

An open letter from business leaders: Reducing Dependency on Foreign Oil Should Be a National Priority

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"Rising energy prices are pushing up inflation and increasingly threatening the U.S. economy. . . . The balance of world oil supply and demand has become so precarious that even small acts of sabotage or local insurrection have a significant impact on oil prices."
—Former Federal Reserve Chairman Alan Greenspan, testimony before the Senate Foreign Relations Committee, June 7, 2006

The U.S. consumes one-quarter of the world's oil supply while holding a mere 3 percent of global oil reserves. We use 20 million barrels a day and we import 60% of it. Our daily imports exceed Saudi Arabia's daily production. Furthermore, China has become the world's number-two petroleum user after the U.S., and its search for oil is putting added pressure on oil prices and supplies. Because most of the world's oil is controlled by countries that are unstable or at odds with the U.S., this dependency is a matter of national security as well.

Fortunately, significant progress toward energy independence can be made without compromising our way of life. Currently, ethanol fuel (grain alcohol) made from corn is produced in the U.S. The ethanol industry, which today has a capacity of four billion gallons per year, has seen an average annual increase of 25 percent over the past three years. Upping production even further could be achieved by developing technologies to produce ethanol from biomass waste and dedicated energy crops (cellulosic ethanol). Until that happens, a significant quantity of inexpensive ethanol made from sugar cane can be imported from Latin America, strengthening economic ties with our neighbors. Methanol (wood alcohol) can be cost-effectively produced from biomass, natural gas, and coal. Flexible-fuel vehicles, which can run on any combination of gasoline, ethanol, and methanol, can be manufactured for about \$150 per car more than gasoline-only autos.

Using electricity for transportation would also reduce our dependence on imported oil, as less than 2 percent of U.S. electricity is generated from oil. Plug-in hybrid cars, like regular hybrid autos, are powered by a combination of electricity and liquid fuel. Unlike standard hybrids, they can be plugged into standard electrical outlets and driven the first 20 miles or so on battery power. Because 50 percent of cars now on the road are driven fewer than 20 miles each day, a plug-in would make a trip to the gas station a rarity. Furthermore, "flex-fuel plug-in hybrids," running on electricity and a blend of alcohol and 15 percent gasoline, could reach 500 miles per gallon of gasoline!

In the 1970s America was faced with a less threatening oil situation than the one we now confront. Alternative-energy start-ups blossomed, only to be driven out of business once the Middle East oil cartel saw its grip on the West loosening. This time around, we need to ensure that alternative-energy endeavors withstand oil-price manipulations.

We, the business leaders of Silicon Valley, applaud those organizations and individuals who have increased public awareness and spelled out ways to reduce oil dependency through the development of practical and viable alternative-energy fuels and vehicles. (See Set America Free Coalition, <http://www.setamericafree.org/>; George Shultz and James Woolsey, <http://www.fightingterror.org/newsroom/050610.cfm>; The California Cars Initiative, <http://www.calcars.org/>; Vinod Khosla, <http://video.google.com/videoplay?docid=-570288889128950913>; and George Olah, et al., *Beyond Oil and Gas: The Methanol Economy* [Wiley, 2006]).

We call upon Congress to embark immediately upon an effort to reduce this nation's dependence on imported oil dramatically by adopting the following policies:

- 1. Reducing dependency on foreign oil should be declared a national priority.**
 - Set a 10- year goal of reducing oil imports by at least 2.5 million barrels/day
 - Create incentives for the private sector to develop alternative-energy technologies
 - Protect alternative-energy businesses from oil-price fluctuations
- 2. Ensuring that most cars sold in the U.S. will be flex-fuel vehicles**
- 3. Using electricity for transportation to reduce the dependence on imported oil.**
 - Encourage the development of "flex-fuel plug-in hybrid" and practical all-electric autos

The security of the U.S. and the world are greatly threatened by oil-supply disruptions, price instabilities, and shortages. It is imperative that America leads the way in combating this threat!
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