

Do We Have the Will to Drill? Environmentalists' New Strategy to Kill Energy Exploration

By Danny Smith

Summary: *The debate over energy and environmental policy has taken a surprising turn. With gasoline hovering around \$4 a gallon, environmental groups are on the defensive. Americans want lower gas prices but environmentalists want to use high fuel prices to force dramatic changes on society. Many greens continue to oppose all new energy production, but the major environmental groups have a new strategy. They think their allies in Congress can convince the public that more oil won't lower gas prices.*

Today's green activists take their cues from professional pessimists like Paul Ehrlich. He's the Stanford University professor who famously –and incorrectly– predicted in *The Population Bomb* (1968) that rising population levels would cause the collapse of civilization by 1990. The left's environmental soothsayer argued in 1978 that increasing energy production would have catastrophic consequences for the planet. "Giving society cheap, abundant energy... would be the equivalent of giving an idiot child a machine gun," wrote the guru whom Al Gore has hailed as a visionary.

Ehrlich, like Gore, has long supported taxing energy to discourage its use, and his inheritors in today's environmentalist community are optimistic that soaring oil and gasoline prices could help make their utopian vision of society a reality. "High prices have been the prod that the left has favored to persuade Americans to abandon their SUVs and minivans, use mass transit, turn the thermostat down, produce less consumer goods and services, and stop emitting those satanic greenhouse gases," the Wall Street Journal opined in 2006.



Pain at the pump: Truckers show support for offshore oil exploration at a rally in the nation's capital this spring. Environmentalists want gasoline prices to keep rising so Americans will be forced to change their ways. (At right, a photo from May of a gas station sign in California.)

Cheap fuel is "folly," part of a "gusher mentality [that] deforms our society and economy," according to Carl Pope, the longtime Sierra Club executive director. Inexpensive energy is positively un-American, Pope argues:

"It leads the United States to sabotage international efforts to combat global warming, tolerate a huge trade deficit that has destroyed millions of manufacturing jobs, and keep military bases in the Middle East, where they serve as rallying points for terrorists. And it's why the U.S. auto industry continues to promote size and performance over safety and efficiency."

Pope concludes Americans are "better off without cheap gas." (Sierra Magazine, March/April 2006)

Last March Earth Policy Institute president Lester Brown said he wants gasoline

September 2008

CONTENTS

Do We Have the Will to Drill?
Page 1

Briefly Noted
Page 6

Organization Trends

prices to go even higher. The liberal think tank supports imposing a \$3 per gallon tax incrementally over 10 years. "A tax on gas is a way to reduce dependence on import[ed] oil, reduce traffic congestion and reduce carbon emissions," Brown said. (See <http://www.foxnews.com/story/0,2933,339589,00.html>.)

But will the environmentalists' crusade against oil succeed?

The Battle in Congress

People used to joke about oil prices reaching \$100 a barrel. The jokes stopped after high and volatile energy prices went on a hair-raising roller-coaster ride and gas prices topped \$4 a gallon. On July 14, with oil prices over \$140 per barrel, President George W. Bush lifted the executive moratorium that his father put on offshore drilling for oil and natural gas in 1990. Bush urged Congress to follow suit by overturning a 1982 federal law prohibiting offshore drilling. Former House Speaker Newt Gingrich launched a new, pro-oil campaign called "Drill Here, Drill Now, Pay Less."

And Republicans in the House of Representatives staged a weeks-long protest (that was still underway at press time) on the

floor of the House demanding that Speaker Nancy Pelosi end a five-week recess and call lawmakers back into session to vote on ways to increase domestic oil production. What began as a series of speeches to a dark and empty chamber became a colorful show as a procession of nearly 90 House Republicans invited tourists and constituents onto the House floor to applaud their fiery appeals to Pelosi to permit Congress to allow more access to American oil.

The American people seem to agree. A June 2008 telephone poll conducted by Zogby International found 74% of likely voters support drilling in U.S. coastal waters and 59% support drilling in the Alaska National Wildlife Refuge (ANWR). That's quite a contrast to a 2004 Zogby poll that showed 90% of Americans supported either conservation or the development of alternative fuels over drilling to reduce U.S. dependence on foreign oil.

The shift in public sentiment has put Democrats and other drilling opponents on the defensive. First they responded by blaming speculators for the price rise. Then they said oil companies should use the offshore drilling leases they already have before asking for more. Finally, Speaker Pelosi dropped her opposition to a vote as long as Congress considers other measures like releasing oil from the Strategic Petroleum Reserve. Senator Barack Obama (D-Illinois) has shifted his position as well, saying he favors off-shore drilling in Florida as part of a comprehensive solution. Senator John McCain (R-Arizona), too, has dropped his longstanding opposition to expanding offshore energy exploration.

President Bush says the fight to tap into America's energy reserves is just beginning. "All that remains is for the Democratic leaders in Congress to allow a vote. The American people are watching the numbers climb higher and higher at the pump – and they're waiting to see what the Congress will do."

The New Green Argument

The pro-drilling shift has environmental activists in a panic. The American people appear to be signaling that energy production is more important than environmental protection, and that has green groups scrambling to find new reasons to oppose oil drilling.

Green groups claim to understand public frustration with high energy costs, but they insist that opening up the rest of the Outer Continental Shelf (OCS) to exploration will do nothing to lower retail gasoline prices. In their view, it is "futile" to ease the burden of energy costs by increasing the supply of domestic oil. Apparently, the law of supply and demand doesn't apply to oil.

Environmentalism's true believers continue to rely on ethical and ecology-based arguments against offshore oil drilling. They claim drilling for oil emits sounds that would make whales' brains hemorrhage, or they warn that new oil drilling operations would lead to a catastrophic Exxon Valdez-scale disaster.

But the major green groups have decided that those arguments are inadequate. They know they won't have congressional support if they can't convince the public that drilling should be banned. So environmental groups are now trying to make an *economic* case against drilling for oil. This novel approach represents a fundamental change in their strategy.

It's the Economy, Stupid

The green groups have changed their tack and tone. Of course, Greenpeace still talks about the effects of drilling on whales, and state groups fret over endangering their beaches, but greens' current focus is on the American consumer. Instead of worrying about the exploitation of nature, green groups say they are concerned about the exploitation of naïve, uneducated Americans who don't understand that more oil won't lower prices.

* Reacting to the president's July 14 speech, Mike Gaworecki, a writer/blogger for the Greenpeace website "Project Hot Seat," wrote that more offshore drilling "put simply, [is] not a solution to rising energy costs, period."

* Jim Presswood at the Natural Resource Defense Council (NRDC) fumed that "Americans deserve policies that... give us better choices that will bring down our energy costs."

* The Sierra Club's Carl Pope asserted that "offshore drilling will do absolutely noth-

Editor: Matthew Vadum

Publisher: Terrence Scanlon

Organization Trends

is published by Capital Research Center, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

Address:

1513 16th Street, N.W.
Washington, DC 20036-1480

Phone: (202) 483-6900

Long-Distance: (800) 459-3950

E-mail Address:

mvadum@capitalresearch.org

Web Site:

<http://www.capitalresearch.org>

Organization Trends welcomes letters to the editor.

Reprints are available for \$2.50 prepaid to Capital Research Center.

ing to lower gas prices, today, tomorrow, or even a decade from now.” He called Bush’s announcement “the most cynical of political ploys.”

* Fred Krupp, president of Environmental Defense Fund (EDF), reiterated the point: “Is lifting the ban on offshore drilling the right way to address rising gas prices? No... Bringing it to market would scarcely make a dent in the price of oil, and likely not for decades.”

* The League of Conservation Voters (LCV) is livid. The group says Bush’s proposal to kill the congressional ban on drilling is a “reckless action that has neither hope of reducing gas prices nor concern for long-term consequences.” Offshore drilling will “threaten the physical and economic well-being of millions of Americans.”

* State groups mimick the shift in focus. Environment California and Environment Florida are two of 23 state-level programs in the Environment America federation. Dan Jacobson, Environment California’s legislative director, says “drilling... is not the solution to high oil prices.” Environment Florida’s website echoes the sentiment: New oil and natural gas drilling “[does] nothing to reduce our dependence on foreign oil or the costs to consumers at the pump.”

* In conservative South Carolina, the Coastal Conservation League offers “20 Reasons Why Drilling Off the Coast of South Carolina Is a Bad Idea.” Ten are about economics. One asserts that production from new drilling won’t start until 2017. One observes that oil will be sold on the global market, not directly to Americans. Another cites a U.S. Department of Energy (DOE) report that claimed opening restricted offshore areas to drilling would have an “insignificant” impact on oil prices. Another warns that state and local governments will have to spend more money for onshore infrastructure.

Clearly the organized environmental movement has decided that the old emotional appeals against drilling won’t work when Americans have to pay \$4 a gallon to fill up their tanks. The plight of oil-soaked sea gulls no longer moves Americans the way it once did.

Debunking the Junk in “Green Economics”

Green groups are learning how to use economic jargon. The new green arguments against offshore drilling continually refer to supply and demand, prices and production. But environmental groups remain blissfully ignorant of economics and history.

Greenpeace and the League of Conservation Voters constantly cite two statistics that they think settle the argument: America consumes 25% of the world’s total annual

current U.S. oil consumption to potential offshore oil reserves. DOE conservatively estimates that 18 billion barrels of oil lie within offshore areas currently restricted by the congressional moratorium. The U.S. consumes more than 7.6 billion barrels of oil a year. So U.S. offshore oil reserves are equal to over two years worth of total oil consumed by the world’s largest, most significant hydrocarbon user. It’s absurd to imply that this is insignificant.



Pessimists like Fred Krupp of Environmental Defense Fund say offshore drilling won’t make a difference. Here Krupp speaks at a U.S. Climate Action Partnership (USCAP) press conference in January 2007.

oil consumption, while the U.S. Outer Continental Shelf (OCS) holds only 3% of the world’s oil reserves. LCV’s Jay Natoli writes, “The reality is that America’s supply (less than 3% of world oil reserves) can’t possibly keep up with our demand (25% of world oil consumption).” And?

These numbers help to propagate the myth that tapping into our offshore reserves won’t have much impact on domestic oil inventories. In fact, if you want to know whether offshore oil will help the U.S. economy by lowering the price of oil, you need to compare

Moreover, America is sitting on massive reserves of natural gas. The National Petroleum Council estimates that the OCS areas where exploration is prohibited contain 79 trillion cubic feet of gas, which is “more than a quarter of the natural gas remaining to be discovered off the lower 48 states, enough to heat almost 40 million homes for 30 years.” According to the council, 300 trillion cubic feet of natural gas could yet be “discovered on the OCS off the lower 48 states... [which is] enough natural gas to meet all U.S. natural gas needs at current rates for over 13 years.”

Organization Trends

Green Economics: More American Oil = Higher Gas Prices

Or what about the NRDC and the Sierra Club argument that history shows lifting the offshore drilling restrictions won't curb prices? The groups cite a recent report by the House Committee on Natural Resources, whose chairman is Representative Nick Rahall (D-West Virginia). (The report is available at http://resourcescommittee.house.gov/images/stories/Documents/truth_about_americas_energy.pdf.)

The report concludes that "Increased domestic drilling activity has not led to lower gasoline prices." It cites data showing that the number of drilling permits issued since 1999 has increased by 361%. This, the report asserts, has not stopped the big increase in gasoline prices.

This is a rhetorical red herring. Regardless of permitting activity, actual domestic oil production has been in *decline* for over two decades, a crucial detail conspicuously absent from the report. The U.S. produced nearly 8 million barrels of oil a day in 1990, but today produces fewer than 6 million barrels a day.

Why do the Sierra Club and NRDC rely on a report that focuses on increased drilling permits rather than declining oil production? Apparently, they need another pseudo-economic argument that they hope will persuade Americans to oppose offshore oil drilling. This false link between gasoline prices and oil drilling permits leads to an absurd conclusion, namely, that *more American oil drilling means higher gas prices*. This claim stands the law of supply and demand on its head.

Citing the Rahall report, the two groups paint calls to lift the congressional ban on drilling in U.S. coastal waters as an example of "corporate favoritism." Says NRDC executive director Peter Lehner, "We should not give these companies more land when they already have more land than they can use." Of course, Lehner's comment assumes all leases of public waters contain equivalent amounts of oil that can be extracted with uniform ease. This is oil market economics for pre-schoolers.

That oil companies would buy up drilling

permits with no intention of extracting and selling oil is ridiculous. But this is the argument environmental groups and their allies in Congress are making. If green groups really believe Big Oil has "sat on" the leases and drilling permits already acquired and has no plan to take advantage of them, why are they so worried about lifting the moratorium?

In fact, environmental groups wage angry legal battles to stop oil companies from using their current leases and permits. For instance



Economist Martin Feldstein says the environmentalist claim that opening offshore areas to drilling won't lower oil prices is nonsense.

in May 2008 a coalition of national and Alaskan environmental groups filed suit against Shell and BP over their leases and drilling permits in the Arctic Ocean and Beaufort Sea. The coalition alleges that seismic tests will kill whales and walrus.

Drilling Now Won't Produce Oil for a Decade? Really?

If green economic argument #1 is: *More oil won't lower prices*, and green economic argument #2 is: *Why drill in new places when there are plenty of old places to drill*, then green economic argument #3 is: *New drilling won't produce oil now and won't affect its current price*.

Green groups use a U.S. Department of

Energy report published in 2007 by the Energy Information Administration. It predicts if the ban is lifted now new offshore drilling won't occur until 2017 and won't add much to total domestic production until 2030. The report concludes that new offshore oil would have an "insignificant" impact on oil prices because prices are "determined on the international market." (The report is available at <http://www.eia.doe.gov/oiaf/aeo/otheranalysis/ongr.html>.)

The Sierra Club, EDF, the League of Conservation Voters, Environment California, and the Coastal Conservation League all specifically cite this report. NRDC and Greenpeace make a similar argument clearly derived from it. It appears that this is the green groups' strongest talking point against lifting the drilling ban.

The EIA's estimated timeframe is essentially undisputed. Everyone knows it takes years to produce oil from a new drilling site. But the claim that current prices won't be affected by the expectation of future production is bad economics.

In a Wall Street Journal op-ed titled "We Can Lower Oil Prices Now," famed economist Martin Feldstein explains how buyers' and sellers' expectations about changes to future supply and demand have an effect on the current price of oil and other commodities (Wall Street Journal, July 1, 2008). Oil production and the price of oil today depend on tomorrow's anticipated production and price. A producer who expects prices to rise may leave his oil in the ground to take advantage of its future price. Likewise, if owners of oil reserves expect revenue from current production to exceed what future prices will bring, then current production will increase.

Feldstein writes: "Any policy that causes the expected future oil price to fall can cause the current price to fall, or to rise less than it would otherwise do. In other words, it is possible to bring down today's price of oil with policies that will have their physical impact on oil demand or supply only in the future."

Drilling in areas currently off-limits to production—which have over 18 billion barrels of anticipated reserves—is clearly

one of these policies. So contrary to what the green groups say, if world markets anticipate increased future U.S. production to lower the price of oil, that may encourage increases in current oil production, leading to lower oil prices.

A Fantasyland of Solutions

Green groups do not think we should look to oil as a source of energy. But the hollowness of their economic arguments shows they will oppose oil drilling no matter how much American consumers have to shell out for gasoline and no matter how much the U.S. economy suffers. America needs to move “beyond oil,” they say. But have they told us how?

Dan Jacobson, Environment California’s legislative director, voices their consensus opinion: “Solving our energy crisis will require a bold new energy policy that reduces our dependence on dirty fuels, increases our use of clean renewable energy and uses energy more efficiently.”

This usually translates into government support for wind and solar power. But serious economic analysis is absent from most environmentalist descriptions of renewable energy, which tend toward the rhapsodic. The flowing prose of the Sierra Club’s website is typical: “Today’s solar panels efficiently transform sunlight into electricity while blending into the design of homes and office buildings. Modern wind turbines rise high above the ground, capturing the strongest winds to produce reliable electricity.” You’d never guess that wind and solar power currently do not make cars move.

These groups say they want clean energy that will produce no carbon dioxide, but they oppose nuclear power. Greenpeace is particularly vocal: “It is essential that we stop this gargantuan nuclear rip-off from happening. This is just the first major battle in what will be a long, hard fight to stop atomic energy from once again derailing the necessary transition to a global economy based on the efficient, equitable use of natural energies provided by our Mother Earth.”

Even the fact that France relies heavily on nuclear power—Newsweek named it one of “The World’s Greenest Countries”—does not sway environmentalist opinion.

Newsweek reports: “Regardless, nuclear energy meets massive opposition from the American environmental movement, largely based on economic arguments similar to those launched at offshore drilling.” (See “Greens Against Nuclear Energy: Fighting the Nuclear Renaissance,” by Tom Csabafi, *Organization Trends*, May 2008.)

While nuclear power presents problems of cost, design and safety, they pale in comparison to the problems with inherently unreliable wind and solar power, which are unable to overcome the economies of scale required to produce sufficient power for mass populations with growing energy



needs. Green groups seem willfully ignorant to these realities.

In 2006 the Royal Academy of Engineering published a paper on “The Costs of Generating Electricity.” (The report is available at http://www.raeng.org.uk/news/publications/list/reports/Cost_Generation_Commentary.pdf.) The study considers the costs of standby generation for intermittent energy sources, i.e. wind and solar power. After incorporating these additional costs, the Academy determined that nuclear power still costs less per kilowatt-hour (kWh) to produce than both wind and solar power.

Lights Out

Green groups score no points for consistency or logic. Even as the big national groups are trying to reframe their opposition to oil drilling in economic terms, many state groups remain hostile to any policies affecting the environment that allow humans to use any form of energy. Indeed, in California some environmental groups question the viability of wind and solar energy projects even though just a few years earlier they wanted

government mandates and subsidies for renewable energy.

As Reason magazine’s Ron Bailey notes, while some national environmental groups are willing to accept that power-generation has an impact on the environment, local groups work at cross-purposes, often refusing to support local renewable energy projects:

“The California-based Alliance for Responsible Energy Policy argues that the push for Big Solar promotes the ‘permanent destruction of hundreds of thousands of acres of pristine public lands designated for multi-purpose use that belong to the people.’ The Alliance also accuses the development of solar power in the desert of ‘wilderness killing, unacceptable groundwater depletion and the erosion of hard fought protections of public lands and private rights.’”

Similarly, the Desert Protective Council in San Diego is fighting plans to build a high voltage power line that a local utility needs to transmit renewable power from California’s Imperial Valley. The group regards as unsightly the project’s planned 130-foot towers, an attitude reminiscent of arch-environmentalist Robert F. Kennedy Jr.’s esthetics-based opposition to placing windmills off the coast of his beloved Cape Cod.

When Big Solar and Big Wind join Big Oil as enemies of the environment one wonders: Are environmentalists in favor of *any* kind of energy?

Danny Smith was Charles G. Koch Summer Fellow and a member of the Haller Intern Program at Capital Research Center in 2008. He studies politics and philosophy at the University of Pittsburgh.

OT

Please remember
Capital Research Center
in your will and estate planning.

Thank you for your support.

Terrence Scanlon
President

Briefly Noted

Public relations powerhouse **Burson-Marsteller** says global warming profiteer **Al Gore** has inspired teenagers to create Inconvenient Youth, “a new non-profit, non-partisan network” that trains young people “to educate others about global warming and what they can do to fight it.” The group’s website says teenagers “who give a damn about our future” are its members, and a Burson-Marsteller press release notes that the group’s executive director is young **Mary Doerr**. It conveniently omits the fact that she is the daughter of venture capitalist **John Doerr**, a partner of Gore in the financial firm **Kleiner Perkins Caufield & Byers** who also sits on the advisory board of Gore’s **Generation Investment Management**. Both firms are heavily invested in global warming-related companies. (For more on Al Gore’s financial investments in climate change, see the August 2008 issue of *Foundation Watch*.)

Ideological purification: Confident that Democrats will retain control of the next Congress, left-wingers are trying to purge the party of its more moderate lawmakers, the Wall Street Journal reports. Groups such as **Blue America** deride the more fiscally conservative Blue Dog Coalition of congressional Democrats as “Bush Dogs.” Blue America activist **Howie Klein** says his group is “about better Democrats, not more Democrats.” Blue America created a special fund to “get even” with lawmakers like Representative **Chris Carney** (D-Pennsylvania) for supporting gun rights, making English the nation’s official language, and a crackdown on illegal immigration.

Los Angeles city council member **Jan Perry** wants legislation prohibiting new fast food restaurants from opening in a 32-square-mile section of L.A., the Wall Street Journal reports. Perry said the crackdown on high-calorie fast food is part of a multi-pronged campaign to curb obesity. Council member **Ed Reyes**, who represents part of the fast food-free zone, supports the plan. “Health and social issues are the overriding issues, in my mind. It’s not too different to how we regulate liquor stores.”

A lawyer has launched a new website, **WhoCanISue.com**. It will not “by itself, increase the number of lawsuits there are, but it may make people more aware of what their rights are,” said creator **Curtis A. Wolfe**. Attorneys pay \$1,000 annually to be listed on the site and can pay more if they want to make their listings more prominent, Time magazine reports. Wolfe’s website, which will not charge a fee to consumers, will compete with other sites such as **SueEasy.com** and **LegalMatch.com**.

After the Supreme Court repudiated liberal anti-gun groups’ “collective rights” interpretation of the Second Amendment in *District of Columbia v. Heller* in June, successful plaintiff **Dick Heller** filed a fresh lawsuit challenging the District’s new gun control law. The law’s requirement that guns be kept unloaded, disassembled, or trigger-locked flouts the high court’s decision by essentially making it impossible for a gun owner to use the weapon legally in self-defense. “Under the D.C. [law], a robber has to make an appointment with you so you can get your gun ready for him,” Heller’s lawyer **Stephen P. Halbrook** told the Washington Post. The law also requires gun owners to take a written test and submit the weapon for ballistics testing.

Bonita Brady, a 63-year-old from Michigan, is suing **AARP** (formerly the American Association of Retired Persons) in federal court for age discrimination. Brady claims she was passed over repeatedly despite receiving strong job reviews.

The California legislature has authorized a committee to study how electric and hybrid cars can be made noisier so blind pedestrians won’t be run over while crossing the street. The state says there are more than 300,000 such vehicles on the roads but no statistics on pedestrian accidents involving them. At press time Governor **Arnold Schwarzenegger** has not signaled whether he will sign the measure.

Mothers Against Drunk Driving (MADD) opposes an effort by 100 college presidents who want lawmakers to consider lowering the drinking age from 21 to 18 to discourage binge drinking by students. MADD CEO **Chuck Hurley** said the presidents are unwilling to enforce the drinking laws. “They’re waving the white flag,” he said. **John McCardell**, former president of **Middlebury College** in Vermont, who founded the **Amethyst Initiative**, which favors lowering the drinking age, said current laws are “routinely evaded” and that young people believe they are “unjust and unfair and discriminatory.”