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The smart solution

By Gal Luft

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WASHINGTON - Time to think out of the barrel.

As oil prices head toward the \$60-a-barrel mark, it's time to recognize that we may be facing an oil crisis. When oil prices jump 60 percent in a year with no indication of a downward turn anytime soon, that's a crisis.

The acting secretary general of the Organization of Petroleum Exporting Countries (OPEC), Adnan Shihab-Eldin, said that prices could even go as high as \$80 a barrel within two years. The investment banking house of Goldman Sachs warned in a recent report that the oil markets might have entered a "super spike" period, which could drive prices toward \$105.

Rising oil costs are already taking a toll on the global economy, as happened every other time they spiked over the past half-century. Treasury Secretary John W. Snow admitted that oil prices create a "headwind" for the economy, slowing it down, and the Energy Department announced that \$50 a barrel will dampen U.S. economic growth by seven-tenths of a percent.

There is also a national security aspect to the problem. The rise in oil prices has created a transfer of wealth of historic proportions from the United States to countries that, in the words of President Bush, "don't particularly like us." The petrodollars we are sending to those countries will no doubt find their way to the wallets of terrorists, radical clerics and scientists who develop deadly weapons.

It's not clear to what level prices need to rise before Congress and the administration make oil dependence a top national priority. Considering the scope of the strategic and economic problems associated with our dependence on oil, nothing short of introducing a fresh and balanced, yet bold, national petroleum policy will suffice.

Two popular strategic approaches to solving the oil problem have dominated the debate. One is for oil-producing countries, primarily OPEC members, to ramp up production over the next 20 years. This would cost the global economy about \$3 trillion. The other is to sit and wait for the arrival of the so-called hydrogen economy based on millions of fuel cells vehicles powered by hydrogen.

Neither of these strategies is likely to improve our energy security in the foreseeable future. Empowering OPEC would give us more of the same, and the hydrogen economy faces significant technological barriers and the immense challenge of infrastructure change. Also, it would cost trillions of dollars to implement.

A third way has been introduced by Set America Free, a unique bipartisan coalition of national security think tanks, energy experts and environmental organizations. The coalition proposes a blueprint for

energy security that specifies ways to eliminate over half of U.S. oil imports by 2025. It suggests shifting the transportation sector, where two-thirds of America's oil is used, from petroleum to next-generation fuels using existing vehicle technologies.

Next-generation fuels can be made from resources the United States is well endowed with, such as coal - the United States is the Saudi Arabia of coal - agricultural and municipal waste, nuclear power and renewables.

The blueprint calls for an investment by Congress of \$12 billion worth of incentives over the next several years to encourage automobile manufacturers to produce, and consumers to buy, millions of flexible fuel vehicles (FFVs). They can run on any combination of gasoline and alcohol fuel. There are 4 million FFVs on America's roads today. There also are hybrid cars and, even better, plug-in hybrids.

Plug-ins pull power from the same electric grid used in the home and allow consumers to fuel the first 20 miles of their driving on U.S.-made electricity. Because in addition to the battery, plug-ins also have a liquid fuel tank and internal combustion engine, they have the driving range of a standard vehicle.

If a plug-in vehicle is also an FFV fueled with 80 percent alcohol and 20 percent gasoline, fuel economy could reach 400 to 500 miles per gallon of gasoline. To ramp up production of alcohol fuels - methanol from coal, natural gas or biomass, or ethanol from corn or biomass, the blueprint calls for the allocation of \$3 billion of the \$12 billion to build 25 commercial-scale plants to demonstrate the feasibility of various approaches to produce non-petroleum-based liquid fuels.

Endorsed by energy experts such as former Energy Secretary James D. Watkins and Nobel Laureate Richard Smalley and by former senior national security officials such as R. James Woolsey and Robert C. McFarlane, the blueprint demonstrates that much can be done to increase energy security. Existing technologies can be used without having to wait for over-the-horizon solutions or pouring billions of dollars into countries that are at odds with the United States.

With turmoil in the oil market likely to continue, we cannot afford to do less than begin to pave our way to a new era in which our security and economy are better insulated against supply disruptions and the whims of oil producers.

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