

## An Oil Reserve Right at Hand

By Gal Luft

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In his State of the Union [address](#) last month, President Bush announced his intention to expand the Strategic Petroleum Reserve as a way to strengthen America's energy security. The 20-year effort to increase the emergency stockpile from its current capacity, 691 million barrels, to 1.5 billion barrels would provide enough oil to compensate for a loss of nearly 100 days of net oil imports, almost double today's reserve. (Since it is virtually impossible that all of America's suppliers would be cut off at once, the period would actually be much longer.)

This move reflects the president's belief that oil-rich regions such as the Middle East and Africa will continue to be unstable and that the United States is likely to become ever more vulnerable to terrorist attacks against oil facilities worldwide and to erratic weather patterns in the Atlantic Ocean.

In an increasingly unstable world, the Strategic Petroleum Reserve is a much-needed insurance policy. But the way the president chose to expand it is ill-considered. First, his plan requires purchasing oil at a rate of 110,000 barrels a day -- every day -- for the next 20 years. Assuming oil prices average \$60 to \$80 a barrel in the next two decades, it would cost \$48 billion to \$65 billion just to buy the oil. Add the cost of building and maintaining storage sites, and the price tag could easily be as much as \$82 billion. And this is only the beginning.

If the United States expands its strategic reserve, other major oil consumers will do the same. Emerging giants such as China and India, which import much less than America does, have barely 10 days' worth of stockpiles. When other consumers rush to buy oil for their reserves, the added demand will drive up prices on the already tight oil market. So in addition to the cost of expanding the reserve, Americans will pay extra at the pump.

The implementation of the plan also leaves much to be desired. The reserve is divided among four major sites in Texas and Louisiana. The Energy Department [announced](#) last week that the site for the expansion will be in Richton, Miss., and that it will be connected to refiners and marine facilities in Pascagoula, on the Gulf Coast, for oil distribution.

The Gulf states are highly vulnerable to destructive hurricanes, yet the administration aims to put all our eggs in one basket, rather than identify safer areas. The plan ignores the likelihood that violent storms could damage the pipelines that connect our economy with its emergency oil stockpile and that pumping stations might not have electricity.

For the United States to have a reliable emergency stockpile, new locations must be identified. This may not be easy. Geological formations such as the salt domes in the South that host the reserve are uncommon, and not-in-my-back-yard opposition is likely.

The administration should consider a radically different and much cheaper approach to boosting our security: make ANWR our strategic reserve. For many years, supporters of drilling in the Arctic National Wildlife Refuge have failed to open it for production. With the Democrats controlling Congress, the chances of drilling are slimmer than ever. President Bush didn't even bother to raise the issue last month. But reframing the issue to cast the refuge as an emergency stockpile rather than a source of production might well change the politics.

Defining the refuge as a strategic reserve would not provoke a rush by other countries to double their reserves (and thus would avoid spurring a rise in global oil prices). Further, the Alaskan oil is already in our possession; tapping it wouldn't require paying tens of billions of dollars to countries with which we are at odds. Congress could compensate Alaskans by leasing the oil for a predetermined period after which the state would be able to sell its oil, provided lawmakers approved. This might not generate the same per-barrel income Alaskans would receive if the oil were sold today, but it's much more than what they are getting now.

Treating the refuge as a reserve would not pose the same environmental problems as full-scale production. Drilling several wells and building the necessary infrastructure would have minimal impact on the surrounding wildlife. If America were ever hit by an oil shock and our way of life was at stake, the caribou would have to excuse us; until then, and under this plan, they could live in peace.

Disagreements on ANWR have led to a political gridlock that has prevented any major progress toward energy security. As a result, America is increasingly dependent on foreign oil, to the detriment of its national and economic security. By resolving this issue once and for all, we can finally begin to implement policies that move the United States toward increased energy security.

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