

OPINION

OUR ENERGY FUTURE

What would environmentalists do with ANWR?

By Matthew J. Kotchen

To drill or not to drill? That is the question once again in Alaska's Arctic National Wildlife Refuge. With oil and gas prices hitting record highs in an election year, politicians on both sides of the aisle support measures to increase our domestic production of oil. But conflict remains about whether to allow drilling in the federal portion of ANWR.

While ANWR is thought to contain vast quantities of oil, the region also supports natural environments that are unparalleled in North America. Thus, the ANWR question is typically cast in symbolic terms — “big oil” looking to cash in on big profits against environmentalists who care more about caribou than people.

But let's consider a simple thought experiment to help cut through the symbolism. Imagine that ANWR — both the region and oil rights — were given to a collection of environmental organizations. What, then, would environmentalists choose to do? I consider myself an environmentalist, and thinking through this question has changed the way I think about ANWR.

Even environmentalists would be curious about how much oil lies beneath ANWR. According to the U.S. Geological Survey, the best answer, given recent prices, is 7.69 billion barrels — a quantity roughly equal to U.S. consumption in 2007. But that oil would not be available immediately and would take several decades to extract. Forecasts predict peak production after 2025, and ANWR would never account for more than three percent of U.S. annual oil consumption.

With this information, we can confidently dismiss two benefits that proponents of drilling most frequently advance. Because ANWR would increase the world's proved reserves by only 0.6 percent and oil prices are determined in a world market, any effect on oil prices would be negligible. And with ANWR supplying such a small fraction

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of domestic consumption, even at its peak, U.S. imports of foreign oil would remain significant even if ANWR were tapped.

But if environmentalists owned ANWR, they would begin to think about how much that oil is worth. Consider that 7.69 billion barrels at recent prices of \$140 per barrel generate revenue of \$1.08 trillion. Subtracting the estimated costs of finding, developing, producing and transporting this oil, the financial net benefit of ANWR's oil is substantial — \$921 billion.

With all that money on the table, environmentalists might begin to think about what

they could do with \$921 billion. Perhaps some would choose to leave things as they are, forgoing the money in order to prevent drilling in ANWR. Others might think about the transformative effect that \$921 billion could have on addressing climate change and other environmental problems.

For example, the president's 2008 budget for all climate-change activities amounts to only \$7.37 billion, which generously accounts for all expenditures related to science, technology, international assistance and energy tax provisions. Clearly, the scope and achievement of these programs

would change dramatically if even a modest portion of ANWR's \$921 billion were directed their way.

In reality, however, environmentalists do not own ANWR, and little is known about how the benefits would actually be distributed. In a recent study, co-authored with Nicholas Burger, we calculate the breakdown for different price scenarios under current policies. Extending our work to consider \$140 per barrel, the net benefits of ANWR's oil would amount to \$427 billion in industry profit, \$102 billion in Alaskan state tax revenue and \$392 billion in federal tax revenue.

These numbers obviously shape the political economy of ANWR today. It is not surprising why oil companies and the state of Alaska favor drilling. And beyond environmental concerns, the public is not likely to support policies that further increase the profitability of oil companies, which continue to earn record profits while people pay record prices.

But perhaps the simple thought experiment of what environmentalists would do can help recast the debate. We should all acknowledge that drilling in ANWR would negligibly satisfy our addiction to oil. Nevertheless, it could provide a massive source of revenue to fund scientific innovation, renewable energy, energy efficiency and climate-change policy. The revenue could be earmarked specifically out of ANWR's tax revenue or, even better, be taken out of revenues that would otherwise be industry profit.

We are in serious need of new ideas for simultaneously satisfying our demand for energy and meeting the challenge of global climate change. In a speech in Washington, D.C., former Vice President Al Gore just challenged the nation to switch to 100 percent renewable energy generation for electricity within the next decade. With revenue from ANWR, perhaps we would have a shot at meeting such challenges.

Counterintuitive as it may seem, linking climate policy with the prospect of drilling in ANWR may present an opportunity. Even environmentalists might be willing to consider the trade-off of uncertain impacts of drilling in a remote area in exchange for real efforts to address climate change.

Moving past the drill or not-drill debate

By Jan Mazurek

John McCain has taken to distorting Barack Obama's energy plan by calling the Democratic nominee “Dr. No” on proposals to tap new sources of energy. Meanwhile, some environmentalists have begun calling President Bush “Dr. Evil” for lifting the long-standing executive ban on offshore drilling his father put in place nearly two decades ago. Favoring conservation instead, they fear that drilling will lead to spills and that extraction will kill whales and damage other marine life.

The standoff — so typical of the gridlock that plagues Washington — runs counter to what most Americans want out of the nation's capital: a real solution to the nagging question of how to ensure

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that we have enough energy to keep the economy growing without destroying the environment — while breaking our dependence on foreign oil.

The truth is that any comprehensive energy independence plan demands that we embrace the best ideas offered by those pushing for conservation, and combine them with an environmentally conscious strategy to build more capacity.

That's the only sensible way forward for middle-class families and those striving to get there. Driving less is not an option for many working families in far-flung suburbs who've watched their SUV resale price tank along with their home price. But neither can America drill its way to oil independence: the United States controls just 3 percent of the world's proven reserves while making up 25 percent of the world's demand.

If progressives intend to prove to voters that we're serious about

solving the energy crisis in the long term, we need to offer some serious solutions that will not only reduce consumption, but also increase supply. American outrage over \$4 to \$5 gas has put offshore drilling in a far more favorable light, with polls showing up to 57 percent of respondents now in favor.

One way is for the next administration to use the electricity grid to kick our oil habit. Trains (someday maybe planes) and automobiles can run on electricity from power sources such as solar, wind, clean coal and nuclear made right here at home. Israel and Denmark already are already moving to all-electric cars. Plug-in hybrids popular with the Google set run 20 to 40 miles (the average American commute is around 30 miles a day).

At the same time, drilling may be part (albeit small) of a longer-term solution. While it could take

up to a decade or more to bring new supplies online, and the price impact will probably be negligible, the oil from new drilling could help offset losses from the depletion of current oil fields.

However, drilling offshore only makes sense as part of a larger solution, which includes a demand that oil companies begin drilling now in the tens of millions of untapped federal acres where they already have leases. And with oil prices and oil company profits at record highs, it is high time to cut off the \$5 billion in government tax breaks and royalty relief currently enjoyed by the oil industry. Instead of underwriting the cost of exploration and drilling, the proceeds should go as rebates to American families who junk their SUVs for a cleaner, fuel-sipping ride.

Environmentalists should take credit — and some solace — in the fact that environmental regulations have toughened considerably

since the 1970s, ensuring that new drilling and exploration no longer pose the same threat they once did. But proponents of new drilling should realize that there are still serious risks for the environment, and that new leases should be granted on a case-by-case basis, with states getting a say and a share of the revenues. Just in case those newfangled drilling methods aren't as environmentally friendly as companies claim, some of the savings from ending breaks to oil companies could go to a drilling equivalent of Superfund, a government program to clean up contaminated land.

We can't drill our way to energy independence, but neither can we hope that conservation is a panacea. On the question of building a comprehensive energy independence plan, both sides needs to take the nation's larger interest into consideration, and find a third way.

Who's on the U.S. terrorist watch list?

By Leonard Boyle

The federal government's consolidated terrorist watch list has become a central issue in the debate about how we can best secure our homeland. Unfortunately, myths about the watch list continue to grow in just about every report and retelling.

How many times have you heard: There are a million terrorists on the consolidated watch list! Thousands of Americans get detained and inconvenienced daily because of watch-list errors!

There aren't. They don't.

A vigorous debate about the best way to continue protecting our nation is vital, and the terrorist watch list should be a part of that discussion. As director of the federal Terrorist Screening Center, I offer five facts to

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Online: The Terrorist Screening Center at fbi.gov/terrorinfo/counterrorism/tsc.htm.

remember about the government's consolidated watch list:

- **It helps fight terrorism.** The Government Accountability Office, Congress' independent investigative arm, reported in October that its review of outcomes from watch-list encounters shows they “helped to combat terrorism.”

- The GAO report stated that the watch list “has helped federal, state and local screening and law enforcement officials obtain information to make better-informed decisions when they encounter an individual on the list as to the threat posed and the appropriate response or action to take.”

- **It enhances information-sharing.** During a traffic stop last year, a police officer in a major metropolitan area used the watch list to identify three subjects of separate FBI terrorism investigations in the same car. Their association had previously been unknown. In just this instance, important dots were connected and vital intelligence was shared across federal, state and local agencies.

There are many examples such as this one, which prompted the GAO to

note that the watch list “enhanced U.S. counterterrorism efforts” because encounters provide “the opportunity to collect and share information on known or appropriately suspected terrorists with law enforcement agencies and the intelligence community.”

- **It is constantly checked to reduce misidentifications.** Separate from the redress complaints travelers can submit, the Terrorist Screening Center runs quality-assurance checks on watch-list data every day. One GAO study, “Efforts to Help Reduce Adverse Effects on the Public,” made no recommendations regarding the list's maintenance — a very rare occurrence for GAO audits — “because agencies have ongoing initiatives to improve data quality, reduce the number of misidentifications or mitigate their effects, and enhance redress efforts.”

A recent example is the Terrorist Encounter Review Process. Under this process, the records of individuals who have frequent encounters with the watch list will be automatically reviewed by the Terrorist Screening Center even if no redress complaint is submitted. This review will assess

whether the relevant records are still current, accurate and thorough and whether the information warrants continued inclusion on the watch list. This effort will be particularly helpful for segments of the population that may be apprehensive about directly engaging government agencies and might otherwise not file a redress complaint.

- **Its “records” are not the same as “individuals.”** Terrorists work hard to evade our multiple layers of security, including creating myriad false identities. To counter those efforts, the center creates a separate record for each alias, fake date of birth, fraudulent driver's license and name variation associated with an individual. As a result, a single individual can generate hundreds of records within the consolidated terrorist watch list.

- **Its size corresponds to the threat.** It's a big world. Even the minuscule percentage of people involved in terrorist activities can equal large numbers. There are slightly more than 1 million records on the watch list, which correspond to about 400,000 individuals. The vast majority of those individuals aren't in the United States

right now — and the watch list was created to keep it that way.

The United States has more than 300 million people. Of the individuals on the terrorist watch list, about 95 percent are not American citizens or legal residents; the number of U.S. persons is relatively minute.

The same is true for the others on the watch list — these individuals are drawn from across the globe and represent a tiny fraction of the more than 6.6 billion people on our planet.

The watch list has continued to grow as our law enforcement, intelligence and information-sharing efforts improve and as the U.S. government is able to better identify known or suspected terrorists and their identifying documentation.

It's healthy to debate the tactics used to maintain and utilize a single list of known terrorists or those appropriately suspected of terrorist activity. But the facts make a compelling case that the federal consolidated terrorist watch list is a successful component of the layered security our nation implemented after the Sept. 11, 2001, attacks.