

# Background

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## Reducing U.S. Dependence on Middle Eastern Oil

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The United States is the largest oil importer in the world, bringing in 13.5 million barrels per day (mbd), which accounts for 63.5 percent of total U.S. daily consumption (20.6 mbd).<sup>1</sup> Oil from the Middle East (specifically, the Persian Gulf) accounts for 17 percent of U.S. oil imports, and this dependence is growing.

There is a broad consensus in America, from the President to the man on the street, that this situation is detrimental to the country's economic health. In his 2006 State of the Union address, President George W. Bush said, "[W]e have a serious problem: America is addicted to oil, which is often imported from unstable parts of the world."<sup>2</sup> While recognizing the problem is laudable, however, little has been done to solve it.

Limiting the hold of Middle Eastern oil on the U.S. economy will require creativity and genuine effort. Specifically, the Administration should:

- Prepare for contingencies in which oil-rich countries become destabilized;
- Assist friendly Persian Gulf states in enhancing the security of their oil facilities; and
- Diversify U.S. energy sources and oil imports to reduce dependence on Persian Gulf oil.

Beyond these general guidelines, it is crucial that the U.S. follow through with these specific measures:

- Boost efforts to roll back Iran's subversive ideological, terrorist, and military threats;
- Expand military contingency plans and prepare a rapid reaction force;

### Talking Points

- The United States imports 13.5 million barrels of oil per day, which amounts to 63.5 percent of total U.S. consumption (20.6 mbd). Persian Gulf sources account for 17 percent of total U.S. consumption.
- If the U.S. is to protect itself from energy-related economic and political threats, it must reduce its dependence on Middle Eastern oil as quickly and efficiently as possible.
- The U.S. should pursue a three-pronged strategy of (1) preparing for contingencies in which the oil-rich regimes become destabilized, (2) assisting friendly Persian Gulf states in enhancing the security of their oil facilities, and (3) diversifying U.S. energy sources and oil imports to reduce dependence on Persian Gulf oil.

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- Diversify the energy basket by expanding domestic production of oil and gas and by lifting the bureaucratic barriers that prevent greater use of nuclear energy;
- Encourage expanded methanol and ethanol production and imports; and
- Expand the Strategic Petroleum Reserve.

### Growing Dependence on Imported Oil: A National Security Threat

The U.S. government predicts that by 2025, the country will import 68 percent of its oil.<sup>3</sup> At best, the measures in the Energy Policy Act of 2005<sup>4</sup> will slow the growth rate of U.S. dependence only slightly.<sup>5</sup>

Many have suggested, quite correctly, drilling for oil in the Alaska National Wildlife Refuge (ANWR), a small part of Alaska's remote Arctic slope. However, even opening ANWR would add only 1 mbd to U.S. production—barely 5 percent of America's growing oil consumption, which currently stands at 20.6 mbd.<sup>6</sup> Table 1 lists the world's largest oil producers and consumers in 2004. Map 1 illustrates the sources of U.S. oil imports.

However, there is a more pressing problem. Two-thirds of the world's oil reserves are concentrated in the increasingly unstable Middle East and are controlled by members of the quasi-monopolistic Organization of Petroleum Exporting Countries

Table 1  
B 1926

#### Largest Oil Consumers and Importers, 2004

Consumers		Net Importers	
Country	Amount*	Country	Amount*
United States	20.7	United States	12.1
China	6.5	Japan	5.3
Japan	5.4	China	2.9
Germany	2.6	Germany	2.4
		South Korea	2.2

\* In millions of barrels per day.

Source: U.S. Department of Energy, Energy Information Administration.

(OPEC).<sup>7</sup> Over the years, OPEC has been quick to cut supply and slow to increase production, bringing oil prices to today's high levels.<sup>8</sup> Most OPEC member countries and other oil producers have high levels of government economic regulation and corruption, as documented in the *Index of Economic Freedom*, published by The Heritage Foundation and *The Wall Street Journal*.<sup>9</sup> Thus, consumers are effectively paying two premiums on oil: one for security and one for suppliers' economic inefficiency and monopolistic behavior.

The countries listed in Table 2 and Table 3 produce about 61 mbd, or about 73.5 percent of world

1. U.S. Department of Energy, International Energy Administration, "U.S. Weekly Petroleum Products Product Supplied," at [tonto.eia.doe.gov/dnav/pet/hist/wrpupus2w.htm](http://tonto.eia.doe.gov/dnav/pet/hist/wrpupus2w.htm) (March 31, 2006).
2. George W. Bush, "State of the Union Address by the President," January 31, 2006, at [www.whitehouse.gov/stateoftheunion/2006](http://www.whitehouse.gov/stateoftheunion/2006) (March 5, 2006).
3. Justin Blum, "Bill Wouldn't Wean U.S. Off Oil Imports, Analysts Say," *The Washington Post*, July 26, 2005, p. A1, at [www.washingtonpost.com/wp-dyn/content/article/2005/07/25/AR2005072501707.html](http://www.washingtonpost.com/wp-dyn/content/article/2005/07/25/AR2005072501707.html) (March 29, 2006).
4. Public Law 109-58.
5. Blum, "Bill Wouldn't Wean U.S. Off Oil Imports."
6. U.S. Department of Energy, "U.S. Weekly Petroleum Products Product Supplied."
7. The 11 OPEC members are Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela.
8. Ariel Cohen, Ph.D., and William Schirano, "Congress Should Lift OPEC's Immunity," Heritage Foundation *WebMemo* No. 777, June 27, 2005, at [www.heritage.org/Research/EnergyandEnvironment/wm777.cfm](http://www.heritage.org/Research/EnergyandEnvironment/wm777.cfm).
9. For example, in terms of economic freedom, Iran, Venezuela, and Nigeria were ranked 156th, 152nd, and 146th out of 157 countries, respectively. See Marc A. Miles, Kim R. Holmes, and Mary Anastasia O'Grady, *2006 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2006), at [www.heritage.org/index](http://www.heritage.org/index).

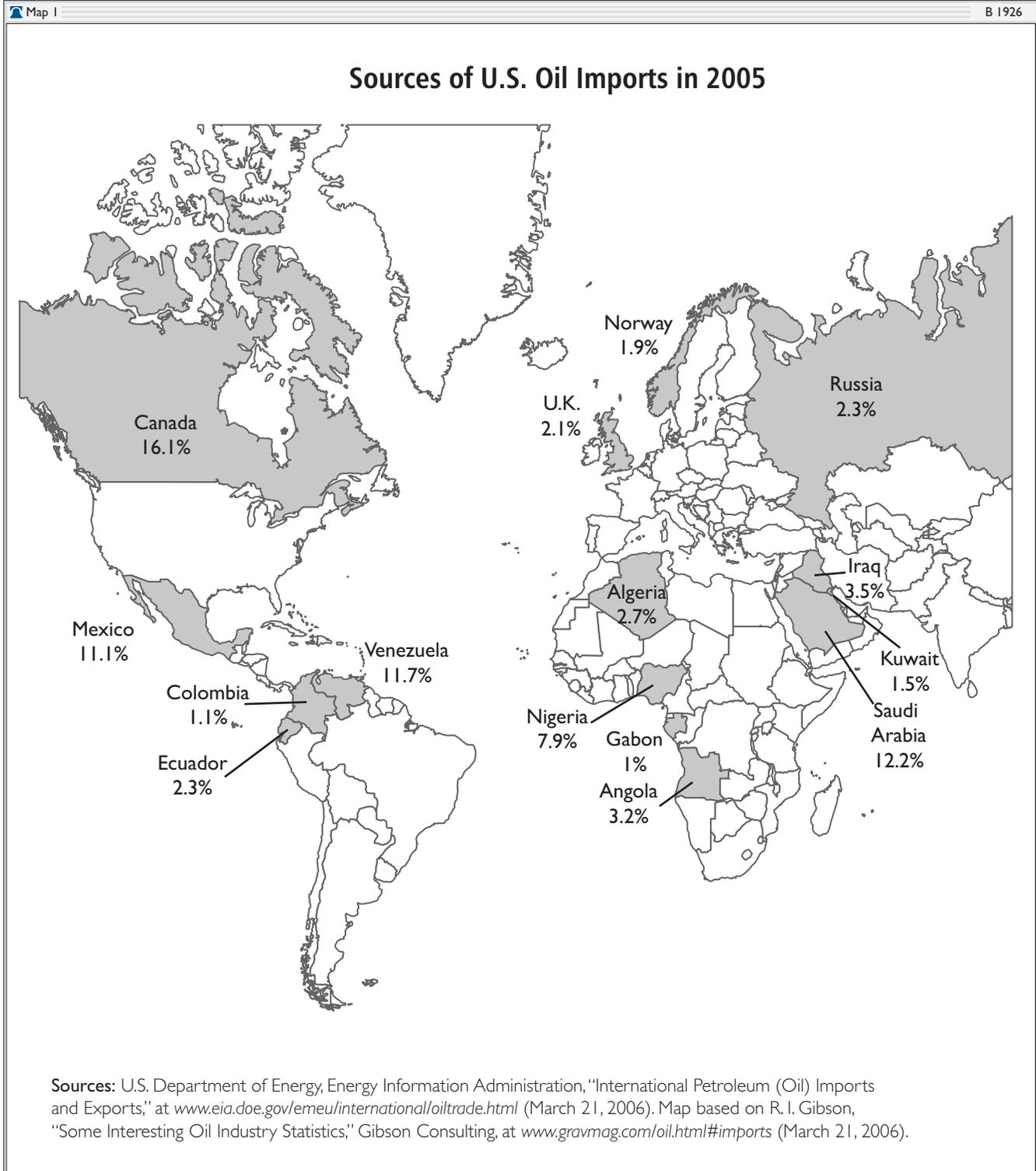


Table 2		B 1926
Largest Oil Producing Countries in 2002		
Country	Oil Production*	
United States	9.00	
Saudi Arabia**	8.81	
Russia	7.66	
Mexico**	3.60	
China	3.53	
Iran**	3.52	
Norway	3.33	
Canada	2.94	
Venezuela**	2.92	
United Kingdom	2.56	
United Arab Emirates**	2.41	
Nigeria**	2.12	
Iraq**	2.04	

\* In millions of barrels per day. Oil production includes crude oil, natural gas liquids, condensate, refinery gain, and other liquids.  
\*\* OPEC Member.

**Source:** U.S. Department of Energy, Energy Information Administration.

Table 3		B 1926
Largest Oil Producing Countries in 2004		
Country	Oil Production*	
Saudi Arabia**	10.37	
Russia	9.27	
United States	8.69	
Iran**	4.09	
Mexico**	3.83	
China	3.62	
Norway	3.18	
Canada	3.14	
Venezuela**	2.86	
United Arab Emirates**	2.76	
Kuwait**	2.51	
Nigeria**	2.51	
United Kingdom	2.08	
Iraq**	2.03	

\* In millions of barrels per day. Oil production includes crude oil, natural gas liquids, condensate, refinery gain, and other liquids.  
\*\* OPEC Member.

**Source:** U.S. Department of Energy, Energy Information Administration.

production. OPEC countries account for about 33 mbd, or 40 percent of world production.

Global fuel consumption is projected to increase by 100 percent to 150 percent over the next 20 years, driven largely by the rapidly growing Chinese and Indian economies, and this increased demand will force prices even higher. The supply of conventional light sweet crude oil is likely to dwindle, opening the door to expanded market shares for heavy oil and oil with high sulfur content, as well as oil extracted from oil sands and alternative fuels.<sup>10</sup>

### Threats to Key Suppliers

The oil market operates today without cushions of additional production capacity or significant

strategic petroleum reserves beyond the U.S. reserves. For example, al-Qaeda's February 24, 2005, attack on the Aramco facility in Abqaiq, Saudi Arabia, sent shock waves through the world's financial markets. On the same day, the price of oil on international markets jumped nearly \$2, despite the attack's complete failure. (The terrorists and two security guards were killed.)<sup>11</sup>

Most analysts agree that this attack and an averted attempt on March 28 were merely trial runs in a much longer campaign designed to disrupt the global economy, particularly the oil and gas industry.<sup>12</sup> As the September 2001 World Trade Center attacks demonstrated, al-Qaeda tends to return to the scene of the crime, so another strike on Abqaiq

10. "Supply and Demand: World Oil Markets Under Pressure," CBC News, April 28, 2005, at [www.cbc.ca/news/background/oil/supply\\_demand.html](http://www.cbc.ca/news/background/oil/supply_demand.html) (March 6, 2006).

11. Aljazeera.net, "Al-Qaida Says It Hit Saudi Oil Facility," February 25, 2006, at [english.aljazeera.net/NR/exeres/A429E32C-D484-424E-9C58-D9E287580817.htm](http://english.aljazeera.net/NR/exeres/A429E32C-D484-424E-9C58-D9E287580817.htm) (March 6, 2006).

12. Stratfor, "Saudi Arabia: Abqaiq Attack Thwarted," March 29, 2006, at [www.stratfor.com/products/premium/read\\_article.php?selected=Situation%20Reports&sitrep=1&id=264105](http://www.stratfor.com/products/premium/read_article.php?selected=Situation%20Reports&sitrep=1&id=264105) (March 31, 2006). See also "Saudi Arabia Nabs 40 Terror Suspects," *Kuwait Times*, March 31, 2006, at [www.kuwaittimes.net/Navariednews.asp?dismode=article&artid=829180313](http://www.kuwaittimes.net/Navariednews.asp?dismode=article&artid=829180313) (March 31, 2006).

Both Osama bin Laden and Ayman al-Zawahiri have repeatedly called for attacks on key Western economic targets, especially energy sources.<sup>13</sup> In a tape aired by Al Jazeera, Zawahiri said:

I call on the mujahideen to concentrate their attacks on Muslims' stolen oil, most of the revenues of which go to the enemies of Islam while most of what they leave is seized by the thieves who rule our countries.<sup>14</sup>

The unfortunate reality is that the Middle East remains the strategic center of gravity of the global oil market—a position that is not likely to change in the medium term. As long as radical Islam, China, India, and Europe continue the struggle for the world's limited oil supply in the Middle East, the region will remain unstable. If the U.S. is to protect itself from these economic and political threats, it must reduce its dependence on Middle Eastern oil as quickly and efficiently as possible.

### Oil as a Weapon

Many Arab leaders understand the dynamic of this dependence. For example, as early as 1990, the late Yassir Arafat said:

When the North Sea oil dries up in 1991, the United States will want to buy Arab petroleum. And when the American oil fields themselves run dry and oil consumption in the United States increases, the American need for the Arabs will grow greater and greater.<sup>15</sup>

This observation has not been lost on the current generation of politicians and terrorist leaders. However, bin Laden and Zawahiri are not satisfied with the unwieldy weapons of oil boycotts, threats of boycotts, and buying political influence in the

West. Instead, they are clearly zeroing in on the oil-rich kingdoms of Saudi Arabia and the Gulf as their principal targets. They also appear increasingly interested in attacking the entire global oil industry, from wells to wheels.

The failed February strike and the prevented March attack on Abqaiq were not the first times that al-Qaeda has targeted energy assets in the region. In October 2002, al-Qaeda attacked the *Limbourg*, a French oil tanker, off the coast of Yemen with a suicide boat filled with explosives. In 2002, American and Saudi intelligence agencies uncovered a plot by al-Qaeda sympathizers inside Saudi Aramco to destroy key Saudi oil facilities. In 2003–2004, al-Qaeda attacked the Saudi port of Yanbu and murdered five Western engineers working there.<sup>16</sup>

Indeed, terrorist attacks against energy infrastructure are not the exception, but the rule, as an examination of the three primary regional challenges to energy security in Iraq, Iran, and Saudi Arabia illustrates.

**Iraq.** While the removal of Saddam's regime may have been a positive factor for energy security because it freed Iraq from the U.N. sanctions that restricted oil exports, the postwar turmoil in Iraq is hindering the foreign investment that could help to expand Iraqi oil exports. This makes building a politically stable and peaceful Iraq all the more important.

Meanwhile, pipeline sabotage by foreign and domestic insurgents has crippled Iraqi oil production. Today, Iraq produces 800,000 to 1.3 million barrels per day less than it produced before Operation Iraqi Freedom in 2003.<sup>17</sup> According to the Iraqi oil ministry, the 186 insurgent attacks on the oil industry cost the country \$6.25 billion in lost

13. "Bin Laden' Tape Urges Oil Attack," BBC News, at [news.bbc.co.uk/2/hi/middle\\_east/4101021.stm](http://news.bbc.co.uk/2/hi/middle_east/4101021.stm) (March 29, 2006). See also Agence France-Presse, "Bin Laden Threat Drives Oil to Four-Month High," *The Taipei Times*, January 21, 2006, p. 12, at [www.taipeitimes.com/News/worldbiz/archives/2006/01/21/2003290110](http://www.taipeitimes.com/News/worldbiz/archives/2006/01/21/2003290110) (March 5, 2006).

14. "Bin Laden War on West Just Starting: Deputy," *The Age* (Melbourne, Australia), December 8, 2005, at [www.theage.com.au/news/world/bin-laden-war-on-west-just-starting-deputy/2005/12/07/1133829660913.html](http://www.theage.com.au/news/world/bin-laden-war-on-west-just-starting-deputy/2005/12/07/1133829660913.html) (March 29, 2006).

15. *Al-Musawwar*, January 19, 1990, cited in Mitchell G. Bard, "Middle East Policy and Oil," Jewish Virtual Library, at [www.jewishvirtuallibrary.org/jsource/US-Israel/usoil.html](http://www.jewishvirtuallibrary.org/jsource/US-Israel/usoil.html) (March 29, 2006).

16. Saudi-US Relations Information Service, "Gunmen Attack in Yanbu," *Special Report No. 3*, May 3, 2004, at [www.saudi-us-relations.org/newsletter2004/saudi-relations-interest-05-03.html](http://www.saudi-us-relations.org/newsletter2004/saudi-relations-interest-05-03.html) (March 5, 2006).

revenue during 2005 and claimed the lives of 47 engineers and 91 police and security guards.<sup>18</sup>

Poor U.S. postwar planning, coupled with Iraqi corruption, mismanagement, lack of investment, and inept technological exploitation of the existing fields, has clearly had a detrimental effect on production. However, terrorism, sabotage, and sectarian violence are at the heart of Iraq's reduced oil production.

Oil export routes are hampered as well. With both the Saudi–Iraq pipeline to the south and the Syrian pipeline to the west off-line,<sup>19</sup> Iraq is vitally dependent on two pipelines: one from Kirkuk to the Mediterranean port of Ceyhan in the northwest and the Basra pipeline in the south.

Escalating violence is further impeding oil production and cash flow for the central government in Baghdad. The fear that the situation may deteriorate further has fueled speculation that the Kurdish region in northern Iraq may decide to pursue independence—a development that might invite both Turkish and Syrian military involvement. If this were to happen, Iraq's oil fields in the north (the largest in the country) and the strategic Kirkuk–Ceyhan pipeline would likely remain under a security threat for the foreseeable future.

**Iran.** Despite Iranian President Mahmoud Ahmadinejad's earnest and ongoing attempt to project the image of an irrational leader of what international relations theorists have called a “crazy state,” many analysts have yet to recognize fully the dire ramifications of Iran's professed intention to develop a nuclear weapons program.

If diplomacy fails, Iran's pursuit of nuclear weapons will leave the U.S. and its allies with few choices, similar to the options that President John Kennedy faced 40 years ago during the Cuban missile crisis.

On one hand, the U.S. and its allies could choose the military option, deciding that a nuclear-armed Iran that sponsors global terrorist organizations like Hezbollah, Hamas, and Palestinian Islamic Jihad is incompatible with the post-9/11 world.

Yet, the economic consequences of a military strike on Iran's nuclear facilities to the world energy market would likely be significant, if not disastrous. Immediately following military action, uncertainty about Iran's ability to sustain oil production at the current level of 4.05 mbd could drive oil prices above \$80 per barrel.<sup>20</sup> If Iran retaliated and escalated by shutting down the Strait of Hormuz, which would merely require placing anti-ship mines in the strait,<sup>21</sup> the temporary loss of more than 15 million barrels of oil to the international market could drive oil prices above \$83 per barrel, the historic height of the 1970s (adjusted for inflation).<sup>22</sup>

On the other hand, Iran's aspirations in the region are far-reaching. Allowing Iran to join the nuclear club introduces the possibility of Iranian interference throughout the Middle East, especially given Iran's location near so many of the world's largest oil fields. (See Table 4.) The large Iranian military, amply supplied by Russia and China, would be in a position to dominate the Persian Gulf under a nuclear umbrella, with U.S. ground forces pinned down in Iraq.

17. U.S. Department of Energy, “Iraq: Oil,” Energy Information Administration *Country Analysis Briefs*, December 2005, at [www.eia.doe.gov/emeu/cabs/Iraq/Oil.html](http://www.eia.doe.gov/emeu/cabs/Iraq/Oil.html) (March 6, 2006).

18. “Oil Attacks Costing Iraq \$6.25 billion,” *iexplode*, February 19, 2006, at [iexplode.blogspot.com/2006/02/oil-attacks-costing-iraq-625bn.html](http://iexplode.blogspot.com/2006/02/oil-attacks-costing-iraq-625bn.html) (March 5, 2006).

19. *Ibid.*

20. Anadolu News Agency, “Iran Warns of Excessive Oil Prices,” *Zaman* (Istanbul), February 14, 2006, at [www.zaman.com/?bl=hotnews&alt=&trh=20060214&hn=29790](http://www.zaman.com/?bl=hotnews&alt=&trh=20060214&hn=29790) (March 6, 2006).

21. Kenneth R. Timmerman, “Iran Readies Plan to Close Strait of Hormuz,” *Newsmax.com*, March 1, 2006, at [www.newsmax.com/archives/articles/2006/2/28/181730.shtml?s=lh](http://www.newsmax.com/archives/articles/2006/2/28/181730.shtml?s=lh) (March 6, 2006).

22. Hong Kong Trade Development Council, “Reassessing the Impacts of Higher Oil Prices,” *tdctrade.com*, August 1, 2005, at [www.tdctrade.com/econforum/boc/boc050801.htm](http://www.tdctrade.com/econforum/boc/boc050801.htm) (March 6, 2006).

Currently, Iran enjoys the support of some Shi'a in Iraq, especially Muqtada Sadr's Mahdi Army, and in the Shi'ite-populated Ash Sharqiyah (Eastern) Province of Saudi Arabia. This appeal could facilitate the takeover of some of the largest oil fields in the world. In a worst case scenario, a nuclear Iran could threaten the United Arab Emirates and Kuwait. If this were to happen, the Islamic republic could quickly secure a sizable part of the world's oil supply, bringing the nuclear-armed militant Shi'ite Muslim state close to a virtual monopoly over the world's energy market.

**Saudi Arabia.** Saudi Arabia not only is the world's largest exporter of oil, but also has the biggest share of unused oil production capacity, which is crucial for cushioning oil markets from supply disruptions elsewhere. Thus, the political stability and future of Saudi Arabia's oil industry remain paramount to forecasting trends in the oil economy of the Middle East in the next 15 to 20 years.

If Saudi Arabia remains stable or even increases production, the world has a couple of decades to make the transition to new fuels, probably a combination of hydrocarbons and non-hydrocarbons. This transition needs to be manageable and not too disruptive so that industries can adjust and raise the capital necessary to create new technologies and distribution networks. However, a combination of security factors and economic policies is making this kind of "soft landing" less likely than an escalating energy shortage, rife with international security and economic crises. A successful attack on the Saudi oil facilities could cut Saudi supply and neutralize Saudi Arabia's 1.5–2 mbd surplus oil producing capacity, which in turn would destabilize world oil markets, undermining international energy security.

Internally, the Saudi leadership has spent much of its recent existence on the knife's edge. The balancing act between supplying the United States with oil on one hand and financing radical Islam-

Table 4		B 1926
21 Largest Oil Fields in the World		
Field	Location	Estimated Size (billions of barrels)
Ghawar	Saudi Arabia	75-83
Burgan	Kuwait	66-72
Bolivar Coastal	Venezuela	30-32
Safaniya-Khafji*	Saudi Arabia	30
Rumaila	Iraq	20
Tengiz	Kazakhstan	15-26
Ahwaz	Iran	17
Kirkuk	Iraq	16
Marun	Iran	16
Gachsaran	Iran	15
Aghajari	Iran	14
Samotlor	West Siberia, Russia	14-16
Prudhoe Bay	Alaska, United States	13
Abqaiq	Saudi Arabia	12
Romashkino	Volga-Ural, Russia	12-14
Chicontepec	Mexico	12
Berri	Saudi Arabia	12
Zakum	Abu Dhabi, UAE	12
Manifa	Saudi Arabia	11
Faroozan-Marjan	Saudi Arabia/Iran	10
Marlim	Campos, Brazil	10-14

\*In the Saudi-Iraqi neutral zone.

Source: : U.S. Department of Energy, Energy Information Administration.

ists on the other was always a tremendously risky feat for the monarchy. The attack on Abqaiq demonstrates the potentially disastrous consequences of a misstep.

The attacks on Abqaiq most probably signal an escalation of a low-intensity terrorist war between the oil-rich Saudi monarchy and the jihadis in which oil fields, pipelines, pumping stations, ports, and terminals are soft targets, vulnerable to the types of asymmetric attacks that are already the bloody hallmark of al-Qaeda. According to *Newsweek*, a successful strike on Abqaiq could have cut Saudi output by more than 4 mbd for two months or more, with disastrous consequences for the global economy.<sup>23</sup>

Even more frightening is the prospect of jihadis mounting an outright takeover of the country. Under such a scenario, radical Islamists dedicated to over-

23. Christopher Dickey, "Saudi Storms," *Newsweek*, October 3, 2005, at [www.msnbc.msn.com/id/9468701/site/newsweek](http://www.msnbc.msn.com/id/9468701/site/newsweek) (March 6, 2006).

throwing the Al Saud regime would slowly build up their forces until they could exploit a revolutionary situation created by a succession struggle, a political assassination, or some other circumstantial trigger.

Uprisings, if not checked, could lead to the regime's overthrow and political turmoil, which would deeply affect oil production capacity and immediately and directly threaten Western experts and workers in Saudi Arabia. Osama bin Laden has stated his belief that oil should cost \$145–\$200 per barrel.<sup>24</sup> If radical Wahhabis succeeded in taking over Saudi Arabia, they would likely drastically reduce production. The radical regime's anti-Western policies, including the pursuit of nuclear weapons, could trigger Western economic sanctions, which would likely include limits on investment and spare parts for the oil industry or even an outright trade boycott. Furthermore, if the survival of the world's economy is threatened, military action to remove an al-Qaeda-type regime could not be ruled out.

### Implementing a Three-Pronged Strategy

The United States and its allies need to pursue a three-pronged strategy by preparing for contingencies in which the oil-rich regimes become destabilized, assisting friendly Persian Gulf states in enhancing security of their oil facilities, and diversifying U.S. energy sources and oil imports to reduce dependence on Persian Gulf oil. Specifically, the United States should:

- **Boost efforts to roll back Iran's subversive ideological, terrorist, and military threats** to Iraq and other Arab states of the Persian Gulf through close cooperation with those governments. It is crucial that the United States deter, contain, or disarm Iran through cooperation with its allies, particularly those oil-producing states that are most directly threatened by Iran. The U.S. defense and intelligence community should build capacity in Iraq, Turkey, and other border states. The U.S. should ascertain that these countries are staffing their intelligence and internal security agencies with reliable personnel.

- **Expand military contingency plans and prepare a rapid reaction force** in cooperation with U.S. allies in the region to secure and protect the Persian Gulf oil infrastructures if terrorists attempt to seize or destroy them. Such a force should be fully interoperable with the Gulf Cooperation Council militaries. U.S. military and intelligence agencies should support countries and companies in the region in efforts to increase their defenses against terrorist attacks on oil facilities.

The Administration should also ensure that U.S. intelligence and law enforcement agencies receive full cooperation from the Persian Gulf states, particularly Saudi Arabia, in the war against terrorism. An integrated and computerized real-time operations center is needed to integrate intelligence and operations to protect oil and gas infrastructure in the Gulf. The U.S. should pressure Persian Gulf states to intercept and disrupt all financial support for al-Qaeda and similar organizations around the world. These efforts should include using financial controls and improved banking transparency to cut funding for virulently anti-American/anti-Western clergy, radical Islamic academies (madrasahs), and those elements of private or state-run media that incite terrorism.

- **Diversify the sources of U.S. energy imports** away from the Persian Gulf, importing more oil from other sources such as West Africa and Eurasia, more natural gas from Canada and Mexico, and more liquid natural gas (LNG) from Russia and Africa. The Bush Administration should direct the Departments of State and Energy to provide economic aid incentives and technical assistance to non-Middle Eastern oil-producing countries to simplify regulations and speed up the licensing process for expanding and building new pipelines and refiners.
- **Diversify the U.S. energy basket** by expanding domestic production of oil and gas and by lifting the bureaucratic barriers to greater use

24. Randeep Ramesh, "Blood and Oil," *Guardian Unlimited*, October 17, 2002, at [www.guardian.co.uk/oil/story/0,11319,813965,00.html](http://www.guardian.co.uk/oil/story/0,11319,813965,00.html) (March 6, 2006).

of nuclear energy. The White House and Department of Energy should actively lobby Congress to expand domestic petroleum and gas production, such as in ANWR; to allow states to override the federal limitations on continental shelf exploration and exploitation; and to speed up licensing and construction of LNG terminals.<sup>25</sup>

- **Encourage expanded production and imports of methanol and ethanol.** Congress should work with the U.S. Department of Commerce to lift import tariffs on foreign ethanol produced from sugar cane.<sup>26</sup> The U.S. should also encourage research and development of market-based alternatives and enhanced technologies to help meet the nation's future needs without dependence on foreign oil.
- **Expand the Strategic Petroleum Reserve (SPR) and create a U.S. Strategic Gasoline Reserve.** Currently, the U.S. SPR is sufficient for only 90 days. It needs to be expanded gradually to 180–250 days. The U.S. Department of Energy should cooperate with the European Union, China, India, and Japan to encourage all

oil-importing countries to build up their strategic reserves to at least six months.

## Conclusion

It is only a matter of time until America's energy security, including its economic health and defense capabilities, will be jeopardized by the growing political instability, terrorism, and potential warfare in the Middle East. Over time, the U.S. needs to limit its dependence on foreign oil, especially from the Middle East, shifting to other sources of supply and eventually to new types of energy sources. Limiting U.S. dependence on Middle Eastern oil will be a major strategic challenge for the U.S. in the coming decades.

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25. Ben Lieberman, "State of the Union 2006: Dusting Off the Old Energy Policy," Heritage Foundation *WebMemo* No. 979, January 31, 2006, at [www.heritage.org/Research/EnergyandEnvironment/wm979](http://www.heritage.org/Research/EnergyandEnvironment/wm979).

26. Ariel Cohen, Ph.D., "Increasing the Global Transportation Fuel Supply," Heritage Foundation *Executive Memorandum* No. 986, October 25, 2005, at [www.heritage.org/Research/EnergyandEnvironment/em986.cfm](http://www.heritage.org/Research/EnergyandEnvironment/em986.cfm).