

OIL NONSENSE

MAY 2005

Anchor Elizabeth Vargas: *"Terry some were surprised to hear President Bush say we're in the midst of an energy crisis."*

Terry Moran: *"He did Elizabeth. Just as President Bush used what he called the sputtering economy, what some people called talking down the economy as a way to sell his tax cut, he is now saying that the country is in an energy crisis even though there are no gas lines and the price of crude oil is actually declining, in order to sell his energy agenda, most particularly the controversial proposal to drill in the Arctic National Wildlife refuge. It is something that critics say he's exaggerating."*

ABC World News Tonight March 29th, 2001

Oil prices, energy, SUV's, Kyoto, global warming...oh my!!! The battle over energy policy wages is on the minds of feeble-minded journalists and politicians. Our inability to formulate a coherent national energy policy is costing each and every American daily and is simultaneously lining the pockets of the wily Wall Street investment banks. We are our own worst enemy when it comes to energy prices. America's collective ignorance allows for Hollywood blowhards like Norman Lear and social climbers like Arianna Huffington to pontificate on how evil SUV drivers are, while they live in 12,000 square foot homes and fly around in private jets. Another fantastic urban myth that is tossed around by our factually-challenged media outlets is the notion that the President has some sort of magic button in the White House that allows him to control the price of oil (it must be right next to his enchanted stock market control button). The President put forward an energy bill back in 2001 that would have dealt with many of the problems that we are dealing with today. Unfortunately, our short-sighted politicians and journalists, in their never ending pursuit of a sound bite, spun the bill as nothing more than another conspiracy to enrich Halliburton and Dick Cheney and to further George W. Bush's super-secret plan to destroy all wildlife.

Let us first address our nation's idiotic position on gasoline grades. Did you know that gasoline sold in New Jersey cannot be sold in New York? That's right kids. If New York is short on gasoline and our friends in New Jersey happen to have a surplus they would not be able to help New York out (even Tony Soprano helps Johnny Sack out from time to time). We currently have hundreds of different gasoline grades in the United States based on geography, state law, and time of year. A wise Forrest Gump once said, *"Stupid is as stupid does."* Oil is a product, a commodity, which keeps our world running. Another product, which has become a commodity over the past ten years, is computers. Imagine if Dell Computers had to manufacture fifty different versions of every computer because each state had a different size electric socket. Computer prices would skyrocket. Fill in the blank for any other product and you get the same ridiculous result. Our balkanized gasoline grade policy is exhibit A in our thoughtless approach toward energy. I could care less if some super-sensitive pony-tail guy from Vermont picks the grade of gasoline; just make it uniform throughout America.

Pop quiz everyone. Guess the year!! *One Flew over Cuckoo's Nest* was awarded best picture. The Reds beat the Yankees for the World Series title. The Steelers won the Super Bowl. The film *Rocky* was released. Jimmy Carter, for some reason won the presidency. The last oil refinery was built in the United States. If you guessed 1976, you are correct. It is hard to believe that our GDP has more than doubled since 1976 plus, there have been another 4 *Rocky* movies made and we as a nation have not built a single oil refinery. Imagine....economic output more than doubles, five *Rocky* movies and no new oil refineries. Wait....it gets worse, and I am not just talking about the *Rocky* sequels. The number of refineries has declined to 149 at present from 325 in 1981. Since 2000, capacity for refining crude has dropped 10% to 16.8 million barrels a

day from 18.6 million barrels a day according to the National Petroleum Refiners Association. There are more known oil reserves today than in 1976. Demand for energy is much greater than in 1976, yet we have fewer oil refineries than in 1976. Show me the logic please!

John Crudele of the New York Post in a March 24, 2005 article has compiled some more interesting evidence to show that we are collectively getting the proverbial shaft at the gas pump. First, the inventory of crude oil in the U.S. right now is 8% larger than it was at this time last year. Plus, this is the largest amount of crude oil on hand since the middle of 2002. This 8% increase does not include all the oil purchased by the government and put into Strategic Petroleum Reserve which has over 685 million barrels, up from 650 million last year and 599 million in 2003. There is 7.5% more gasoline in stock today than at the same time last year. One would have to go back to 1999 to find more gasoline inventory when we were paying \$1.01 a gallon.

Another factor in energy prices is our friends on Wall Street. This past April an "oil expert" at Goldman Sachs put a price target on a barrel of oil at \$105. He stated that "*Oil prices have entered the early stages of trading that could lead to a super spike with the potential to move prices to \$105 per barrel, enough to meaningfully reduce energy consumption.*" That call sent oil prices 2.4% over \$55 a barrel. That call also allowed the Goldman Sachs commodity trading desk to make a pretty penny. Wall Street has an uncanny ability to put together profitable schemes in a jiffy, and they are making a fortune right now by moving the oil markets here and there. If you believe that the Goldman analyst actually believed that oil was going to hit \$105 you also probably believed them when they told you iVillage, Etoys, and PlanetRx were real winners. All these brokerage firm talking heads appearing with greater regularity on the talk show circuit have a horse in the race. Don't buy into their biased nonsense.

The U.S. House of Representatives has approved a bill to promote domestic energy production. The Senate is "scheduled" to finish its version of an energy bill this month (note: what are the odds of that happening? Jenna Bush will be running for President before that gets done.) Both versions of the legislation, once approved by each chamber, must be reconciled into a final bill.

Here is a list of some important, necessary, must-have provisions in the bill:

- Open the Arctic National Wildlife Refuge
- Ease constraints to build or expand oil refineries in economically depressed areas
- Cut number of special gasoline blends
- Extend expiring accident insurance protection for owners of nuclear power plants (the fact that we are not building more nuclear power plants is another exercise in moronic public policy)
- Set mandatory reliability standards for the electric power grid

Even though this bill is laden with a lot of the usual pig fat, it needs to be passed. We have a terrible habit in this country of dealing with problems only when they become a crisis. My guess is because that is the politically expedient thing to do. Rather than deal with the harsh realities of a problem and ruffle some feathers, ignore it. Our so-called congressional leaders need to start doing the right thing, not just the expedient thing. Don't hold your breath.

This just in...According to Liz Smith of the New York Post there **will** be a Rocky VI. Sylvester Stallone and Irwin Winkler are working on it right now. I can hardly wait.