Oil & Politics

Bush-Cheney Energy Strategy: Procuring the Rest of the World's Oil

By Michael Klare

When first assuming office in early 2001, President George W. Bush's top foreign policy priority was not to prevent terrorism or to curb the spread of weapons of mass destruction—or any of the other goals he espoused later that year following the September 11, 2001 attacks on the World Trade Center and the Pentagon. Rather, it was to increase the flow of petroleum from suppliers abroad to U.S. markets. In the months before he became president, the United States had experienced severe oil and natural gas shortages in many parts of the country, along with periodic electrical power blackouts in California. In addition, oil imports rose to more than 50% of total consumption for the first time in history, provoking great anxiety about the security of the country's long-term energy supply. Bush asserted that addressing the nation's "energy crisis" was his most important task as president.

He and his advisers considered the oil supply essential to the health and profitability of leading U.S. industries. They reasoned that any energy shortages could have severe and pervasive economic repercussions on businesses in automobiles, airlines, construction, petrochemicals, trucking, and agriculture. They deemed petroleum especially critical to the economy because it is the source of two-fifths' of the total U.S. energy supply—more than any other source,—and because it provides most of the nation's transportation fuel. They also were cognizant of petroleum's crucial national security role as the power for the vast array of tanks, planes, helicopters, and ships that constitute the backbone of the U.S. war machine.

"America faces a major energy supply crisis over the next two decades," Secretary of Energy Spencer Abraham told a National Energy Summit on March 19, 2001. "The failure to meet this challenge will threaten our nation's economic prosperity, compromise our national security, and literally alter the way we lead our lives."

The energy turmoil of 2000-2001 prompted Bush to establish the National Energy Policy Development Group (NEPDG), a task force of senior government representatives charged with developing a long-range plan to meet U.S. energy requirements. To head this group, Bush picked his closest political adviser, Vice President Dick Cheney. A Republican Party stalwart and a former secretary of Defense, Cheney had served as chairman and chief executive officer of the Halliburton Co., an oilfield services firm, before joining the Bush campaign in 2000. As such, Cheney availed himself of top executives of energy firms, such as Enron Corp., for advice on major issues.

As the NEPDG began its review of U.S. energy policy, its members saw the United States was faced with a grave choice between two widely diverging paths. It could continue down the road it had long been traveling, consuming increasing amounts of petroleum and—given the irreversible decline in domestic oil production—becoming ever more dependent on imported supplies. Or, it could choose an alternate route of reliance on renewable sources of energy and gradually reducing petroleum use.

Clearly, the outcome of this decision would have profound consequences for society, the economy, and the nation's security. Following the same path would bind the United States ever more tightly to Persian Gulf suppliers and to other oil-producing countries, with a corresponding impact on U.S. security policy. Pursuing an alternative strategy would require a huge investment in new energy-generation and transportation technologies, resulting in the rise or fall of entire industries. Either way, the public would experience the impact of this choice in everyday life and in the dynamics of the economy as a whole. No one, in the United States or elsewhere, would be left entirely untouched.

The National Energy Policy Development Group wrestled with this dilemma and completed its report during the early months of 2001. After a careful review, Bush anointed the report as the National Energy Policy (NEP) and released it on May 17. At first glance, the NEP, or the Cheney report as it is often called, appeared to reject the path of increased reliance on imported oil in favor of renewable energy. The NEP "reduces demand by promoting innovation and technology to make us the world leader in efficiency and conservation," the president declared as he released it. However, for all its rhetoric about conservation, the NEP does not propose a reduction in oil consumption. Instead, it proposes to slow the growth in U.S. dependence on imported petroleum by boosting production at home through the exploitation of untapped reserves in protected wilderness areas.

The single most important step proposed in the NRP was increasing domestic oil production by drilling in the Arctic National Wildlife Refuge (ANWR), an immense, untouched wilderness area in northeastern Alaska. While this proposal has generated enormous controversy in the United States because of its deleterious impact on the environment, it also has allowed the White House to argue that the administration is committed to a policy of energy independence. However, careful examination of the Cheney report leads to an entirely different conclusion. Aside from the ANWR proposal, nothing in the NEP would contribute to a significant decline in U.S. dependence on imported petroleum. In fact, the very opposite is true: The basic goal of the Cheney plan is to find additional external sources of oil for the United States.

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In the end, Bush made a clear decision regarding future U.S. energy behavior. Knowing that nothing can reverse the long-term decline in domestic oil production, and unwilling to curb the country's ever-growing thirst for petroleum products, he elected to continue down the existing path of ever-increasing dependence on foreign oil.

Conservation Initiative: Fact or Fiction?

The fact that the Bush energy plan envisions increased rather than diminished reliance on imported petroleum is not immediately apparent from the president's public comments on the NEP, or from the first seven chapters of the Cheney report itself. It is only in the eighth and final chapter, "Strengthening Global Alliances," that the true intent of the administration's policy becomes fully apparent. Here, the tone of the report changes markedly from a professed concern with conservation and energy efficiency to an explicit emphasis on securing more oil from foreign sources. The chapter begins, "U.S. national energy security depends on sufficient energy supplies to support U.S. and global economic growth." The report further states, "We can strengthen our own energy security and the shared prosperity of the global economy," by working with other countries to increase the global production of energy. It is a mandate to "make energy security a priority of our trade and foreign policy."

The Cheney report is very guarded about the amount of foreign oil that will be required. The only clue provided by the report is a chart of net U.S. oil consumption and production over time. According to this illustration, domestic oil field production will decline from about 8.5 million barrels per day (mbd) in 2002 to 7.0 mbd in 2020, while consumption will jump from 19.5 mbd to 25.5 mbd. That suggests imports or other sources of petroleum, such as natural gas liquids, will have to rise from 11 mbd to 18.5 mbd. Most of the recommendations in Chapter 8 of the NEP are aimed at procuring this 7.5 mbd increment, equivalent to the total oil consumed by China and India.

One-third of all the recommendations in the report are for ways to obtain access to petroleum sources abroad. Many of the 35 proposals are region- or country-specific, with emphasis on removing political, economic, legal, and logistical obstacles. For example, the NEP calls on the secretaries of Energy, Commerce, and State "to deepen their commercial dialogue with Kazakhstan, Azerbaijan, and other Caspian states to provide a strong, transparent, and stable business climate for energy and related infrastructure projects."

Operation Desert Storm Kuwait, 1991. ©1991 Allan Tannenbaum

The Cheney report will have a profound impact on future U.S. foreign and military policy. Officials will have to negotiate for these overseas supplies and arrange for investments that will increase production and exports. They must also take steps to ensure that wars, revolutions or civil disorder do not impede foreign deliveries to the United States. These imperatives will be especially significant for policy toward the Persian Gulf area, the Caspian Sea basin, Africa, and Latin America.

Applying the Cheney energy plan will have major implications for U.S. security and military policy. Countries expected to supply petroleum in the years ahead are torn by internal conflicts, harbor strong anti-American sentiments, or both. Efforts to procure additional oil from foreign sources are almost certain to lead to violent disorder and resistance in many key producing areas. While U.S. officials might prefer to avoid the use of force in such situations, they may conclude that the only way to guarantee the continued flow of energy is to guard the oil fields and pipelines with soldiers.

To add to Washington's dilemma, troop deployments in the oil-producing areas are likely to cause resentment from inhabitants who fear the revival of colonialism or who object to particular U.S. political positions, such as U.S. support for Israel. Efforts to safeguard the flow of oil could be counter-productive, intensifying rather than diminishing local disorder and violence.

Persian Gulf

The United States currently obtains only about 18% of its imported petroleum from the Persian Gulf area. But Washington perceives a strategic interest in the stability of energy production there because its major allies, including Japan and Western Europe, rely on imports from the region. Also, the gulf's high export volume has helped to keep world oil prices relatively low, benefiting the U.S. economy. With domestic production in decline, the NEP observes, the Persian Gulf "will remain vital to U.S. interests."

The United States has played a significant role in Persian Gulf affairs for a very long time. During World War II, President Franklin D. Roosevelt forged an agreement with Abdul-Aziz ibn Saud, the founder of the modern Saudi dynasty, to protect the royal family against its internal and external enemies in return for privileged access to Saudi oil. In subsequent years, the United States also agreed to provide security assistance to the Shah of Iran and to the leaders of Kuwait, Bahrain, and the United Arab Emirates (UAE). These agreements have led to the delivery of vast quantities of U.S. arms and, in some cases, the deployment of combat forces to these countries. (The U.S. security link with Iran was severed in January 1980, when the Shah was overthrown by militant Islamic forces.)

U.S. policy with regard to the protection of Persian Gulf energy supplies is unambiguous: When a threat arises, the United States will use whatever means are necessary to ensure the continued flow of oil. This principle, known as the Carter Doctrine, was first articulated by President Jimmy Carter in January 1980, following the Soviet invasion of Afghanistan and the fall of the Shah of Iran. It has remained part of U.S. policy ever since. In accordance with the principle, the United States used force in 1987 and 1988 to protect Kuwaiti oil tankers from Iranian missile and gunboat attacks, and then in 1990 and 1991 to drive Iraqi forces out of Kuwait.

In explaining the need to use force on these occasions, U.S. officials have stressed the importance of Persian Gulf oil to domestic economic stability and prosperity. "Our strategic interests in the Persian Gulf region, I think, are well known, but bear repeating," then-Secretary of Defense Cheney told the Senate Armed Services Committee on Sept. 11, 1990, five weeks after the Iraqi invasion of Kuwait. In addition to other security ties to Saudi Arabia and its neighbors, he said, "We obviously also have a significant interest because of the energy that is at stake in the gulf." Iraq possessed 10% of the world's oil reserves and acquired another 10% by seizing Kuwait, he explained. The occupation of Kuwait also placed Iraqi forces within a few hundred miles of another 25% located in eastern Saudi Arabia. "Once [former Iraqi President Saddam Hussein] acquired Kuwait and deployed an army as large as the one he possesses, he was clearly in a position to be able to dictate the future of worldwide energy policy, and that gave him a stranglehold on our economy and on that of most of the other nations of the world as well," he noted. Cheney insisted that the United States had no choice but to employ military force in the defense of Saudi Arabia and other friendly states in the area.

Once Iraqi forces were driven from Kuwait, the United States adopted a policy of containment of Iraq, enforcing severe economic sanctions and "no-fly" zones over northern and southern Iraq to weaken the Hussein regime and to prevent any new attacks on Kuwait and Saudi Arabia. At the same time, Washington substantially expanded its military presence and bases in the Persian Gulf area in order to facilitate future U.S. military operations in the region. Most importantly, the Department of Defense sent vast quantities of munitions to Kuwait and Qatar so that troops could be rushed into combat without waiting weeks or months for the arrival of their heavy equipment.

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By early spring of 2002, the Bush administration concluded that the policy of containment was not sufficient to eliminate the threat Hussein posed to U.S. interests and that more aggressive action was required. Although Iraq's alleged possession of weapons of mass destruction was cited as the main reason for acting in this manner, Cheney gave equal importance to U.S. energy security in his much-quoted speech of Aug. 26, 2002. "Should [Hussein's] ambitions [to acquire weapons of mass destruction] be realized, the implications would be enormous for the Middle East and the United States," he told the annual convention of the Veterans of Foreign Wars. "Armed with an arsenal of these weapons of terror and a seat at the top of 10% of the world's oil reserves, Saddam Hussein could then be expected to seek domination of the entire Middle East, take control of a great portion of the world's energy supplies, [and] directly threaten America's friends throughout the region."

Officials told the public that oil had nothing to do with the motives for the March 2003 U.S.-led invasion of Iraq. "The only interest the United States has in the region is furthering the cause of peace and stability, not in [Iraq's] ability to generate oil," White House spokesperson Ari Fleischer said in late 2002. But a closer look at the administration's planning for the war reveals a very different picture. In a January briefing by an unnamed "senior Defense official" on U.S. plans for protecting Iraqi oil fields in the event of war, the

Pentagon leadership revealed that Gen. Tommy Franks and his staff "have crafted strategies that will allow us to secure and protect those fields as rapidly as possible in order to preserve those prior to destruction."

The senior official, who presumably was Deputy Secretary Paul Wolfowitz, indicated that the Bush administration sought to capture Iraq's oilfields intact to provide a source of revenue for the reconstruction of the country. Under the Hussein regime, Iraq was a major oil supplier to the United States. It provided an average of 566,000 barrels per day in 2002, or 5% of total imports. Many in Washington hope to obtain far more oil from Iraq in the future. According to the U.S. Department of Energy, Iraq possesses proven reserves of 112.5 billion barrels, more than any other country except Saudi Arabia, and it is thought to possess another 200 billion barrels in undeveloped fields. Iraq could become a leading oil supplier in the decades ahead, if a stable government is established that opens territory to exploitation by U.S. firms.

Such an outcome is far from assured. Policy makers face the challenge of ensuring that Saudi Arabia and other gulf producers increase oil supplies enough to meet growing U.S. and international demand. Another challenge will be protecting the Saudi regime against internal unrest and insurrection.

The need to increase Saudi production is particularly pressing. With one-fourth of the world's known oil reserves, an estimated 262 billion barrels, Saudi Arabia is the only country other than Iraq capable of satisfying ever-increasing petroleum demands. According to the Department of Energy, Saudi Arabia's net petroleum output must grow by 133% over the next 25 years, from 10.2 mbd in 2001 to 23.8 mbd in 2025, in order to meet anticipated world requirements at the end of that period. Expanding Saudi capacity by 13.6 mbd, which is the equivalent of total current production by the United States and Mexico, will cost hundreds of billions of dollars. It also will create enormous technical and logistical challenges. Western analysts believe the best way to achieve this increase is to persuade the Saudis to allow substantial U.S. oil-company investment. The Cheney report calls for exactly that. However, any effort by Washington to apply pressure on Riyadh is likely to meet with significant resistance from the royal family, who nationalized oil holdings in the 1970s and is fearful of being seen as overly subservient to the United States.

The strong U.S. ties to the Saudi royal family are unpopular with the regime's many opponents. Additionally, growing numbers of young Saudis have turned against the United States because of its close ties to Israel and what is seen as Washington's anti-Islamic bias. It was from this milieu that Osama bin Laden recruited many of his followers in the late 1990s and obtained much of his financial support. After the attacks of September 11, 2001, the Saudi government cracked down on some of these forces, but underground opposition to the regime's military and economic cooperation with Washington persists. Finding a way to eradicate this opposition while persuading Riyadh to increase its oil deliveries will be one of the most difficult challenges facing U.S. policy makers in the years ahead.

Caspian Sea Basin

Although the United States will remain dependent on oil from the Persian Gulf area for a long time to come, officials seek to minimize this dependency to the greatest degree possible by diversifying the nation's sources of imported energy. "Diversity is important, not only for energy security but also for national security," President Bush declared on May 17, 2001. "Over-dependence on any one source of energy, especially a foreign source, leaves us vulnerable to price shocks, supply interruptions, and in the worst case, blackmail." To prevent this, the administration's energy plan calls for a substantial U.S. effort to boost production in a number of non-gulf areas, including the Caspian Sea basin, the West Coast of Africa, and Latin America.

The one that is likely to receive greatest attention from policy makers is the Caspian Sea basin, consisting of Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan, and adjacent parts of Iran and Russia. According to the Department of Energy, this area houses proven reserves (defined as 90% probable) of 17 to 33 billion barrels of oil, and possible reserves (defined as 50% probable) of 233 billion barrels. If the amounts were confirmed, they would constitute the second largest untapped reserves after the Persian Gulf area.

To ensure that much of this oil will eventually flow to consumers in the West, the U.S. government has made strenuous efforts to develop the area's petroleum infrastructure and distribution system. The United States first sought access to the Caspian's oil supplies during the Clinton administration. Because the Caspian Sea is land-locked, its oil and natural gas must travel by pipeline to other areas. Tapping the resources requires the construction of long-distance export lines.

The administration was reluctant to see Caspian oil flow through Russia on its way to Western Europe, since that would allow Moscow a degree of control over Western energy supplies. Transport through Iran was prohibited by U.S. law because of that country's pursuit of weapons of mass destruction. So Clinton threw his support behind a plan to transport oil and gas from Baku in Azerbaijan to Ceyhan in Turkey via Tbilisi in the former Soviet republic of Georgia. Before leaving office, he flew to Turkey to preside at the signing ceremony for a regional agreement permitting construction of the $3 billion Baku-Tbilisi-Ceyhan (BTC) pipeline.

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While concentrating on the legal and logistical aspects of procuring Caspian energy, the Clinton administration also addressed the threat to future oil deliveries posed by instability and conflict in the region. Since many of these states were wracked by ethnic and separatist conflicts, the administration initiated a number of military assistance programs aimed at strengthening their internal security capabilities. This entailed providing arms and training along with conducting joint exercises.

Building on Clinton's efforts, the Bush administration sought to accelerate the expansion of Caspian production facilities and pipelines. "Foreign investors and technology are critical to rapid development of new commercially viable export routes," the Cheney report affirms. "Such development will ensure that rising Caspian oil production is effectively integrated into world oil trade." Particular emphasis is placed on completion of the BTC pipeline and on increasing the participation of U.S. companies in Caspian energy projects. The administration also sought to build an oil and gas pipeline from Kazakhstan and Turkmenistan on the east shore of the Caspian to Baku on the west shore to channel more energy from Central Asia to the BTC system.

Until September 11, 2001 U.S. involvement in the Caspian Sea basin and Central Asia had been restricted mostly to economic, diplomatic, and military aid agreements. To combat the Taliban and Al Qaeda in Afghanistan however, the Department of Defense deployed tens of thousands of combat troops in the region and established military bases in Kyrgyzstan and Uzbekistan. The administration recalled some of these troops but apparently plans to maintain bases and a permanent military presence. This is supposedly intended to assist in the war against terrorism, but it is also to safeguard the flow of petroleum. The administration deployed military instructors to Georgia to provide counter-insurgency training for special units that will eventually guard the Georgian segment of the BTC pipeline.

The White House has high hopes for the development of Caspian Sea energy supplies, but many obstacles remain. Some of these are logistical: Until new pipelines can be built, transport of large quantities of oil to the West will be tough. Other obstacles are political and legal: The authoritarian regimes that predominate in the former Soviet republics are riddled with corruption and reluctant to adopt the legal or tax reforms needed to attract large-scale Western investment. But when all is said and done, the major problem facing the United States is that the Caspian basin is no more stable than the Persian Gulf. Any effort to ensure the safety of energy deliveries will require the same sort of military commitments that the United States has long made to its principal energy suppliers in the gulf.

West Africa

Another area the Bush administration views as a promising source of oil is West Africa. Although

African states accounted for only about 10% of global oil production in 2000, the Department of Energy predicts that their share will rise to 25% by 2020. That will add 8.3 mbd to global supplies, welcome news in Washington. "West Africa is expected to be one of the fastest-growing sources of oil and gas for the American market," the Cheney report observes.

The administration expects to concentrate its efforts in Nigeria, its neighboring states in the Gulf of Guinea, and Angola. As in the Caspian region, however, U.S. hopes to obtain additional oil from Africa could be frustrated by political unrest and ethnic warfare. Indeed, much of Nigeria's production was shut down during the spring of 2003 because of ethnic violence in the Delta region, the site of much of Nigeria's onshore oil. Local activists have occupied offshore oil facilities to bargain for community project funding. Crime and vandalism have also hampered Nigeria's efforts to increase oil production.

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The United States is not likely to respond to these challenges by deploying troops. That undoubtedly would conjure up images of colonialism, provoking strong opposition at home and abroad. But Washington is willing to step up military aid to friendly regimes in the region. Total U.S. assistance to Angola and Nigeria amounted to some $300 million in fiscal years 2002 through 2004, a significant increase over the previous three-year period. In fiscal 2004, Angola and Nigeria also became eligible to receive surplus arms under the Pentagon's Excess Defense Articles program. Meanwhile, the Department of Defense has begun to secure rights for the establishment of naval bases in the region, most notably in Nigeria and the islands of Sao Tomé e Principe.

Latin America

Finally, the Cheney plan calls for a significant increase in U.S. oil imports from Latin America. The United States already obtains a large share of its imported oil from the region. Venezuela is now the third largest supplier of oil to the United States, after Canada and Saudi Arabia; Mexico is the fourth largest, and Columbia is the seventh. As indicated by Secretary of Energy Abraham, "President Bush recognizes not only the need for an increased supply of energy, but also the critical role the hemisphere will play in the administration's energy policy."

In presenting these aspirations to governments in the region, U.S. officials highlight their desire to establish a common framework for energy development. "We intend to stress the enormous potential of greater regional energy cooperation as we look to the future," Abraham told the Fifth Hemispheric Energy Initiative Ministerial Conference in Mexico City on March 8, 2001. "Our goal [is] to build relationships among our neighbors that will contribute to our shared energy security; to an adequate, reliable, environmentally sound, and affordable access to energy." However sincere, these comments mask the fact that the "cooperation" is essentially aimed at channeling more and more of the region's oil supplies to the United States.

The energy plan emphasizes acquisition of additional oil from Mexico and Venezuela. "Mexico is a leading and reliable source of imported oil," the Cheney report observes. "Its large reserve base, approximately 25% larger than our own proven reserves, makes Mexico a likely source of increased oil production over the next decade." Venezuela is considered vital because it possesses large reserves of conventional oil and houses vast supplies of so-called heavy oil, a sludge-like material that can be converted to conventional oil through a costly refining process. According to the NEP, "Venezuelan success in making heavy oil deposits commercially viable suggests that they will contribute substantially to the diversity of global energy supply and to our own energy supply mix over the medium to long term."

But U.S. efforts to tap into abundant Mexican and Venezuelan energy supplies will hit a major snag. Because of a long history of colonial and imperial predation, these two countries have placed their energy reserves under state control, establishing strong legal barriers to foreign involvement in domestic oil production. While they may want to capitalize on the benefits of higher volume exports to the United States, Latin American countries are likely to resist more U.S. participation in their energy industries and any significant increase in oil extraction.

The NEP calls on the secretaries of Commerce, Energy, and State to lobby their Latin American counterparts to eliminate or soften barriers. However, in Mexico, reform bills to ease entry of private oil companies have encountered stiff resistance in Congress. In Venezuela, a new Constitution adopted in 1999 bans foreign investment in the oil sector, and in 2003, President Hugo Chávez fired managers of the state-owned oil company Petróleos de Venezuela S.A. who favored links with foreign firms.

Bush Energy, Military Plans Linked

In its pursuit of petroleum, the United States is intruding in the affairs of the oil-supplying nations. In the process, it exposes itself to increased risk of involvement in local and regional conflicts. This reality has already influenced U.S. relations with the major oil-producing nations and is sure to have an even greater impact in the future.

At no point does the NEP acknowledge this. Instead, it focuses on the economic and diplomatic dimensions of the energy policy. However, the architects of the Bush-Cheney policy know that ensuring access to some oil sources may prove impossible without the use of military force. The administration's military strategy takes up the slack with heavy emphasis on bolstering capacity to project firepower to key battlefields abroad. "The United States must retain the capability to send well-armed and logistically supported forces to critical points around the globe, even in the face of enemy opposition," states its Quadrennial Defense Review.

These critical points would necessarily include areas that are petroleum sources. Whether or not the administration consciously linked energy with its security policy, Bush undeniable prioritized the enhancement of U.S. power projection at the same time he endorsed increased dependence on oil from unstable areas.

As a result, a two-pronged strategy governs U.S. policy toward much of the world. One arm of this strategy is to secure more oil from the rest of the world, and the other is to enhance the capability to intervene. While one of these objectives arises from energy preoccupations and the other from security concerns, the upshot is a single direction for U.S. dominance in the 21st Century. It is this combination of strategies, more than anything else, that will anchor the United States' international relations for years to come.

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