

A Shift in the Global Fossil Fuel Economy

As you read this, the US House will have or will be ready to vote on HR 1835, which gives a \$65,000 tax credit for 18-wheelers that use natural gas for fuel. When interviewed by Daniel P. Collins of Futures Magazine this month, T. Boone Pickens advocated this bill as an expedient way for the United States to create a long-needed comprehensive energy plan to steer our country toward energy independence. In the US today, close to 70% of our imported oil is used for transportation. In the interview, Mr. Pickens in his usual style, was up front with why the US needs rehab fast. *"You may not just be talking about price pain. The people who have the oil, most of it, are not friends of ours; 40% of the oil we import is from countries that the State Department recommends we don't visit, which tells us they're not our friends. Why would you put yourself in a spot where you are dependent on oil from the enemy?"*

Today crude oil is skirting \$75 per barrel (\$13 per million BTUs), and natural gas is hovering under \$4 per million BTUs. Following his expressive style, Pickens told Collins *"If you do nothing, you are going to be faced with \$300 per barrel oil in 10 years, you will be importing 75% of your oil, and you will be more dependent on OPEC than you are today. If we don't use natural gas for serious transportation fuel, we are going to go down as the dumbest crowd that ever came to town. Why wouldn't you replace dirty-foreign-expensive with cheaper-cleaner domestic? OPEC's revenue in 2003 was \$250 billion and their revenue in 2008 was \$1.25 trillion, five times as much. You are sitting here with 4,000 trillion cubic feet of natural gas, which is equivalent to 700 billion barrels of oil, which is three times what the Saudis have. You are honestly going to look like a fool if you sit here and ignore what is available to you and you don't use it."* When Collins asked, "what is your long-term outlook for natural gas?" Pickens responded *"You've got 4,000 trillion cubic feet of natural gas. (in the US) It is 30% cleaner than gasoline and diesel, it is cheaper, and it is an unbelievable opportunity for us to move on our own resources again."* To the question of why the ratio of cost of crude to natural gas is so wide today, Pickens responded *"You have too much natural gas. You are over-supplied with natural gas. Natural gas is cheaper than coal now"*.

In 2008, Pickens decided to get out of partisan politics. Being a large Republican Party donor in the past, Pickens at 82 years of age now says he is dedicating all his efforts to promoting a solution to America's growing dependence on foreign oil, which he calls a major security issue. *"We are importing 13 million barrels of oil a day, five million of it from OPEC, and if you look back at what President Obama said during his acceptance speech in Denver in July of 2008, he said in ten years we will not import any oil from the Mideast. He probably came to the same conclusion that I did. Money that you are using for Mideast oil, some of it is getting to the people we are fighting in the Middle East. You are supporting both sides of the war. I don't understand why he hasn't moved. He is two years in and he has no plan for energy. He made that promise two years ago and he has eight years to fulfill that promise. It has to be done with the American people and take politics out of it. You and I both would be willing if he came to the American people and said we have to get off of Mideast oil and you Dan, and you Boone, need to get on a domestic fuel in the next eight years."* On why the US has not managed to create a comprehensive energy plan despite all the shocks of the last few decades, Pickens responded; *"This is the 15-second answer; lack of leadership. If you go back to Nixon and go through Obama, every guy who has been president has said 'elect me and we will be energy independent', and they never have done anything about it."*

In the Editor's Note section of this same issue of Futures Magazine (10/10 Volume XXXIX, No.10), Group Editorial Director Ginger Szala agreed with Pickens. She stated; *"This might seem like a dream, but it's the vision of a man who has combined his energy know how, business acumen, political leverage, and yes - desire to profit, to push an idea whose time has come...and is past. If Congress votes to move the plan forward (HR 1835), something of which Pickens is optimistic, it might be the first legitimate step to US energy independence. And picture this scenario: in ten years; if the US has reduced – significantly – its need for Mideast oil, the air is cleaner and our soldiers are out of harm's way, we could say it was largely due to a futures trader using old-fashioned leverage."*