Harvard Kennedy School Energy Policy Seminar Series, Fall 2013

Panel argues for the economic benefits of reducing dependence on oil

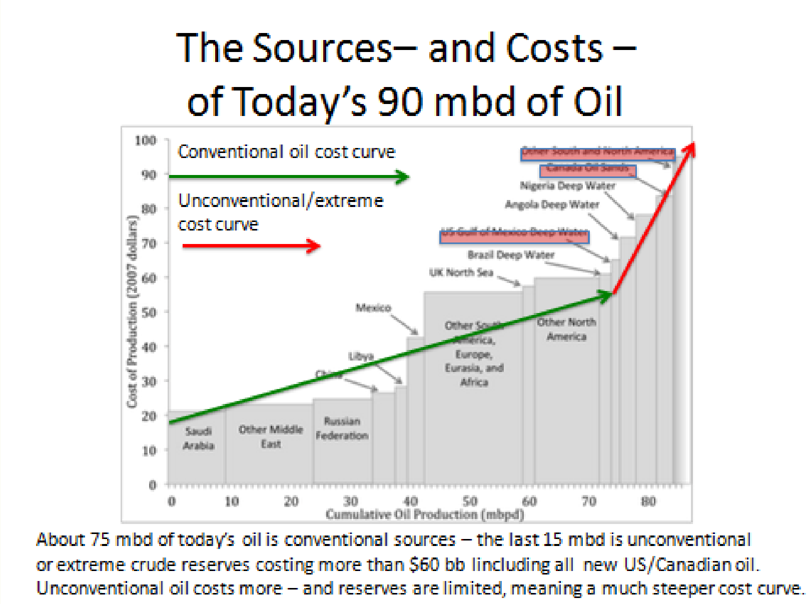
Monday, November 4, 2013

By Louisa Lund, Consortium for Energy Policy Research program director

Three panelists argued for the benefits of reducing oil consumption in Harvard's energy policy seminar on Monday, November 4.

Robbie Diamond, Founder, President, and CEO of Securing America's Future Energy, noted that despite significant increases in US oil production, household and national spending on oil has continued to rise, reflecting oil prices that have increased much faster than the efficiency gains that have been made in the economy and the reduced overall demand for oil. At the same time, Diamond said, business-as-usual projections do not show any diminution in the dependence of the American transportation sector on oil.

Carl Pope, former Executive Director for the Sierra Club, began from this point, and argued that projections of continued transportation reliance on oil should be a significant concern, primarily because of the potential climate impacts of oil consumption, which he described as the "largest climate threat, going forward." Pope argued, however, that good public policy could result in both lower oil prices and reduced oil consumption, with "no sacrifice required." The key, he said, would be to creating protected markets that would allow alternative fuels (such as natural gas) to gain a strong foothold in the market, enabling them to overcome infrastructure barriers (lack of access to filling stations, for example) in order to compete effectively with oil. Making cheaper alternatives available, he argued, could eliminate the need for the most marginally-expensive oil, causing the oil price to fall substantially. (He noted that global action would be needed to make this strategy effective, since a reduction in the price of oil would tend to increase oil consumption, all things being equal).



The slide above is excerpted from Carl Pope's presentation, available in full at: http://www.hks.harvard.edu/m-rcbg/cepr/seminar.html

Finally, Carol Lee Rawn, Director of the Transportation Program at Ceres, gave an overview of specific public policies related to reducing carbon emissions from the transportation sector—including CAFE standards and clean fuels standards (or low-carbon fuel standards), which have been adopted in California and are under consideration in other states as well. She also presented the results of a recent ICF study commissioned by Ceres and other stakeholders, which demonstrated that the California Low Carbon Fuel Standards are feasible and driving investment in cleaner fuels and production techniques.

The panel went on to a question and answer session with the audience which delved into OPEC's role in imposing a "shadow tax" on the use of petroleum in transportation, the high capital costs currently associated with electric cars, and some examples (electricity generation, fertilizer production) where high oil costs have already resulted in loss of market share, without special market incentives.

The Energy Policy Seminar Series is jointly sponsored by the Energy Technology Innovation Policy research group of the Belfer Center on Science and International Affairs and the Consortium for Energy Policy Research of the Mossavar-Rahmani Center for Business and Government.