

## Hudson Institute – 50<sup>th</sup> Anniversary of Arab Oil Embargo

Good afternoon and thank you for that kind introduction.

As we continue to watch the stream of heartbreaking images coming out of Israel and the Middle East, President Biden represents all of us in his opposition to Hamas-led terrorism and his work to prevent further conflict in an area that has seen too much of it. We agree with the President that American leadership is needed now more than ever.

This is not the first time shockwaves in the Middle East have reverberated across the world, and it is both sad and fitting that we are here to reflect on another crisis that deeply shaped our nation and the world around us: the 50<sup>th</sup> anniversary of the Arab Oil Embargo.

That historic pause of oil shipments to the U.S. and other nations by oil-producing Arab countries was imposed due to our support of Israel during the Yom Kippur War.

Underpinned by conflict, the embargo was a turning point for America's oil and natural gas industry, as well as U.S. energy policy. It's a geopolitical lesson that cannot be relegated to textbooks and classrooms. We must learn from the past to prevent today's leaders **from sowing the seeds of the next energy crisis.**

The energy crisis of 1973 taught us many things, but in my mind, the most critical is that American energy strength is a tremendous source of security, prosperity and freedom around the world. In contrast, U.S. energy weakness hinders America and emboldens our adversaries.

We know that good energy policy in America doesn't happen with a flip of a switch. It takes education, an open mind, and the good sense to use our own resources. Politically, energy can—and should—be a bipartisan and unifying issue. But we must come together as a country and get the details right to chart an energy future that works.

Now is the time, 50 years after the 1973 energy crisis, to do exactly that.

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It's hard not to notice a few similarities between the landscape of 1973 and that of today.

If you look around, America finds itself as divided as the 1970s. Back then, it was driven by the Vietnam War. Now, animosity flourishes everywhere, fanned by social media. Inflation was high then...just as it is now. A nation gridlocked by political polarization and scandal.

Today, as in 1973, we face geopolitical hostilities across a dynamic world that needs more energy. A conflict in the Middle East that could swiftly expand ... the largest land war in Europe since World War II. ... China acting aggressively toward Taiwan.

The seeds of the 1973 crisis were sown when short-sighted U.S. policy missteps made America increasingly dependent on foreign oil. Back then, Republican President Richard Nixon ushered in an era of price controls, rationing and import tariffs that not only favored foreign oil imports, but did little to spur continued energy investment in the United States.

Fifty years later, President Biden has sought an all-of-government approach to increase barriers to domestic oil and natural gas development. Instead of learning from our history, we're at risk of repeating it. As this administration increases regulatory and tax burdens on a uniquely American industry, our leaders have important questions to consider today, or face grave consequences tomorrow.

- **First**, do we revert back to the energy vulnerability that led to, and then worsened, the 1973 embargo crisis? Or do we resolve to harness America's vast energy potential for our own security and increased stability throughout the world?
- **Second**, what can we learn from the policies and practices of a prior generation that defeated tyranny in World War II?

As American policymakers seek answers, they should know we possess a stabilizing force and a hedge against overseas unrest: American energy from oil and natural gas. This doesn't happen on its own. We must reset policies to unlock our energy resources – and strengthen America.

With a pandemic and political polarization, the 2020s have already proven volatile. But after the attacks by Hamas in Israel 11 days ago and with Putin's war in Ukraine about to enter its third year, America's natural gas and oil are critical now, just as they were critical at other times in our history. Indeed, the decades before the embargo were actually a period of enormous American energy strength. And the story is not always taught in school, where Pearl Harbor, D-Day and the atomic bomb dominate.

In truth, the secret weapon for Allied strength in World War II was American oil. The U.S. industry supplied and moved a remarkable [86%](#) of the crude oil needed to defeat Japan and Nazi Germany.

Even Soviet dictator Joseph Stalin recognized the critical contribution of American oil in fending off the German offensive of 1941 and 1942. At a banquet honoring Sir Winston Churchill during the war, Stalin offered the [following toast](#): "This is a war of engines and octanes. I drink to the American auto industry and the American oil industry."

In his recent [paper](#), the Hudson Institute's own Arthur Herman makes clear that America's effort to finance and build infrastructure for moving oil and refined products across the country had the active support of the federal government – at that time run by *another* Democratic administration.

The energy policy of President Franklin D. Roosevelt set in motion the means to win the war. It also helped build a strong foundation for years of domestic peace and prosperity. Oil and natural gas production gave America the ability to keep the peace, greatly expand our industrial capacity and grow our economy.

So, what went wrong? How did America go from prioritizing its resources to win the Second World War to growing more dependent on unstable foreign nations for energy? How did we wind up a victim of the 1973 embargo?

The seeds of the 1973 energy crisis began to sprout in the 1960s. Washington created price controls and passed laws that discouraged investment in American energy resources. In short, free markets were shackled. Our nation allowed energy production to shift overseas. The stage was set for the embargo and the economic chaos that ensued.

For Americans still fighting a hot war in Vietnam and the Cold War with the Soviet Union, it all happened so quickly. During the short Yom Kippur War, in October 1973, Arab oil leaders imposed an [embargo on](#) oil shipments against Western nations for their support of Israel. The embargo eventually [quadrupled](#) the global price of oil.

It was immediately clear that Americans, the designers of final victory in World War II, were dealt a major economic blow. President Nixon [called](#) for gasoline rationing and cutting [heating oil deliveries](#) to homes and businesses. The economic hits were painful. Nearly every American paid a price. The embargo lasted only a few months, but started a lost decade of inflation, high interest rates and high unemployment.

When the next energy crisis hit, spurred by Iran, President Jimmy Carter delivered a speech in 1979 [describing](#) our response as the “moral equivalent of war.” He called for reduced energy demand, decreased gasoline consumption and fewer oil imports. What was missing from Carter’s list of energy policy ideas? Increasing American oil production. America’s resources and the workers poised to produce them were summarily dismissed from the solution.

So, it wasn't just a lost economic decade for America. It set in motion FOUR lost decades for American energy. U.S. oil production [collapsed](#) in half between the early 1970s and 2008.

Now, during this time, the industry made some critical advances, especially in terms of technology. American energy producers developed 2<sup>nd</sup> and 3<sup>rd</sup> generation offshore rigs; helped invent the liquefied natural gas industry; and built the Trans Alaska Pipeline – with bipartisan support. Auto manufacturers did their part, building lighter, more efficient vehicles. In fact, cars [run](#) about 99 percent cleaner today than models produced in 1970.

From all of these experiences, there's **one clear lesson** Washington seemingly refuses to learn: the only true path to lasting energy security is strong and consistent support for oil and natural gas production right here in the United States.

In the absence of smart policy that acknowledges the lessons of the last 50 years, how did America then emerge where we are today: the No. 1 oil and natural gas producer in the world?

The answer is tremendous technological advancements within the industry itself... grit, patient innovation and ingenuity to reach previously unreachable resources. A commitment to trial and error. The relentless pursuit of freedom, free markets – and fracking. The Shale Revolution that started about 15 years ago was the dawn of a second “Morning in America.” Technology has placed America at the center of the energy universe. And thankfully, ours is a free nation where, if you own property, you own the subsurface too. This has allowed our industry to thrive without the need for government intervention on private lands.

Slowly, over the years, a path toward American energy strength was put in place.

Until now.

Over the past three years, our nation has seen a profound shift from the federal government to move away from America’s oil and natural gas. Rather than work together toward both energy security and environmental progress, President Biden and his team continue to govern with contradictory policy while vilifying American energy.

The Biden Administration's record on American energy includes the fewest offshore lease sales offered since 1980. Adding barriers to federal leasing since Day 1 in office. Dozens of delayed or cancelled pipeline projects. Growing regulatory restrictions placed on nearly every aspect of development, transportation and fuel manufacturing.

**Fifty years after the embargo, these mounting restrictions are sowing the seeds of the next energy crisis – with significant ramifications for consumer costs, reliability and broader energy security issues.**

And it does not have to be this way.

We can come together to get energy policy right. With instability abroad, the world needs leadership and Americans need the White House and Congress to send a clear and unequivocal signal about the real value of American oil and natural gas.

Here are three key ways they can do it.

**First increase access and reduce restrictions** to produce energy in America. On public lands and in federal waters, especially in the Gulf of Mexico. Yes, America is producing natural gas and oil near record levels the last few months, but that's largely due to development on private land and leases granted during the Obama and Trump administrations.

The fact is, America simply would not be the world's top producer without access to public lands and waters. Similarly, we could not do this without the ability to send our products and progress to markets across the world – the result of a bipartisan act of Congress to lift the crude oil export ban in 2015. We need fewer restrictions on access, a realistic plan for offshore leasing, and a return to quarterly onshore lease sales that Congress mandated a generation ago in response to the energy crises of the 1970s.

Instead of looking abroad for America's energy security, the President should look to Texas, Louisiana, Pennsylvania, New Mexico and North Dakota, just to name a few.

## **Next is permitting reform.**

Congress and the White House recently agreed to the Fiscal Responsibility Act, or FRA – the debt ceiling deal that opens the door to modernizing the National Environmental Policy Act, or NEPA. We've seen project after project get delayed or canceled because of our old permitting process. Getting permits for roads, bridges, pipelines, transmission lines, and even renewable energy projects shouldn't take more than a decade.

There's bipartisan support for NEPA reform in the FRA, which acknowledged that obstacles to new oil and natural gas infrastructure also hinder low-carbon assets for carbon capture and hydrogen. Months after its passage, can you guess how much progress the White House has made on NEPA reform? Zero. It's time for Congress to step up.

At a time when Americans can least afford it, the red tape is really piling up. While we want smart regulations, many proposals coming out of this Administration would have far-reaching implications for our way of life with unclear benefits.

**And that brings me to my last lesson: the importance of avoiding the creation of NEW dependencies.** Take President Biden’s electric vehicle mandate. It effectively requires that two-thirds of new light-duty vehicles sold in America be all-electric in the coming years. Not EVs *and* hybrids; just EVs.

Today there are just 2.5 million EVs on the road in America and 276 million conventional vehicles. The majority of EV manufacturing occurs in China, including the mining of rare-earth minerals for EV batteries. This mandate will make us even more reliant on China.

This rule would hurt America’s auto industry and imperil the jobs of hundreds of thousands of American auto workers. It would also limit American consumers from driving the vehicles they want. API has called the proposed rule a de facto ban on vehicles that use gasoline and diesel. The rule must be drastically altered or totally withdrawn.

A return to dependence... on oil or EV battery parts... from unstable regions is unthinkable. As then-Senator Joe Biden himself said in 2006, “Until we do something about our dependence on imported oil, we will not be in control of our economic security.”

The Senator was right; the President is wrong.

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For a long time, beginning in the 1960s, we pursued short-sighted energy policies. Leaders *then* made bad choices that leaders *today* seem intent on repeating. But there's time to self-correct.

We cannot squander our strategic advantage and retreat on energy leadership. We already did it once, and we cannot repeat that history. With an unstable world, war in Europe, war in the Middle East, and energy demand outstripping supply, energy security is on the line. We have seen what works – with the right signals from Washington.

American oil and gas are needed now more than ever. We have the resources; we have the workers; we have the ingenuity.

Let's take to heart the lessons we learned from 1973 and avoid sowing the seeds of the next energy crisis. We can—and must—work together to get this done. Thank you.