

# The New York Times

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## Ukraine and the Mirage of Energy Independence

Domestic oil and gas production in the U.S. boomed in recent years. But the country and its allies remain reluctant to impose sanctions on Russian energy that would damage their economies.

By Clifford Krauss  
February 25, 2022

HOUSTON — It may be time to pluck that old cardigan out of the closet.

President Jimmy Carter wore one as he delivered a televised address in February 1977 when he told Americans the country had reason to be worried about its habitual reliance on foreign oil — and maybe they should turn down the heat. In April, he warned that with its resources shrinking the country faced “a problem that is unprecedented in our history. With the exception of preventing war, this is the great challenge our country will face during our lifetime.”

Today another American president faces rising fuel prices, spurred by a challenge mostly out of his control, an invasion of Ukraine by Russia, a top oil and gas producer intent to use its energy supplies as a weapon when necessary.

Americans realized 45 years ago that the United States had an energy dependence problem, and the nation's long pursuit of "energy independence" did lead to a boom in domestic production and some conservation measures. It may have seemed that the country solved its dependence issues. It didn't, and energy and geopolitics are connected today as much as ever. Americans are paying more than \$3.50 a gallon for gas, roughly a dollar more than a year ago, and Russian tanks only just began to roll.

"The great challenge" stubbornly remains with us as a problem that is managed, but never quite solved. As Russian troops fan out across Ukraine, the United States and its allies are reluctant to impose sanctions on Russian energy so not to hurt their own economies. Alternatively Russia could turn off the taps to pressure the West. Either way everyone is hurt.

That kind of challenge is more complex than ever when the world needs to manage its energy security simultaneously as it promotes a transition to cleaner energy to control climate change. Producing more oil and gas beyond Russia solves one problem, only to worsen another.

Much has changed since Jimmy Carter's time. The top-rated television shows like "Happy Days" and "Laverne & Shirley" kept American spirits up, and universal viewership of news provided by three mainstream networks shaped far less divisive views of the world. No one was live-tweeting war, not to mention disinformation.

But gas prices and energy in general were a big concern then, as they are today. The five-month 1973-1974 Arab oil embargo that aimed to undercut Western support for Israel produced long gas lines and fanned inflation. Over the next three years the Iranian revolution and the Iraq-Iran war slashed global supplies of oil and sent energy prices soaring. The Carter administration tried a slew of policies to promote conservation and lift production of various sources of

energy, some clean, some dirty, from solar power to oil shale and liquid fuels made of coal.

Some Carter policies laid the groundwork to a more secure energy picture decades later, and global politics have changed since the end of the Cold War, even if Russia and China remain rivals. Most of the Persian Gulf oil producers are now allies and even have growing business relations with Israel. Nuclear negotiations are moving forward with Iran that could relieve sanctions and reopen spigots of Iranian oil exports.

Still, tensions with Russia and possible future sanctions against the Kremlin threaten oil petroleum supplies, pushing gasoline prices to their highest level since 2014 while domestic natural gas prices have doubled over the last year.

“There is no true energy independence,” said David L. Goldwyn, who was the leading State Department energy diplomat in the first Obama administration. “With globally priced commodities like oil and gas and now critical minerals there is no protection from price disruption even if you have adequate physical supply.”

Global oil prices breached \$100 a barrel this week, and analysts say they could climb a further \$20 or more. Inflation, already at multiyear highs, could gain steam with unpredictable political consequences. That is why the United States and its allies are reluctant to wield sanctions against Russia’s energy sector, even though that is the heart of the country’s economy.

“Our sanctions are not designed to cause any disruption to the current flow of energy from Russia to the world,” Daleep Singh, a deputy national security adviser, told reporters Thursday.

Since Russia produces one out of every 10 barrels of oil the world consumes and up to a third of Europe’s natural gas supplies, the petroleum card gives it strategic leverage well beyond its nuclear arsenal. That is the same card that members of the Organization of the Petroleum Exporting Countries once played.

The actors are different, but the cudgel is essentially the same. On top of the old challenges are new energy threats that are only just emerging as world leaders try to wean their nations off fossil fuels. President Vladimir V. Putin of Russia has been keen, along with China, to acquire strategic materials found around the world necessary for the adoption of renewable energy and electric vehicles.

He got on the phone at least two times recently with the president of Bolivia, pressing for a lithium mining contract while promising to send Covid vaccines.

“Policymakers are right to be worried that the world may be swapping a dependency on oil and gas for a dependency on critical minerals, whose current production and processing are actually significantly more concentrated in fewer countries than either oil or gas,” said Meghan L. O’Sullivan, a former deputy national security adviser in the George W. Bush administration and currently a professor at Harvard.

As recently as 2008, the United States imported 60 percent of its oil and was running so low on natural gas that billions of dollars of investment was going toward building giant import terminals. Energy scarcity and dependence were on the rise again, with old oil fields in Texas, Oklahoma and Alaska depleting year after year.

But new exploration techniques, especially hydraulic fracturing to break through hard shales, led to a frenzy of oil and gas production across the country over the next decade. Desperation in the oil patch turned to euphoria, as Texas, New Mexico and North Dakota shale fields produced record flows.

Energy prices dropped, and today the country is a net exporter of both oil and gas, leading to a general sense that the country had kicked its energy dependence. In 2014, the United States began exporting large amounts of oil for the first time in decades. Two years later the country started to export liquefied natural gas, better known as L.N.G., from terminals once designed for import. That gas helped replace some coal burning in Asia and relieved some of Europe’s dependence on Russian gas, and several new American export terminals are being built with more planned along the coast of the Gulf of Mexico.

Nevertheless, with vital trading partners like Western Europe and Japan dependent on imported oil and gas, the United States stands to lose exports of manufactured goods if their economies slow as energy prices rise.

In recent years some energy experts have argued that the United States had become the new swing oil producer, replacing or at least joining OPEC, in its ability to manage energy prices by raising or lowering output to balance markets and keep prices from going too high or too low.

That estimation turned out to be premature. While the United States is now the world's biggest producer of oil and natural gas, energy prices and supplies still move up and down based on events outside the control of Washington or the American oil industry. Even before the Ukraine crisis, political instability in countries such as Venezuela and Libya curtailed global oil supplies.

While OPEC has increased production to accommodate a growing global thirst for energy as the Covid pandemic recedes, Saudi Arabia has dismissed pleadings by the Biden administration to ramp up output further. Even as demand for fossil fuels continues to rise, investments by major Western oil companies in oil and gas exploration and production have lagged in recent years owing to the pandemic's economic downturn and pressure by investors to divest from fossil fuels and return profits to shareholders.

Beyond what sanctions on Russian oil and gas would do to prices, there is also the fear of retaliatory cyberattacks. One such attack from a Russian criminal group crippled the critical Colonial oil pipeline just last year, producing new gasoline lines and panic-buying across much of the Southeast.

“A kind of amnesia about energy security developed,” said Daniel Yergin, the energy historian and vice chairman of IHS Markit, a research company. “That amnesia is dissipating now.” But he was optimistic that expansion of American oil and gas production had put Washington in a far stronger position for confrontation with Russia. “Europe would have basically caved,” he said, were it not for the U.S. supply of liquid natural gas.

All that gas is hardly a security blanket for Europe, however. Local gas prices quadrupled this winter, in part because Russia reduced shipments. It would have

been worse if U.S. gas exports to Europe had not nearly doubled between last November and January, but those same exports helped drive gas prices in the United States higher as domestic inventories dropped.

More gas exports are a strong foreign policy tool, but fossil fuels are intrinsically connected to the growing problem of climate change.

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Electrification of transportation could help, but electric vehicles need batteries containing critical minerals like lithium, cobalt, copper, nickel and rare earths often found in unstable countries. China has a dominant position in refining many of those minerals, and could easily be the prime energy rival of the future.

Jason Bordoff, head of Columbia University’s Center on Global Energy Policy, said the world needed to press on with cleaner energy to deal with climate change, but that shift is no guarantee of a more peaceful world. “The old politics of oil and gas,” he said, “are going to be with us and acute and layered on top of the politics of clean energy.”

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