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Picking on the Pickens Plan?

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By Steven Milloy

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Billionaire oilman T. Boone Pickens' camp responded last week to this column's multi-part analysis of the so-called "Pickens Plan." Focusing on my most recent comments, [Pickens Plan defender Warren Mitchell said he was "overwhelmed" by my "lack of logic" and wondered what plan I had to "wean ourselves from foreign oil."](#)

Mitchell first objected to my point that Iran isn't switching to natural gas cars to sell more oil (as claimed by Pickens in a TV ad), but rather to reduce its gasoline imports and, thereby, reduce international pressure on its nuclear weapons program.

But as pointed out in a January 2007 congressional hearing by Rep. Ed Royce (R-Calif.), "[... squeezing Iran economically... is having an effect... Iran's oil minister admitted that this financial pressure has stunted its oil industry. It now has to import 42 percent of its refined gasoline."

An Iranian political analyst said in July 2007 that "We will greatly suffer if [foreign countries] suddenly decide not to sell us fuel... Fuel rationing [Iran's initial strategy for reducing imported gasoline] is a security-economic decision to reduce fuel consumption."

Even Iran's main car maker admitted to the Associated Press that natural gas cars "will greatly help Iran reduce, and even stop in the long run, importing gasoline from abroad."

Although some Iranian politicians aligned with the national oil company have previously pushed for higher gas prices to curtail domestic demand for subsidized gasoline so that the Iranian government could invest in more oil production over the long-term, there's no evidence that this is driving Iran's switch to natural gas cars.

Moving on, Mitchell claimed that I "assaulted America's natural gas supply, acting as if natural gas is already a scarce commodity in the U.S... Reality dictates a very different picture when it comes to America's oil and natural gas supply." Mitchell went on to say that the U.S. imports about 70 percent of its oil, while it has only 3 percent of the world's oil reserves. In contrast, he says, 97 percent of U.S. natural gas comes from North America and these figures don't account for the natural gas shale reserves that U.S. gas providers are able to access.

“Sleight-of-hand” is probably more appropriate than “reality” with Mitchell’s figures. When Mitchell talks about oil, he limits it to U.S. imports and sources. But when he talks about natural gas, he talks expansively in terms of North America — that is, the United States, Canada and Mexico.

Most of the oil used in the U.S. (53 percent), in fact, comes from North American sources, according to the Department of Energy (DOE). Next, the U.S. produces only about 83 percent of its natural gas. We import the rest, and this supply — just like our oil supply — is vulnerable to world events and market pressures.

Mitchell is wrong about known U.S. oil reserves — the actual figure is only about 1.6 percent (about a 3-year supply), according to the most recent DOE data. The good news — omitted by Mitchell — is that the U.S. reserve data excludes many known-but-not-counted domestic sources of oil, including the outer continental shelf (a 9- to 15-year supply), public lands like the Arctic National Wildlife Refuge (a 1.5-year supply in ANWR alone) and western oil shale (possibly an 800-year supply, according to the Department of Interior).

While Mitchell touts natural gas shale reserves as significantly adding to U.S. production, such “unconventional production” of natural gas is expected by the DOE to increase only from 44 percent of total domestic production in 2005 to about 49 percent by 2030 — not enough to reduce U.S. dependency on imported natural gas. The DOE says that liquid natural gas (LNG) imports will be the largest incremental source of natural gas for the U.S.

Readers should note that while Mitchell liberally engaged in ad hominem argument, he didn’t respond to my earlier comments on the Pickens Plan, including that Pickens: wants to profit at taxpayer and consumer expense; plays fast and loose with facts; lobbied the state of Texas turn him into a government entity so he could earn private profit; and fails to mention the hurdles, costs and inconveniences of switching to natural gas cars.

Readers should also be aware that Mitchell is more than merely the “former chairman of Southern California Gas Company and San Diego Gas & Electric,” as he signed his column. He also serves along with Pickens on the board of Clean Energy Fuels — the largest provider of vehicular natural gas in North America, a company Pickens founded in May 2006.

Finally, Mitchell criticized me for not offering an energy plan to “save America from itself.” He must not be aware of my many columns in which I suggest that America’s energy path forward is to step-up development of domestic oil, natural gas and coal resources as well as to develop more nuclear power. Other energy sources could be used as they prove themselves in the marketplace — rather than as forced upon us by fast-talking special interests and their politician mouthpieces.

America has made it this far without Soviet-style, long-term central planning, where, regardless of the likelihood of changing circumstances in the future, the government arbitrarily picks society’s winners and penalizes the losers, leaving the nation stuck indefinitely with the high costs of bad decisions.

We don’t need to save America from itself, but it seems we will need to save it from energy hucksters.

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