

America's Energy Problem...and Solution...

By Jordan Kimmel

A few years ago, when the price of gas at the pumps first went through \$2.50 per gallon and became a center of attention in the media, I said it would not derail our economy or our consumers. Now the psychological \$100 per barrel level has been penetrated and the focus on energy is even greater. While the politicians are all citing the problems, I do not see anybody presenting a clear picture of the issues, let alone offering a comprehensive solution. It is time to take a more comprehensive view of the issues and a better look at some of the potential solutions.

First we need to put a end to the hype and hysteria about the current price of oil and gas. When I got out of school in 1981 the country had already experienced the first two major oil shocks resulting from the formation of OPEC. The price of a gallon at the pump was \$1.00. Now, over twenty five years later, the prices of nearly everything we purchase and consume has risen faster than the price of gas. Despite the current "housing crash" the median home price is more than tripled since 1981, as has starting salaries for kids getting out of college. We all would be thrilled if the cost of health care has only tripled. The fact is that we are currently spending a lower percentage of our incomes today on energy costs than we did 25 years ago. Yes \$3.50 at the pump seems high, but when Americans are asked if they are changing their driving habits, the vast majority are currently not- and are apparently not interested in curtailing their desires for the open road. Current mass transportation alternatives are not in place to persuade them either.

The real issues at hand are the actual long term supply and demand for energy facing the world. There is a great debate of whether the "peak oil" story is correct and as to what the long term energy policies should be. An easy scapegoat- energy companies - are blamed for curtailing production to artificially inflate the current prices. Well respected studies have shown that in fact we may have already peaked in the world's ability to pump oil from the ground. Others believe new oil discoveries suggest the supply is not the problem- but the costs to drill, pump, and deliver the oil and gas at the new sites are extremely expensive. The question is- what are our alternatives going forward?

The race is on to develop alternative energy sources. The various options are vast, but probably not within a short time frame. To really create a viable policy, we need to look at the various needs for energy and where the supply opportunities can come from. Energy is required not only to fuel our cars and heat our homes, but is also required for production of our goods while powering the factories around the world. In fact, I was surprised to learn that a half of a barrel of oil is required to produce one single automobile tire! Many alternative energy solutions are coming into the forefront but there seems to be drawbacks and obstacles to most of them. The push for ethanol is powerful but has many opponents. The apparent result of farmers racing to plant corn has created enormous pressures on the prices for all other grains and food prices are now increasing at unacceptable levels. The food prices are not only a problem domestically but are creating even bigger problems for those outside our country. The amount of water

required in the production of ethanol is an even bigger issue and is an unacceptable problem.

Outside the US we are seeing a greater acceptance of nuclear power, wind power generation, and great strides are taking place with solar power. I have also read interesting articles about harnessing the geo-thermal power from the Earth' core itself. In a country that has a hard time even finding a community willing to accept a new refinery being built, I believe our "not in my backyard" mentality will continue to push these solutions out for years to come.

Other ways to address our energy problems may be at hand by tapping into our other abundant natural resources. There is enough coal in the World to supply us with energy for hundreds of years. Companies are spending and working hard to figure out if there are environmentally acceptable ways to use coal and we may see important breakthroughs in this area soon. Another solution I see is a further increase in the use of natural gas. Our country has enormous natural gas reserves available and we are already benefiting greatly by our push into this area. In fact, a majority of new power plants built in the US since the 1970's use natural gas. We see more and more homes being heated by natural gas. One cannot ignore the large investments being made by the World's greatest investor, Warren Buffet, in the pipelines that transport natural gas from the production facilities to it's ultimate use. I expect to see further use of natural gas over time.

As our cities around the World get more congested and traffic and pollution becomes more of an issue, it is clear we need to see more attention and resources spent on mass transportation. While drivers today shun mass transportation in favor of their own cars, this can and will need to change in the future. I propose an idea to our leaders in Washington, and to the leaders around the rest of the World. We have seen amazing advancements in technology and engineering being displayed in both in the military and in space exploration. The race for superiority in these areas eats up extraordinary amounts of human and economic capital. I am not naïve enough to believe that countries around the World will stop over spending on their military, but think about what incremental changes could make.

Instead of continuing our spending abroad on military operations, what if the same companies received contracts to rebuild our infrastructure and mass transportation domestically. What if Boeing, General Dynamics, Raytheon and the like were given contracts to build advanced, beautiful, and efficient mass transportation in and around our major cities that our citizens would enjoy riding? While our economy is slowing and everybody is clamoring about the loss of jobs domestically, and a slowing housing market that is affecting the construction businesses, a massive spending program for domestic mass transportation and the rebuilding of our infrastructure is exactly what we need. The result would be a cleaner and more energy efficient environment that the rest of the World would imitate. We would be in the leadership role and I believe we would see our initiatives repeated in other countries. We already see the bullet trains in France and Japan. Maybe the use of magnets- maybe natural gas to power beautiful mass transportation systems. We clearly have the resources and ingenuity that America is

famous for- we just need leadership. Americans would embrace this initiative wholeheartedly. Again, my idea is not to stop spending and allow our country to fall behind militarily, but to incrementally adjust our budget and spend more money at home to improve our own country, create jobs at home, and at the same time help to solve the long term energy problems with policy rather than rhetoric.

Fast forward a couple of dozen years and I believe these policies will have already been adopted. It does not matter to me who gets the credit- Republicans or Democrats. What we need is for everyone to stop complaining and to create an energy policy to accommodate a world economy that is growing faster than ever before as a result of the spreading of the free market. More demands for energy will continue to accelerate and decisive leadership is necessary. For now, it is important to be thoughtful in how we may conserve energy here and there. Carpooling and more efficient cars getting better mileage are helpful. We need to cut down on the panic that the current price of gas will derail our economy and stop trying to blame the oil companies. Longer term we need an acceptance of our own abundance of resources- coal, natural gas, and our entrepreneurial tendencies to create a cleaner, efficient, and energy self reliant country.