

WebMemo



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Senate Bill 1419, Title VII: A Partial Measure to Increase U.S. Energy Security

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While Title VII has some laudable features, the bill ignores many short- and long-term threats to U.S. energy security. Even when measured with a generous yardstick, the bill fails on multiple fronts and needs to be rethought by Republicans and Democrats alike; for the term “energy security” understates what is really at stake in this bill: the economic future of the United States.

The Good: Strategic Energy Partnerships. The bill seeks to increase international energy diplomacy and security by directing the Secretary of State, in coordination with the Secretary of Energy, to establish strategic energy partnerships with major energy producing and consuming countries. It also provides for several new administrative organs: a petroleum crisis response mechanism with China and India, a Western Hemisphere energy crisis response mechanism, and a Hemisphere Energy Cooperation Forum.

The United States has long had important energy relationships, although they do not bear the official name of “strategic energy partnerships.” With rising global demand for energy and the looming threat that scarcity could be used as a weapon, Title VII’s diplomatic initiative is a step in the right direction. It helps ensure U.S. access to supply while promoting the United States as the preferred partner in both the political and private spheres. More countries are willing to risk diplomacy with oil-rich states like Sudan for short-term economic gains. To offset this trend and promote American values, the United States must be proac-

tive in expanding its energy partnerships, both diplomatically and commercially.

Building on existing partnerships, the bill establishes a petroleum crisis response mechanism with China and India and countries in the Western Hemisphere to promote cooperation and prepare for supply disruptions. The Heritage Foundation has recently recommended similar measures.¹ Securing U.S. oil supply to the best extent possible in cooperation with traditional U.S. allies while bringing on board the emerging major oil consumers—such as India and China—should be the key diplomatic strategy for the intermediate term. The bill also encourages International Energy Agency standards as found in the International Energy Program (created in the aftermath of the 1973 oil embargo) with China, India, and the countries in the Western Hemisphere. This approach will go a long way toward anticipating crises and securing the international energy network.

Unfortunately, the bill does nothing to coordinate with countries in the Persian Gulf in the event of a supply disruption.² Therefore, only part of the international energy network receives attention from this bill.

This paper, in its entirety, can be found at:
www.heritage.org/Research/EnergyandEnvironment/wm1514.cfm

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What Title VII Needs. The Senate has overlooked several areas that are crucial to improving U.S. energy security.

1. **Energy Sector Liberalization.** Title VII ought to have proactive measures for fostering free markets in partnership states: privatizing inefficient oil and gas sectors; crafting stronger property rights laws; increasing the rule of law; and developing more transparent and fair tax and investment regimes.
2. **Ethanol Trade Liberalization.** Significantly, Title VII leaves intact market-distorting U.S. policies that hinder the development of ethanol as a global, competitive commodity. Eliminating tariffs and quotas on sugar-cane ethanol would significantly increase U.S. energy security. Such action is crucial to convince Brazil and other countries contemplating the expansion of ethanol production that the United States can provide a reliable market for their exports. Domestic producers of corn-based ethanol—the beneficiaries of protectionist policies—will be unable to meet the goals envisaged by the President in his 2007 State of the Union speech. Ethanol importation will also go a long way toward stemming Venezuelan President Hugo Chavez’s anti-American oil alliance on the continent.
3. **Anti-Economic Warfare Provisions.** Supply disruptions can come in many forms. Regimes that withhold or restrict energy supplies as an instrument of national policy threaten not only regional stability and prosperity but also the economies and national interests of the United States and its allies. This bill should include bilateral measures to deal with efforts by coercive regimes to wage economic warfare. These might include joint contingency planning, public-private initiatives, and research and development initiatives.

4. **Measures to Fight Anti-Competitive Practices.** Title VII should also discourage cartels and other restrictive international regimes. OPEC and non-OPEC suppliers with restrictive foreign investment laws, state monopolies, and excessive government intervention undermine free markets and energy security. Title VII should incorporate the provisions from the No Oil Producing and Exporting Cartels Act of 2007 (NOPEC, HR. 2264). Sponsored by Representatives John Conyers (D–MI) and Steve Chabot (R–OH), the proposed measure would allow the federal government to sue the Organization for Petroleum Exporting States (OPEC) for antitrust violations. Similar legislation (S. 879) is pending in the Senate, sponsored by Senators Herb Kohl (D–WI) and Arlen Specter (R–PA).
5. **Transparency Provisions.** The Security and Prosperity Partnership is a trilateral agreement signed in 2005 by the leaders of the United States, Mexico, and Canada to work toward developing a common approach toward security and to increase competitiveness and economic prosperity in North America. One needs only to consider the perceived lack of transparency in that agreement to recognize that there needs to be a greater measure of transparency in Title VII.

Conclusion. Threats to U.S. energy security and the international energy network have never been higher. Title VII fails to consider even simple solutions to counter real and emerging threats. The energy security of the United States requires a bill based on better vision, discernment of threats, and economics.

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1. For example, see Ariel Cohen, Ph.D., “The National Security Consequences of Energy Dependency,” Heritage Foundation Lecture No. 1021, May 14, 2007, at <http://www.heritage.org/Research/NationalSecurity/hl1021.cfm>.
2. *Ibid.*