

A Renewed “All-Of-The-Above” Energy Policy Approach

LOOKING FORWARD | OCTOBER 27, 2022

The world is facing an energy reckoning. Rocked by global energy shortages and massive price hikes, largely caused by Russia's invasion of Ukraine, global leaders have been forced to deprioritize climate goals and focus on powering their country by any available means, such as coal and other fossil fuels. Once the darling of the European green movement, Germany, under Chancellor Olaf Scholz, has decided to extend the lifetime of its remaining nuclear plants as it faces energy blackmail from Russia ahead of the winter months.

In the U.S., California's Governor Gavin Newsom has taken similar action. The myth that the world can suddenly switch to renewable energy and maintain adequate supply is evaporating.

In the United States, while campaigning with the goal of ending reliance on fossil fuels, President Biden now finds himself in a struggle to boost U.S. energy supplies, which has led to tapping into the Strategic Petroleum Reserve and attempting to convince OPEC+ to ramp up production. In his quixotic effort to keep energy prices low, the President's actions stand in contrast to his climate goals.

Relying on multiple forms of energy should be considered a feature of our energy system, not a bug. There are several lessons to be learned from this volatile period that can help guide the United States to a more secure, affordable, and cleaner energy future.

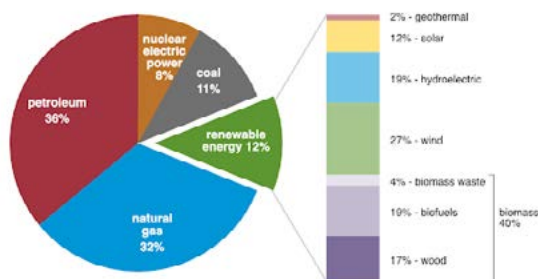
THE NEED FOR DOMESTIC SUPPLY

Recent events show that neither the U.S., nor other nations, are ready to end their reliance on coal, oil, or gas. Per the Energy Information Administration, U.S. energy consumption for 2021 was 97.3 quadrillion British thermal units (Btu). While nearly two-thirds of that energy came from oil and natural gas, renewables supplied only 12.4%.

U.S. primary energy consumption by energy source, 2021

total = 97.33 quadrillion British thermal units (Btu)

total = 12.16 quadrillion Btu



Data source: U.S. Energy Information Administration, *Monthly Energy Review*, Table 1.3 and 10.1, April 2022, preliminary data
Note: Sum of components may not equal 100% because of independent rounding.

Fossil fuels are the main energy source powering factories and warming homes, and will be for some time. This is not a defeat for green energy advocates or a victory for fossil-fuel supporters, but an indisputable fact that should inform future policy decisions. And as long as energy demand continues to

grow, the U.S. and its allies would do well to foster domestic capacity to extricate themselves from any reliance on autocratic regimes.

A case in point is OPEC+'s recent decision to cut oil production by two million barrels per day. This harms U.S. interests – less global supply will lead to higher prices at the pump – but it is not the role of OPEC+, which includes Russia, to calibrate its activities to U.S. policy objectives. In response, the Biden Administration announced that it would consult with Congress on ways to “reduce OPEC's control over energy prices,” and noted that the cartel's action is a reminder as to why the U.S. must, yet again, “reduce its reliance on foreign sources of fossil fuels.”

In 2019, the U.S. became a net total energy exporter for the first time since the early 1950s, and maintained that position for the next two years. There are steps it can take to reclaim its energy independence, including opening up federal lands and waters to energy development, allowing development of pipelines to transport oil and natural gas, and expediting reviews for pending oil and gas projects.

Boosting energy supply, however, typically requires a long lead time, requiring exploration, regulatory processes, and capital investment. Yet, across the country, many permits to access oil and natural gas and pump it into America's homes and cars are awaiting approval.

One of the best examples of abundant energy that can provide for American independence is in the Bakken Formation in North Dakota. Using a combination of hydraulic fracturing and horizontal drilling, this field produced over 409 million barrels of oil and over 1 billion cubic feet of gas in 2021. Advances in technology improved the number of wells each rig drilled from nine in 2006 to 25 in 2021, with each well improving its production from nearly 1,000 to over 2,100 barrels per year. Last year, over 17,000 wells were in the production phase. And it is believed that only a very small percentage of the formation's potential has been tapped, though the production has declined in 2022 due to restrictive permitting licenses. In North Dakota, for example, the country has an answer to its energy crisis.

In addition to expanding production, the U.S. should also look to limit its reliance on foreign actors. Through the Bipartisan Infrastructure Law and Inflation Reduction Act, the Biden Administration is securing America's electric vehicle battery supply chain, for which we are now heavily dependent on China. The recent announcement of \$2.8 billion in grants for processing and manufacturing of electric vehicle (EV) batteries is a positive step, but it must be paired with other initiatives, like permitting reforms, to enable miners to access the materials necessary, such as lithium, for battery production. Today, it can take up to 10 years to receive a mining permit. This is unacceptable if we want to compete in the global battery race.

The adoption of electric vehicles can help reduce emissions, but unless targeted actions are taken, we will be reliant on

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China for our EV supply chain, just like we are unnecessarily and increasingly reliant on OPEC+ for energy production. This leaves us vulnerable for economic disruption and sabotage. Fortunately, the path forward is not groundbreaking or radical. It's a common sense approach that has been supported by both parties.

ALL-OF-THE-ABOVE ENERGY APPROACH

The politics surrounding energy have changed dramatically over the past decade. Perhaps most clearly demonstrating this is the alignment between the stated energy policies of then-President Obama in 2012 and Congressional Republicans in 2022. Ten years ago, President Obama laid out the importance of the United States taking an “all-of-the-above” approach to addressing America’s energy challenges. He asserted that the U.S. should use every available source of energy, to include both fossil fuels and renewables.

Today’s House Republicans on the Natural Resource Committee, meanwhile, are supportive of this approach, and are calling for an “all-of-the-above energy approach that includes development of alternative energy sources such as wind, solar, hydropower, nuclear, geothermal and biomass, along with clean coal and American-made oil and natural gas.”

There can be no absolutism in U.S. energy policy. We do not yet have the capacity to fully rely on renewable energies, which account for only 12.4% of our current energy consumption. At the same time, confronted with climate change and the importance of U.S. leadership of 21st century technology, it would be irresponsible to not prioritize and

heavily invest in a transition to solar, wind and other forms of green energy.

The Biden Administration would do well to heed the advice of its Democratic predecessor and make a strategic pivot to foster all forms of U.S. energy production – beginning with fossil fuels – to address the immediate energy crunch. A strong public message from President Biden calling for an all-of-the-above energy approach would foster bipartisanship on a shared issue of concern, foster investment in traditional energy sources, and signal that the U.S. is committed to true energy independence.

ECONOMIC STRENGTH ENABLES THE CLEAN ENERGY TRANSITION

Only a strong American economy can bring a large-scale clean energy transition, and a strong economy is reliant on a steady and affordable supply of energy. We can increase our oil production while at the same time provide incentives for wind, solar, hydropower and other renewable innovations. While fossil fuels and renewable energy are not mutually exclusive sources, the blunt reality is renewables cannot be a substitute for fossil fuels. U.S. policymakers must aggressively pursue an all-of-the-above energy strategy to grow our economy and keep America competitive well into the 21st century.

KEY TAKEAWAYS

1. The myth that renewables can be the main energy source powering today’s economies has faded. The current energy crisis has forced countries to pivot from advancing climate goals to increasing fossil fuel supply to keep economies running.
2. There are several lessons to be learned from this crisis, chief among them is the need for an all-of-the-above energy strategy to ensure economic resilience and innovation.
3. A secure energy supply is critical to a strong economy, and only a strong economy can foster a clean energy transition.

