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Energy Impasse

Two weeks ago, a brief Russia-Ukraine squabble over natural gas pricing sent a tremor through Europe. One week ago, another tremor swept through the West - this time America joined in the shakes - when Iran broke open internationally monitored seals on its nuclear facilities, clearing the way for uranium enrichment activities that are a big step toward making a nuclear weapon.

These two events, in different ways, illustrate the dangers of relying as heavily as the West does on imported energy, much of it coming from chronically unstable countries. The United States, as the world's biggest and most profligate energy consumer, could do more than any other country to lessen this dangerous dependency, and in that way reduce the geopolitical leverage of capricious supplier nations.

In Europe, all it took was Russia's cutting the flow of the natural gas it pipes through Ukraine, ostensibly in a dispute over pricing and transit fees, to shake world energy markets and leave Europeans reviewing their reliance on Russia for energy.

Fast-forward one week, to last Tuesday, when Iranian officials, ignoring pleas and threats from Europe and America, broke the seals on its nuclear facilities. And why not? President Mahmoud Ahmadinejad and the clerics who run Iran know one thing that Western leaders also know but will not say: there is nothing the West can do because Iran has a bargaining chip - petroleum - that puts it out of reach. Iran is the second-largest oil producer in the Organization of the Petroleum Exporting Countries, after Saudi Arabia, and is home to some 10 percent of the world's proven oil reserves. Iran also has the world's second-largest natural gas reserves, after Russia's.

Iran has signed deals to provide natural gas to two emerging economic powers: China and India. India embarked last year on a gas pipeline project with Iran; in 2004, China signed a \$70 billion oil and natural gas deal with Tehran. Those alliances are just a sign of things to come; as their economies grow, the Indians and the Chinese will become ever more hungry for energy resources.

That makes it much less likely that the United Nations Security Council, with China a permanent member, is ever going to agree to sanctions against Iran for pushing ahead with its nuclear program. But what if, by some miracle, America and Europe were able to persuade the Security Council to impose sanctions?

Well, slapping Iran with sanctions could very likely prompt Mr. Ahmadinejad and company to cut oil production in retaliation. Once upon a time, a drop in production from one OPEC member could be absorbed by the rest of the cartel. But today's global oil market is so tight, there is little spare capacity left. Any drop in production from a supplier can quickly send the price of oil soaring.

"There's no shock absorber left," says Gal Luft, executive director of the Institute for the Analysis of Global Security. "That leaves us with zero options when it comes to leverage against these oil producers. Why do you think Hugo Chávez is so emboldened? Why do you think Ahmadinejad is saying, 'Go ahead, make my day?'"

Clearly, becoming less dependent on foreign sources should be among the West's - and most especially America's - most urgent priorities. But not in the way that President Bush and Vice President Dick Cheney seem to prefer, which is to try to drill our way out of dependency - an utterly impossible task for a country that uses one-fourth of the world's oil while possessing only 3 percent of its reserves, and whose once-abundant supplies of natural gas are now severely stressed. A much better answer would be a national commitment to more efficient vehicles and to the rapid deployment of new energy sources like biofuels.

America cannot win President Bush's much-vaunted war on terrorism as long as it is sending billions of dollars abroad for oil purchases every day. It cannot establish democracy in the Middle East because governments rich in oil revenue do not want democracy. And it will never have the geopolitical leverage it needs as long as it is dependent on unstable foreign sources for fuel.