

Today's Notes:

1. The Oil Crisis: This Time the Wolf is Here

1. THE OIL CRISIS

"To look simply at the world's oil reserves and conclude that they are sufficient to meet the world's needs can no longer be acceptable. We could allow ourselves such fatuities as long as we had large spare oil production capacity, and while our overseas imports were small. We can do so no longer. Our security and balance-of-payments problems are large and growing."

Ambassador James E Akins, *The Oil Crisis: This Time the Wolf is Here*, *Foreign Affairs*, April 1973

Much to my surprise I learned over the weekend that a friend and fellow board member, James E. Akins, had passed away on July 15th. James was a former Ambassador to Saudi Arabia during the Nixon Administration. We met often in the 1980s and 1990s and over lunch James would hold discourse on his meetings with King Faisal and his many disagreements with Secretary of State Henry Kissinger.

Usually the discussion would revolve around the issues of Middle East oil supplies, embargoes and the positive role of the Saudi's in the world. I did not always agree with James but our meetings provided an intimate view of the Arab world of the 1970s through the 1990s. Secretary Kissinger fired James in 1975 when he insisted on attending a meeting with King Faisal that Kissinger did not want him included in. James learned of his firing from the New York Times.

James was a strong Arabist. He believed that the Arab world and Israel could coexist peacefully. More important, he had forewarned of the Arab oil embargo in a Foreign Affairs article (April 1973) while he was the Director of Fuels and Energy at the State Department. Shortly thereafter he was appointed Ambassador to Saudi Arabia.

James was a great source of inside knowledge, his Quaker roots and obstinate opinions were usually prescient, well before their time, especially on energy issues and the Middle East politics and US energy independence. But the world is truly a small place. Dr. Ralph Roberts, also an acquaintance of mine and co-discoverer of Nevada's Carlin Trend, spent several months in Saudi Arabia in search of King Solomon's gold mine. James related how they befriended each other and traveled together. He related why Dr. Roberts believed he had rediscovered the original gold mine of King Solomon.

James was a realist always. In the 1973 FA article he argued persuasively for solutions to almost all the energy issues that we have failed to deal with today, global warming excepted. He advocated an explicit program for nuclear fission, and nuclear fusion. He closed his 1973 paper after suggesting that electricity could be cheaper than the meter readers with the quote:

"Maybe by 2000"

James was prescient in his view of the escalating price of oil and the things we have always (since the end of WW II) needed to accomplish to save the western world's oil-driven economies.

He was not shocked by the \$147 per barrel price that oil attained in 2008. Unfortunately the energy tipping point has likely long since passed because the polarized U.S. energy community is unable to agree on a realistic go forward energy plan.

Listen to his admonitions from 37 years ago, emphasis highlighted in red. From James E. Akins Foreign Affairs article, April 1973:

“Consumer solidarity will be necessary if the present trend toward bidding up prices is to be halted. It will be indispensable if political or economic blackmail is to be successfully countered.

In the long run, though, the only satisfactory position for the United States ... must be the development of alternative energy sources. The United States is particularly blessed with large reserves of coal which can be converted to hydrocarbons, and of shale oil. The United States shares with all nations the possibility of developing geo-thermal energy, solar energy, and energy from nuclear fission and fusion. But the lead time is long for the development of all of them Editor: We all know this so well in hindsight.

... had the United States a few years ago been willing to accept the realities which became evident in 1967 or even in 1970, it might have started sooner on the development of Western Hemisphere hydrocarbons and domestic energy sources.

The United States has large reserves of oil tied up in shale, and coal which could be turned into hydrocarbons in almost unlimited quantities. And there are probably over 300 billion barrels of recoverable oil in the Athabaskan tar sands.

The shale, the heavy Venezuelan oil, and the tar sands all require capital investment on the scale of \$5-\$7 billion for each million barrels per day of capacity. Above all the lead time is long-perhaps 15 years, certainly eight-before significant production could be achieved from any of these sources. (editor: more valid today)

On the diplomatic front, we have for years discussed an agreement with Canada which will permit free entry of Canadian oil into the United States. This has lost much meaning by now, for Canada is currently sending us all her surplus oil and has imposed export controls. But we still may reach agreement. (editor: also true today)

Finally, there is the question of controlling the rise in oil demand, through reasonable conservation actions. Such measures as the spread of effective mass-transit systems could do much to limit our present profligate use of energy for a host of marginal purposes.

No one action will solve our energy problem, much less that of the entire world. But taken together these steps-collaboration with other nations, the development of alternative energy sources, and controlling our consumption reasonably-could allow us to reduce our

imports significantly below those projected in this article. This must surely be our immediate goal.”

Unfortunately this is still our immediate goal. When will a leader arise in our country that seizes on this important, nay critical, goal? Even at this late date, forty years later, we must heed the stentorian words and thoughts of James E Akins. While we may be well past the energy tipping point for a painless recovery based on cheap and clean energy, all of his admonitions and ideas apply – even more strongly today. Yes James the energy “wolf is here.”

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