend on oil for their revenue."

James Morin, an energy lawyer and a veteran of the Iraq and Afghanistan wars who is volunteering as a fellow with Operation Free, said, "In some ways, it is not as important that the actual price of oil goes down but [that] the direction of it [is down]." He stressed that "the connection between autocratic states is the fundamental theory behind our concern. And it certainly resonates quite a bit with a lot of my fellow veterans." Morin adds that Iran is "a very, very clear example of a state [that] is diametrically opposed to the values we have in this country."

Notwithstanding their doubts about the oil profits campaign, critics support Johnson and Morin's larger call to reduce U.S. dependence on foreign oil, especially the crude flowing from unstable regions such as the Middle East. "We shouldn't look at reducing U.S. oil consumption as a panacea for addressing the security problems from oil-producing states that we face right now," says Trevor Houser, a visiting fellow at the Peterson Institute for International Economics who focuses on energy and climate change. "But it's a key part to our strategy in ensuring that we don't face similar problems two or three decades from now."

Houser and his colleagues recently finished an economic analysis of the Kerry-Lieberman bill. They determined that the legislation would reduce U.S. dependence on oil produced by the Organization of Petroleum Exporting Countries between 37 and 44 percent below 2008 levels. Kerry and his aides have touted the report -- specifically the OPEC oil percentages -- since its release in May. But the decline would not be realized until 2030.

"Oil dependency is a national security issue in the sense that as the demand rises another 15 or 20 million barrels a day by 2030, [the supply is] likely to be highly concentrated in the Middle East," Brookings's Ebinger says. Levi agrees: "They're reasonable statements [about America's security] when we talk about reducing our dependency on oil and reducing oil prices. A number of states have used oil revenue to promote terrorism. We can start making up for that lost time, but we can't do it immediately."

That truth is not lost on Kerry. "No one is pretending [that oil independence] is an overnight solution," he said at the April event with Operation Free. "But we've been talking about this for 35 years." Asserting that the U.S. sends oil money to Iranian terrorists every day that Congress doesn't pass a climate-change bill, however, is a new stretch in rhetoric.

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