### 1AC Russia

#### Solving EU dependence on Russian gas prevents Russian military resurgence- also prevents them from obstructing US-EU partnerships

Medlock 2011 (Kenneth B. Medlock III, Ph.D., Amy Myers Jaffe, Peter R. Hartley, Ph.D., July 2011, “Shale Gas and US National Security,” James A. Baker Institute, online)

The dramatic lessening of Europe’s dependence on Russian gas will likely have considerable geopolitical implications in thwarting Russia’s ability to exercise an “energy” weapon or to unduly influence political outcomes on the Continent. European buyers will have ample alternatives to Russian supplies, thereby reducing Moscow’s political leverage. This outcome would also contribute positively to the balance of power between Russia and the EU, putting Europe in a stronger position to influence Russian foreign policy near Europe’s borders. To wit, Europe’s high dependence on Russian pipeline natural gas supplies made it difficult for certain European leaders to engage in diplomacy objecting to Russia’s invasion of Georgia in 200826 and weakened their support of the shaky election of pro-Western Ukrainian president Viktor Yushchenko, who was negatively targeted by Moscow for his anti-Russian stances. A more diverse energy supply for Europe enhances U.S. interests by buttressing Europe’s abilities to resist Russian interference in European affairs and help border states in the Balkans and Eastern Europe assert greater foreign policy independence from Moscow. U.S. coalitions with European nations are an important element to U.S. national security, including efforts to combat international terrorism and prevent humanitarian crises. An energy-independent Europe will be better positioned to join with the United States in global peacekeeping and other international initiatives that might not have the full support of Russia.

#### US-EU partnerships solve several extinction risks

Stivachtis 2010 (Dr. Yannis A. Stivachtis, Director, International Studies Program, Virginia Polytechnic Institute, State University, 2010, “The Imperative for Transatlantic Cooperation,” google)

There is no doubt that US-European relations are in a period of transition, and that the stresses and strains of globalization are increasing both the number and the seriousness of the challenges that confront transatlantic relations. The events of 9/11 and the Iraq War have added significantly to these stresses and strains. At the same time, international terrorism, the nuclearization of North Korea and especially Iran, the proliferation of weapons of mass destruction (WMD), the transformation of Russia into a stable and cooperative member of the international community, the growing power of China, the political and economic transformation and integration of the Caucasian and Central Asian states, the integration and stabilization of the Balkan countries, the promotion of peace and stability in the Middle East, poverty, climate change, AIDS and other emergent problems and situations require further cooperation among countries at the regional, global and institutional levels. Therefore, cooperation between the U.S. and Europe is more imperative than ever to deal effectively with these problems. It is fair to say that the challenges of crafting a new relationship between the U.S. and the EU as well as between the U.S. and NATO are more regional than global, but the implications of success or failure will be global. The transatlantic relationship is still in crisis, despite efforts to improve it since the Iraq War. This is not to say that differences between the two sides of the Atlantic did not exist before the war. Actually, post-1945 relations between Europe and the U.S. were fraught with disagreements and never free of crisis since the Suez crisis of 1956. Moreover, despite trans-Atlantic proclamations of solidarity in the aftermath of 9/11, the U.S. and Europe parted ways on issues from global warming and biotechnology to peacekeeping and national missile defense. Questions such as, the future role of NATO and its relationship to the common European Security and Defense policy (ESDP), or what constitutes terrorism and what the rights of captured suspected terrorists are, have been added to the list of US-European disagreements. There are two reasons for concern regarding the transatlantic rift. First, if European leaders conclude that Europe must become counterweight to the U.S., rather than a partner, it will be difficult to engage in the kind of open search for a common ground that an elective partnership requires. Second, there is a risk that public opinion in both the U.S. and Europe will make it difficult even for leaders who want to forge a new relationship to make the necessary accommodations. If both sides would actively work to heal the breach, a new opportunity could be created. A vibrant transatlantic partnership remains a real possibility, but only if both sides make the necessary political commitment. There are strong reasons to believe that the security challenges facing the U.S. and Europe are more shared than divergent. The most dramatic case is terrorism. Closely related is the common interest in halting the spread of weapons of mass destruction and the nuclearization of Iran and North Korea. This commonality of threats is clearly perceived by publics on both sides of the Atlantic.

#### Russia is becoming aggressive now makes conflicts inevitable

Weitz 2012 (Richard Weitz, Senior Fellow and Director of the Center for Political-Military Analysis at Hudson Institute, November 21, 2012, “The Focus of Russian Military Means,” http://www.sldinfo.com/the-focus-of-russian-military-means/)

Despite the reformers’ goal of redirecting Russian strategic thought away from fighting the West to winning localized conflicts, Russia’s military doctrine and recent military exercises still identify resisting NATO aggression as a major task of the Russian armed forces. The 2010 Military Doctrine describes NATO’s growing military infrastructure near Russia’s border as well as the alliance’s alleged efforts to acquire “global functions in contravention of international law” as potentially threatening Russia’s military security. An important consideration affecting how Russians approach military reform is their expectations of the nature of future wars—especially the questions of the main sources of military threats and how they might manifest themselves. The most basic consideration is that Russian leaders still see themselves as threatened from hostile forces that must be dealt with through military means. Although individuals differ on what they see as the main threats, there is a pervasive sense that, under certain conditions, Russia could come into conflict with certain foreign countries if it fails to have an effective military. Mostly these possible adversaries are seen as Western states, but some Russian strategists, thinking ahead, consider China and possibly Iran as emerging threats.

#### Nuclear war

Blank 2009 (Stephen Blank, Research Professor of National Security Affairs at the Strategic Studies Institute of the U.S. Army War College, March 2009, “Russia And Arms Control: Are There Opportunities For The Obama Administration?,” online)

Proliferators or nuclear states like China and Russia can then deter regional or intercontinental attacks either by denial or by threat of retaliation. 168 Given a multipolar world structure with little ideological rivalry among major powers, it is unlikely that they will go to war with each other. Rather, like Russia, they will strive for exclusive hegemony in their own “sphere of influence” and use nuclear instruments towards that end. However, wars may well break out between major powers and weaker “peripheral” states or between peripheral and semiperipheral states given their lack of domestic legitimacy, the absence of the means of crisis prevention, the visible absence of crisis management mechanisms, and their strategic calculation that asymmetric wars might give them the victory or respite they need. 169 Simultaneously, The states of periphery and semiperiphery have far more opportunities for political maneuvering. Since war remains a political option, these states may find it convenient to exercise their military power as a means for achieving political objectives. Thus international crises may increase in number. This has two important implications for the use of WMD. First, they may be used deliberately to offer a decisive victory (or in Russia’s case, to achieve “intra-war escalation control”—author 170 ) to the striker, or for defensive purposes when imbalances 7 in military capabilities are significant; and second, crises increase the possibilities of inadvertent or accidental wars involving WMD. 171 Obviously nuclear proliferators or states that are expanding their nuclear arsenals like Russia can exercise a great influence upon world politics if they chose to defy the prevailing consensus and use their weapons not as defensive weapons, as has been commonly thought, but as offensive weapons to threaten other states and deter nuclear powers. Their decision to go either for cooperative security and strengthened international military-political norms of action, or for individual national “egotism” will critically affect world politics. For, as Roberts observes, But if they drift away from those efforts [to bring about more cooperative security], the consequences could be profound. At the very least, the effective functioning of inherited mechanisms of world order, such as the special responsibility of the “great powers” in the management of the interstate system, especially problems of armed aggression, under the aegis of collective security, could be significantly impaired. Armed with the ability to defeat an intervention, or impose substantial costs in blood or money on an intervening force or the populaces of the nations marshaling that force, the newly empowered tier could bring an end to collective security operations, undermine the credibility of alliance commitments by the great powers, [undermine guarantees of extended deterrence by them to threatened nations and states] extend alliances of their own, and perhaps make wars of aggression on their neighbors or their own people.

#### US gas supplies de-securitize and boosts EU-Russia relations

Sharples 2012 (Jack. D. Sharples, Central and East European Studies Graduate Student at the University of Glasgow, “Russia-EU gas relations: the Russian perspective,” British Association for Slavonic and East European Studies Conference Paper, http://www.academia.edu/1534968/Russia-EU\_Gas\_Relations\_The\_Russian\_Perspective)

From the Russian perspective the period 2001-2008 represented a ‘golden era’ for Russian gas exports to the EU, with prices and demand rising, and Russia’s international status and economic growth following suit. However, despite the quicker than expected recovery of international energy markets, the period of 2008-2012 may be interpreted as the beginning of a transition period in the Russia-EU energy relationship. The development of the EU into a more liquid, competitive gas market will continue. Gazprom must adapt to these changing conditions through a combination of competitive pricing, more flexible contracts (regarding contract duration and offtake volumes) and asset-swaps of minority shareholdings in partnership with downstream European energy companies, in order to retain market share and export volumes. Russia’s domestic gas market is expected to become more profitable and competitive, dueto the gradual increase in state regulated prices and the liberalisation of gas sales. As independent Russian gas producers and Russian oil companies supply an increasing share of the Russian market, the need for Gazprom to use export revenues to subsidise domestic saleswill be reduced. In the long term, post-2020 period, it is possible that increased Russian gas exports to theAsia-Pacific region in line with projections in Russia’s Energy Strategy to 2030 (MinEnergo,2009, pg. ) could further reduce Russia’s dependence on the EU as an export market.Finally, 2012 should see both the completion of the second line of Nord Stream and thelaunch of the construction of the South Stream gas pipeline. If both projects are completed as planned, Ukraine’s share of the transit of Russian gas to the EU will be reduced from around80 percent in mid-2011 to below 50 percent. Even if these projects do not reduce the propensity for Russo-Ukrainian disputes, they will reduce the impact of such disputes on deliveries of Russian gas to the EU. Therefore, there is the distinct possibility that Russia’s gas exports to the EU will undergo a ‘de-securitisation’ over the next decade as Russia and the EU reduce their ‘negative interdependence’. If this is the case, there remains the hope that Russia and the EU will be able to overcome the difficulties of the past decade and renew their mutually-beneficial energy relationship.

#### EU dependence on Russian gas has been the key sticking point to broader EU-Russia cooperation- plan solves

Vatansever 2010 (Adnan Vatansever, Ph.D., School of Advanced International Studies, Johns Hopkins University, former senior associate in the Energy and Climate Program at the Carnegie Endowment, June 17, 2010, “EU-Russia Energy Relations: A Pause or Fast Forward?,” Carnegie Endowment, http://carnegieendowment.org/2010/06/17/eu-russia-energy-relations-pause-or-fast-forward/21mf)

While the two sides are sorting out a clearer road map about a partnership in modernizing Russia, a key question is what type of role energy will play in fostering this partnership. During the past few years, energy—amidst Europe’s mounting concerns about security of supply—largely played the role of a “pause” button in deepening Russian-European relations. Will it now serve as a “fast forward” button for deepening the partnership? The answer lies in addressing mutual energy security concerns as well as in expanding opportunities for joint energy sector projects involving Russian and European (along with other foreign) companies.¶ Signs of Optimism¶ An optimist would find some positive signs in three areas at least. First, energy efficiency has suddenly emerged as a big priority for the Russian government. Key legislation was recently put in place and governmental commissions have been launched to actively pursue the ambitious targets set by President Medvedev. Furthermore, energy efficiency is hardly a controversial area, and both Russia and its Western partners see mutual benefits in cooperation. For Europe in particular, a more energy efficient Russia means potentially more hydrocarbons available for its own market. For Russia, improving energy efficiency is a key for enhancing the competitiveness of its economy, and the drive itself for greater efficiency could spur innovation-based industries.¶ Second, it is probably fair to say that the Russian leadership already faces increasingly compelling reasons to broaden the participation of foreign companies in developing its hydrocarbons. Its largest Soviet-era gas fields are in decline and the core of its oil production, West Siberia, has started to generate fewer volumes while development costs are rising. The focus is gradually shifting towards new fields, but the cost for developing them will be staggering and the need for foreign technology and capital is getting considerably larger. Furthermore, Russia is already a high-cost hydrocarbon producer—indicating that economic risks of investment are relatively higher due to price uncertainties. As the global recession has further augmented such uncertainties, Russia could only benefit if foreign partners share such economic risks through expanding their involvement in Russia’s oil and gas sectors. As an additional benefit, if European and multinational companies acquire a more solid stake in Russian oil and gas, this could also alleviate European energy security concerns.¶ Finally, the gas market, which was at the center of European–Russian tensions in the past few years, looks very different now. Europe may well find itself in a relatively stronger negotiating position against is principal external gas supplier—Gazprom. Market fundamentals have suddenly shifted as a major decline in Europe’s gas demand has coincided with a substantial growth in gas traded on spot markets. As a sign of readjusting itself to this condition, Gazprom has agreed to index some of its gas deliveries to spot market prices—a major step back from its traditionally firm commitment to long-term contracts. What probably further weakens Gazprom’s hand over the next few years is that it is largely captive to the European market. A decade of negotiations with potential Asian buyers of pipeline gas is still far from reaching a conclusion. Likewise, Gazprom entered the liquefied natural gas (LNG) business only recently and its ability to compete in this segment of the gas market will remain modest at most for some time.

#### Solves Central Asian instability

Dufour 2011 (Nathan Dufour, MA in European Studies from the Institute for European Studies of the Université Libre de Bruxelles and an MA in EU International Relations and Diplomacy Studies from the College of Europe in Bruges, September 2011, “Thinking Further about EU-Russia Cooperation: Drug Trafficking and Related Issues in Central Asia,” College of Europe, http://www.coleurope.eu/sites/default/files/research-paper/edp\_9\_2011\_dufour.pdf)

This paper analyses to what extent the development of cooperation between Russia and the European Union (EU) to respond to the common threat of increasing drug trafficking in Central Asia is desirable and feasible. First, it considers the growing overlap between Russian and EU security interests in Central Asia and provides an understanding of the two sides’ mutual perceptions in this strategic region. Even though the current mind-set is one of general mistrust, for instance in fields such as energy or human rights, both actors now recognise the imperative of regional and international cooperation to tackle terrorist threats and increasing drug flows. Second, the relevance of a joint Russia-EU involvement is analysed by considering the evolving trends in drug trafficking since the US-led coalition intervened in Afghanistan. The paper demonstrates the shortcomings and inadequacy of the current counter-narcotics policies as well as their responsibility in hampering regional cooperation and international efforts. Third, the respective Russian and EU anti-drug strategies and instruments are analysed in order to better assess the possibilities of developing synergies on the ground instead of maintaining competing and detrimental standalone visions. Although the feasibility of setting up a pragmatic and de-politicised cooperation between the EU and Russia is challenging in many regards, this paper shows that it is highly desirable as it would contribute to diminish strong risks of instability in the region and would address the security concerns of both actors. On the basis of the findings, policy recommendations are formulated for the EU.

#### Great power nuke war

Starr 2001 (S. Frederick Starr, Chair of Central Asia-Caucasus Institute at John Hopkins University, “The War Against Terrorism and U.S. Bilateral Relations with the Nations of Central Asia,” Testimony before Senate Subcommittee on Central Asia and the Southern Caucasus, Dec 13, 2001, http://goo.gl/jQ1FS)

However, this does not mean that US actions are without risk to the Central Asian states. Quite the contrary. For a decade they have faced not only the dangers arising from Afghanistan but also the constant threat posed by certain groups in Russia, notably the military and security forces, who are not yet reconciled to the loss of empire. This “imperial hangover” is not unique to Russia. France exhibited the same tendencies in Algeria, the Spanish in Cuba and Chile, and the British when they burned the White House in 1812. This imperial hangover will eventually pass, but for the time being it remains a threat. It means that the Central Asians, after cooperating with the US, will inevitably face redoubled pressure from Russia if we leave abruptly and without attending to the long-term security needs of the region. That we have looked kindly into Mr. Putin’s soul does not change this reality. The Central Asians face a similar danger with respect to our efforts in Afghanistan. Some Americans hold that we should destroy Bin Laden, Al Queda, and the Taliban and then leave the post-war stabilization and reconstruction to others. Such a course runs the danger of condemning all Central Asia to further waves of instability from the South. But in the next round it will not only be Russia that is tempted to throw its weight around in the region but possibly China, or even Iran or India. All have as much right to claim Central Asia as their “backyard” as Russia has had until now. Central Asia may be a distant region but when these nuclear powers begin bumping heads there it will create terrifying threats to world peace that the U.S. cannot ignore. This prospect, along with the unresolved problem of Russia’s imperial hangover, is the reality that the Central Asian states must face if the US precipitously withdraws from their region once the military campaign has achieved its goals. It requires that the United States develop and implement a longer-term strategy for regional security in Central Asia of a sort which, until this moment, has existed only in fragmentary form, if at all. Such a strategy is essential for the viability and sustainability of the states of Central Asia. No less, it is essential for the United States’ own long-term interest in helping build a stable world. What, then, are the elements of such a post-war strategy for Central Asia? The question demands the most serious attention of this sub-committee and of the American government as a whole. At the risk of simplification, I would suggest that it must contain three elements, pertaining to (1) security, (2) politics, and (3) economics. The basic truth upon which any security policy for Central Asia must be grounded is that no single country, or pair of countries, can provide an adequate security environment for the Central Asian region. Bordered by nuclear states and formidable regional powers, all of which have close historic and cultural ties with the region, Central Asia cannot depend for its security on any one of them without imperiling the security of all the others.

#### AND- Locking Gazprom out of the market forces economic modernization- wrecks Kremlin’s slush fund

Aslund 2012 (Anders Åslund, senior fellow at the Peterson Institute for International Economics, September 27, 2012, “Gazprom crisis casts shadow over Putin,” Financial Times, http://www.ft.com/intl/cms/s/0/55c1aeb0-07c6-11e2-9df2-00144feabdc0.html#axzz2E3nig37e)

For years, many analysts have said that Russia will reform only when the oil price falls because Gazprom seems to be the Kremlin’s main slush fund, which is now being drastically reduced. The Kremlin will have little choice but to forsake its mega-projects. It has already abandoned the mastodon Arctic Shtokman field. The next steps should be to back out of South Stream, the superfluous and exceedingly expensive pipeline project, as well as the planned gigantic sky-rise headquarters in St Petersburg. But that will hardly suffice. This dysfunctional former Soviet gas ministry will have to be cut up into real companies, which need to be privatised.¶ Gazprom’s demise looks likely. With its demise, Russia’s revenues would dwindle. Mr Putin‘s model of state capitalism would suffer a devastating blow from Gazprom’s fall. If not even Gazprom is viable, which Russian state company is? Such an insight could give market economic reforms new impetus. After all, Russia just privatised $5.2bn of shares in Sberbank, the state savings bank.

#### Modernization solves nuclear war

Nye 2011 (Joseph Nye, Professor at Harvard University, February 28, 2011, “Russia and Reform,” Expert Article 698, http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/PEIpublication%204\_2012.pdf)

Russia is no longer hampered by communist ideology and a cumbersome central planning system, and the likelihood of ethnic fragmentation, though still a threat, is less than in the past. Whereas ethnic Russians were only 50 percent of the former Soviet Union, they are now 81 percent of the Russian Federation. The political institutions for an effective market economy are largely missing, and corruption is rampant. Russia’s robber baron capitalism lacks the kind of effective regulation that creates trust in market relationships. The public health system is in disarray, mortality rates have increased, and birthrates are declining. The average Russian male dies at fifty- nine, an extraordinarily low number for an advanced economy. Midrange estimates by UN demographers suggest that Russia’s population may decline from 145 million today to 121 million by midcentury.¶ Many Russian futures are possible. At one extreme are those who project decline and see Russia as a “one-crop economy” with corrupt institutions and insurmountable demographic and health problems. Others argue that with reform and modernization, Russia will be able to surmount these problems and that the leadership is headed in this direction. President Medvedev has issued a sweeping call “for Russia to modernize its economy, wean itself from a humiliating dependence on natural resources and do away with Soviet-style attitudes that he said were hindering its effort to remain a world power.” But as Katynka Barisch of the Centre for European Reform argues, Russian leaders’ concept of modernization is too state led, and problematic because public institutions function so badly. “An innovative economy needs open markets, venture capital, free thinking entrepreneurs, fast bankruptcy courts and solid protection of intellectual property.” Instead there is “wide-spread monopolies, ubiquitous corruption, stifling state-interferences, weak and contradictory laws.” Dysfunctional government and pervasive corruption make modernization difficult. A Russian economist says flatly that “there is no consensus in favor of modernization.”¶ Whatever the outcome, because of its residual nuclear strength, its great human capital, its skills in cyber-technology, its location in both Europe and Asia, Russia will have the resources to cause major problems or to make major contributions to a globalized world. In that sense, Obama was right. We all have an interest in Russian reform.

#### Aff solves their turns- Privatization allows Russia to be re-integrated into the global gas market

Riley 2012 (Alan Riley, Professor, City Law School, City University, London, September 17, 2012, “Resetting Gazprom in the Golden Age of Gas,” European Energy Review, http://www.europeanenergyreview.eu/site/pagina.php?id=3853#artikel\_3853)

The overriding issue for Gazprom is to ensure that gas delivered to market can compete profitably in spot markets where indexation will have less and less sway. This focus on keeping costs low and efficiency suggests that the Russian Federation and Gazprom are also going to have to grasp the most painful part of any reset: liberalisation of the Russian gas market. This does not have to be a full European style liberalization but it does require creating pressures to push prices down and encourage throughput. One option for a Russian approach to liberalization would be to adopt the Thatcher government technique of introducing golden shares which allow the state to call and control companies that have been privatized. ¶ It would be possible to design a Russian gas market where there was a privately owned gas pipeline network, Moscow owned a minority of the shares but maintained a golden share to ensure supply security and state interests were protected. Meanwhile a series of baby Gazproms would provide supply in competition with Novatek and others. Some of the baby Gazproms would be privatized and some sold to foreign investors. Those holding key supply facilities would also be subject to golden shares. This Russian approach to liberalization would allow more competition, more foreign investment and increase cost pressure while giving the state the means to maintain a significant degree of control. ¶ Such a Gazprom reset would provide for a much more successful innovative Russian gas market. The baby Gazproms could grow into major international players and the privatized Russian gas network company would find it much easier to acquire network assets across the continent without regulatory or political fears. ¶ The argument against such a reset is the traditional one that the Kremlin would never accept any form of breakup of the existing Gazprom. That however overlooks the scale of the threats that Gazprom faces. The compelling question for the Kremlin is: what is the alternative? Gazprom can continue to defend its old business model. However, that would be fighting a rearguard action. There is no future for the company in defending every last stronghold of its current market until market forces dislodge it stronghold by stronghold. The danger for Gazprom is that it ends up the supplier of last resort for Europe.¶ If the Russian Federation does not recognize the range of threats faced by Gazprom and take effective action to protect its European market and profitability, Russian gas will be utterly marginalized. Gazprom will lose profitability, revenue and influence. Does President Putin in his third term really want to preside over the decline of Gazprom?

#### Russia’s economy is structurally doomed without reform

Shuman 2011 (Michael Shuman, B.A. in Asian history and political science from the University of Pennsylvania and a master of international affairs from Columbia, September 30, 2011, “State capitalism vs the free market: Which performs better?,” TIME Magazine, http://business.time.com/2011/09/30/state-capitalism-vs-the-free-market-which-performs-better/

But most of all, anyone who believes in state capitalism should take a visit to Russia, which I did recently for a recent story in TIME magazine. Once considered a premier state capitalist, Russia’s economy is now being strangled by the state. Under Prime Minister (and formerly President) Vladimir Putin, the state reasserted its authority, regaining its dominance over key sectors of the economy, especially the crucial oil and gas industry. Putin also redistributed oil money by increasing government spending and the size of the civil service. That sparked a pre-crisis consumer boom, but today the story is much different. State enterprises, favored by overbearing bureaucrats, are crowding out the private sector. World Bank surveys show Russia is becoming a harder and harder place to do business. Endemic corruption has soured the investment climate. Private capital is fleeing the country. Because of those problems, growth has never recovered to its pre-crisis levels, and most economic forecasts don’t expect it will anytime soon. Even senior policymakers within the Kremlin are doubting the future of Russia’s state capitalist model. One of them is Arkady Dvorkovich, a reform-minded economic adviser to President Dmitri Medvedev. Those who admire state capitalism “don’t know what they’re saying,” he told me in a very forthright interview. “This way of doing things has exhausted all its potential, so we need to change policies.”¶ Ironically, what Russia and the other state capitalists need is a strong dose of market reform – deregulation to free up entrepreneurship; better rule of law to attract investment; greater emphasis on commercial viability to prevent wasteful investment. So even though it is true that free capitalism has fallen on hard times, a better system has not yet emerged. State capitalism is not the solution.

### 1AC Navy

#### Shale production has peaked and is now crashing- supply crunch imminent

Nelder 2012 (Chris Nelder, Energy Analyst, Consultant and Investor, February 8, 2012, “Everything you know about shale gas is wrong,” Smart Planet, http://www.smartplanet.com/blog/energy-futurist/everything-you-know-about-shale-gas-is-wrong/341)

But now there’s even more bad news: U.S. gas production appears to have hit a production ceiling, and is actually declining in major areas. The startling revelation comes from a new paper published today by Houston-based petroleum geologist and energy sector consultant Arthur Berman. Berman reached this conclusion by compiling his own production history of U.S. shale gas from a massive data set licensed from data provider HPDI. His well-by-well analysis found that total U.S. gas production has been on an “undulating plateau” since the beginning of 2009, and showed declines in some areas in 2011. This stands in stark contrast to recent data provided by the EIA, which shows shale gas production rising steadily for the past two years, and well into the future. The EIA’s forecast is bullish because it’s mainly a view of demand, without great regard for supply limits. But their historical supply data differs for a reason that will be no surprise to experienced observers: the data is bad. The EIA gets its data on shale gas production by sampling the reports of major operators, then applying a formula to estimate how much gas is actually being produced, according to Berman. This may explain why they only have official monthly historical production data for the two years (unofficially, three) of 2008 and 2009, and only annual data for 2010 and 2011. This has been a big red flag to me in my recent work on shale gas, accustomed as I am to EIA’s far more detailed and up-to-date monthly and weekly data on oil, and has made it nearly impossible to verify the claim that we’ve had “booming” gas production over the past two years. Data is also available directly from the states, but some states have flawed reporting processes, the granularity and reporting frequency varies (as low as every six months, in the case of Pennsylvania), and ultimately the data isn’t available in a usable format. It’s also inaccurate and incomplete, as one Pittsburgh newspaper recently found out. Berman reached the same conclusion, noting in his paper that “the data that EIA makes available does not have sufficient resolution to evaluate individual plays or states.” So he had to build his own database. An unprofitable treadmill One reason for the recent slowdown in production growth is that “unconventional” shale gas wells have to make up for the decline of conventional gas wells, which has accelerated from 23 percent per year in 2001 to 32 percent per year today. The U.S. now needs to replace 22 billion cubic feet per day (Bcf/d) of production each year just to maintain flat supply. Currently, all shale gas plays together produce around 19 Bcf/d. The shift to unconventional gas has put us on a production treadmill: We have to keep drilling like mad to maintain output because unconventional wells are far less productive and shorter-lived than conventional gas wells. Berman observes that an average gas well in Texas in 2010 produces one-fifth as much gas as an average conventional gas well did in 1972. In 1972, 23,000 gas wells produced 7.5 trillion cubic feet in Texas; in 2010, it took 102,000 wells to produce 6.4 trillion cubic feet. Another reason was that the spurt of production created a gas glut and drove prices far below the level of profitability. Data from a January, 2012 presentation by the CEO of gas operator Range Resources showed that gas needs to sell for at least $4 per million BTU in order for operators to turn a profit. Source: Jonathan Callahan, The Oil Drum. Data from Range Resources. Berman is certain that the $4 threshold applies to new drilling on existing plays only; after accounting for land leasing, overhead and debt service, the threshold would be much higher. In any case, we can see that production flattened out when prices fell below $4 at the beginning of 2009. Source: Arthur Berman. Data from Natural Gas Intelligence. A gas price below $3 spells real trouble for operators, and flagging production is but the first effect. The next is debt: According to analysis by ARC Financial Research, the 34 top U.S. publicly traded shale gas producers are currently carrying a combined $10 billion quarterly cash flow deficit. And finally, there will the destruction of forward supply, as new development grinds down. Financing further development with debt in this environment will be extremely difficult, and eventually even the joint-venture sugar daddies that have sustained operators over the past few months will get cold feet. Without a reversal in price, gas production is guaranteed to decline. The gas gold rush is over Indeed, Berman concludes that “the gold rush is over at least for now with the less commercial shale plays.” Within the major producing areas of the U.S., which account for 75 percent of production, all except Louisiana have been either flat or declining in recent years. Overall, he sees evidence that 80 percent of existing U.S. shale gas plays are already approaching peak production. Rig counts have been falling, and major operators such as Chesapeake Energy and ConocoPhilips have announced slowdowns in drilling in the last month. The two major plays that do not show evidence of peaking yet are the newer ones: the Marcellus Shale in Pennsylvania and the Haynesville Shale in Louisiana. To see the influence of these two plays on overall production, compare the first chart below, which shows production from all shale plays, to the second, which removes production from those two plays: Source: Arthur Berman Source: Chart by Chris Nelder, from Arthur Berman’s worksheets The Haynesville surpassed the Barnett Shale in Texas last year as the top-producing shale play in the U.S., but it may be reaching a production plateau now. Worse, Berman’s analysis finds that despite its impressive production, the Haynesville is among the least economic of the shale plays, requiring gas prices above $7.00 per thousand cubic feet to sustain new drilling profitably, and nearly $9.00 per thousand cubic feet after accounting for leasing and other costs. (One thousand cubic feet is roughly equivalent to one million BTU.) A word of caution is in order here: A one-year decline in production in an unprofitable environment is not proof that shale gas has “peaked.” It’s certainly possible that renewed drilling could bring higher production when gas prices rise again. The operative question in that case is when. If gas prices recover within the next year or two, it will be relatively easy to bring new wells online rapidly. But if gas prices languish for longer than that, the most productive “core” areas of the plays could become exhausted because the wells deplete so quickly. Without sustained new drilling to replace their production, by the time producers begin drilling again in the remaining, less productive prospects, an air pocket could form in the supply line. Disinformation and diffusion theory Berman admits that it’s strange for his bottom-up analysis to produce results that are so wildly divergent from the claims of the operators and the data offered by the EIA. “I ask myself: Where could we be wrong?” he explained. “We’ve looked at the individual wells and it looks like they’ll produce less gas than the operators say, so where could we be wrong? Likewise on cost: There are no retained earnings, so how could they be saying they’re profitable?” Having scrutinized the financial reports of operators, Berman concludes that operators are being honest with the SEC, because if they aren’t, somebody will go to jail. But then they’re telling a very different story to the public, and to investors, particularly regarding their costs. This isn’t necessarily nefarious; it’s really just a way of working around the natural risks associated with new resource development. They’re playing for the future, not for immediate profitability. Early wildcatters gambled on debt-fueled drilling with the hope that they’d be able to hold the leases long enough to see prices rise again and put them nicely in the black, or flip them at a profit to someone who could. And the profit picture is substantial: according to the Range Resources presentation, when gas is $6, they’ll be realizing a 135 percent internal rate of return. “I think these companies realize—clearly—that the U.S. is moving toward a gas economy,” Berman observes. “The natural gas industry has been very successful at screwing up the coal industry. . . a huge part of the demand is from the power generation business. The President now thinks, incorrectly, that we’ve got 100 years of natural gas. [Operators think] ‘If we can just get all this land held, drilled, etc., then in a couple of years when the price recovers we’re going to make a fortune’. . . and they’re right!” I am inclined to agree. My own analysis suggests that [gas is trouncing coal](http://www.smartplanet.com/blog/energy-futurist/regulation-and-the-decline-of-coal-power/275) in the power generation sector. I am also strongly against exporting LNG, because it will increase domestic costs across the board, another point on which Berman and I agree. “If they go through with the permits to export LNG, then that’s gonna seal it,” he remarked. “All you have to do is commit to 20-year contracts to ship a few bcf per day. . . I fear what’s really going to happen is that we’re going to have to start importing LNG.” Ultimately, we have to ask why there seems to be such an enormous disconnect between the reality of the production and reserve data, and the wild-eyed claims of operators and politicians. Berman’s answer is blunt: “We’re in a weird place where it’s not in anybody’s vested interest to say that things aren’t wonderful,” he said, and went on to relate a few stories of his encounters with politicians. They admitted to him, straight-up, that they can’t tell the public the truth about energy issues like gas reserves and peak oil because nobody wants to hear it, and they’ll just wind up getting voted out of office. “This gets back to basic diffusion theory,” Berman muses, “where only 5 percent of people base their decisions on information, while the other 95 percent make decisions on what everybody else thinks.” That sounds right to me. It benefits everyone involved to tell happy lies, and benefits no one to own up to the current reality. That is true for everyone from the operators right on up to the President. Perhaps in the end—like government—we’ll simply get the energy policy we deserve.

#### Shale supplies are overstated- numerous conflicts of interest and methodological errors invalidate their studies- growing demand independently makes shocks inevitable

Nelder 2011 (Chris Nelder, Energy Analyst, Consultant and Investor, December 29, 2011, “Is there really 100 years’ worth of natural gas beneath the United States?,” Slate, http://www.slate.com/articles/health\_and\_science/future\_tense/2011/12/is\_there\_really\_100\_years\_worth\_of\_natural\_gas\_beneath\_the\_united\_states\_.single.html)

The recent press about the potential of shale gas would have you believe that America is now sitting on a 100-year supply of natural gas. It's a "game-changer." A "golden age of gas" awaits, one in which the United States will be energy independent, even exporting gas to the rest of the world, upending our current energy-importing situation.¶ The data, however, tell a very different story. Between the demonstrable gas reserves, and the potential resources blared in the headlines, lies an enormous gulf of uncertainty.¶ The claim of a 100-year supply originated with a report released in April 2011 by the Potential Gas Committee, an organization of petroleum engineers and geoscientists. President and Chairman Larry Gring works with Third Day Energy LLC, a company based in Austin, Texas, that is engaged in acquiring and exploiting oil and gas properties along the Texas Gulf Coast.\* Chairman of the Board Darrell Pierce is a vice president of DCP Midstream LLC, a natural-gas production, processing, and marketing company based in Denver. The report's contributors are from the industry-supported Colorado School of Mines. In short, the Potential Gas Committee report is not an impartial assessment of resources.¶ Its website consists of a single press release announcing the April report, with a link to a brief summary slide deck. A more detailed slide deck issued by the committee presents some optimistic estimates of potential resources, including a "future gas supply" estimate of 2,170 trillion cubic feet (tcf). At the 2010 rate of American consumption—about 24 tcf per year—that would be a 95-year supply of gas, which apparently has been rounded up to 100 years.¶ But what is that estimate based upon? Those details haven’t been made freely available to the public, but their summary breaks it down as follows here and in the graph below: 273 tcf are "proved reserves," meaning that it is believed to exist, and to be commercially producible at a 10 percent discount rate. That conforms with the data of the U.S. Energy Information Administration. An additional 536.6 tcf are classified as "probable" from existing fields, meaning that they have some expectation that the gas exists in known formations, but it has not been proven to exist and is not certain to be technically recoverable. An additional 687.7 tcf is "possible" from new fields, meaning that the gas might exist in new fields that have not yet been discovered. A further 518.3 tcf are "speculative," which means exactly that. A final 176 tcf are claimed for coalbed gas, which is gas trapped in coal formations. (Note: The PGC reports the total for probable, possible, and speculative coalbed gas as 158.6 tcf, but adding up their numbers for each category, we find the correct total is 157.7 tcf. We haven't been able to reach the PGC to discuss the discrepancy. Adding the 18.6 tcf of proved coalbed gas reserves reported by the EIA in 2009—the most recent data it offers—to the 157.7 gives a total of 176.3 tcf for all categories of coalbed gas.¶ By the same logic, you can claim to be a multibillionaire, including all your "probable, possible, and speculative resources."¶ Assuming that the United States continues to use about 24 tcf per annum, then, only an 11-year supply of natural gas is certain. The other 89 years' worth has not yet been shown to exist or to be recoverable.¶ Even that comparably modest estimate of 11 years’ supply may be optimistic. Those 273 tcf are located in reserves that are undrilled, but are adjacent to drilled tracts where gas has been produced. Due to large lateral differences in the geology of shale plays, production can vary considerably from adjacent wells.¶ The EIA uses a different methodology to arrive at its resource calculations, offering a range of estimates. In the most optimistic, "high shale resource case," it estimates there are 1,230 tcf in the “estimated unproved technically recoverable resource base.” It also offers several production forecasts through 2035, ranging from 827 tcf in their Reference case, to 423 tcf in their Low case—one-fourth the headline number. In the Low case, which certainly could be correct, the EIA says the United States could once again become a net natural-gas importer by 2035.¶ One complicating factor here is recoverability, because we are never able to extract all of an oil or gas resource. For oil, a 35 percent recovery factor is considered excellent. But recovery factors for shale gas are highly variable, due to the varied geology of the source rocks. Even if we assume a very optimistic 50 percent recovery factor for the 550 tcf of probable gas (536.6 tcf from shale gas plus 13.4 tcf from coalbed gas), that would still only amount to 225 tcf, or a 10-year supply. That plus the 11-year supply of proved reserves would last the United States just 21 years, at current rates of consumption.¶ Natural-gas proponents aren't advocating current rates of consumption, however. They would like to see more than 2 million 18-wheelers converted to natural gas, in order to reduce our dependence on oil imports from unfriendly countries. They also advocate switching a substantial part of our power generation from coal to gas, in order to reduce carbon emissions. Were we to do those things, that 21-year supply could quickly shrink to a 10-year supply, yet those same advocates never adjust their years of supply estimates accordingly.¶ The truly devilish details of supply forecasts, however, rest in the production models of shale-gas operators.¶ Arthur Berman, a Houston-based petroleum geologist and energy sector consultant, along with petroleum engineer Lynn Pittinger, has long been skeptical of the claims about shale gas. Their detailed, independent work on the economics of shale-gas production suggests that not only are the reserves claims overstated, but that the productivity of the wells is, too.¶ The problems begin with the historical production data, which is limited. The Barnett Shale in Texas is the only shale formation, or "play," with a significant history. The first vertical well was drilled in 1982, but it wasn't until the advent of horizontal drilling in 2003 that production really took off. By horizontally drilling and then "fracking" the rock with a pressurized slurry of water, chemicals, and "proppants" (particulates that hold open the fractures), operators kicked off the shale-gas revolution. Drilling exploded in the Barnett from about 3,000 wells in 2003 to more than 9,000 today. Thus we have a reasonably good data set for the Barnett. Data from the Fayetteville Shale in Arkansas are also reasonably substantial, dating back to 2004 and including roughly 4,000 wells. The data on the Haynesville Shale in Louisiana are minimal, dating to late 2007 and including fewer than 2,000 wells. The historical data for the rest of the major shale-gas plays—the Marcellus, Eagle Ford, Bakken, and Woodford—along with a handful of other smaller plays, are too recent and sparse to permit accurate modeling of their production profiles.¶ After mathematically modeling the actual production of thousands of wells in the Barnett, Fayetteville, and Haynesville Shales, Berman found that operators had significantly exaggerated their claims. Reserves appear to be overstated by more than 100 percent.¶ Typically, the core 10 to 15 percent of a shale formation’s gas is commercially viable. The rest may or may not be—we don’t know at this point. Yet the industry has calculated the potentially recoverable gas as if 100 percent of the plays were equally productive.¶ The claimed lifetime productivity, or estimated ultimate recovery, of individual wells was also overstated, Berman found. The production decline curves modeled by well operators predict that production will fall steeply at first, followed by a long, flattened tail of production. Berman's analysis found a better fit with a model in which production falls steeply for the first 10 to 15 months, followed by a more weakly hyperbolic decline. Shale-gas wells typically pay out over one-half their total lifetime production in the first year. So operators must keep drilling continuously to maintain a flat rate of overall production.¶ Berman concludes that the average lifetime of a Barnett well might be as little as 12 years, instead of the 50 years claimed by operators, and the estimated ultimate recovery from individual wells might be one-half what is claimed. We will only know which models are correct after another five to 10 years for the Barnett, and more than a decade for the newer plays.¶ Other issues Berman identified include artificially inflating the average well productivity numbers by dropping played-out wells from their calculations; improperly including production data from restimulated wells as if it owed to the initial well completions; and intermixing data from older and newer wells without aligning the data by vintage, giving the impression of significantly higher-than-actual production overall.¶ Multiplying the error, operators seem to have applied their overly optimistic models of these older shale plays to newer plays, which may have radically different geological characteristics and might not be nearly as productive. For example, the lifetime output of Barnett wells may never be matched by wells in the Marcellus.¶ The EIA makes reference to all of these issues in its assessment of the prospects for shale gas, noting that “there is a high degree of uncertainty around the projection, starting with the estimated size of the technically recoverable shale gas resource,” and that “the estimates embody many assumptions that might prove to be untrue in the long term.” Yet none of these issues are properly accounted for in the official financial statements of the operators.¶ An example of how inflated initial resource claims can be, and how they can be sharply cut, presented itself in August with a new assessment of the Marcellus shale by the U.S. Geological Survey. It offered a range of estimates, from 43 tcf at 95 percent probability, to 84 tcf at 50 percent probability, to 114 tcf at 5 percent probability. (Not surprisingly, the 95 percent probable estimates have proven historically to be closest to the mark.) Only five months earlier, the EIA speculated in its Annual Energy Outlook 2011 that the Marcellus might have an "estimated technically recoverable resource base of about 400 trillion cubic feet." The USGS reassessment had slashed the estimate for the Marcellus by 80 percent. Similar adjustments may be ahead for other shale plays.

#### Causes massive price spikes and inverts US position in global gas markets

Powers 2012 (Bill Powers, interview with The Energy Report, editor of Powers Energy Investor and 15 years experience researching the energy sector, “US Shale Gas Supplies won't Last Ten Years: An Interview with Bill Powers,” Oil Price, http://oilprice.com/Finance/investing-and-trading-reports/US-Shale-Gas-Supplies-wont-Last-Ten-Years-An-Interview-with-Bill-Powers.html)

The shale gas "miracle" is overhyped and bound to disappoint. That's what energy expert Bill Powers argues in his upcoming book. But Powers tells The Energy Report that this could be a very good thing for oil and gas companies and their shareholders, and he is placing his bets accordingly.¶ The Energy Report: Bill, you have a new book coming out next spring entitled "Cold, Hungry and in the Dark: Exploding the Natural Gas Supply Myth." What is your basic argument?¶ Bill Powers: My thesis is that the importance of shale gas has been grossly overstated; the U.S. has nowhere close to a 100-year supply. This myth has been perpetuated by self-interested industry, media and politicians. Their mantra is that exploiting shale gas resources will promote untold economic growth, new jobs and lead us toward energy independence.¶ In the book, I take a very hard look at the facts. And I conclude that the U.S. has between a five- to seven-year supply of shale gas, and not 100 years. That is far lower than the rosy estimates put out by the U.S. Energy Information Administration and others. In the real world, many companies are taking write-downs of their reserves.¶ Importantly, I give examples of how certain people and institutions are promoting the shale gas myth even as they benefit from it economically. This book will change a lot of opinions about how large the shale gas resources really are in the U.S. and around the planet.¶ TER: How did you obtain your information?¶ BP: I spent three years doggedly researching this book. Most of the information came from publicly available sources. I used a fair amount of work done by Art Berman, who has written the forward for the book. Art is a leading expert on determining the productivity of shale gas plays. I contacted a lot of other geologists and petroleum engineering professionals and had them review my conclusions about declining production.¶ Put simply: There is production decline in the Haynesville and Barnett shales. Output is declining in the Woodford Shale in Oklahoma. Some of the older shale plays, such as the Fayetteville Shale, are starting to roll over. As these shale plays reverse direction and the Marcellus Shale slows down its production growth, overall U.S. production will fall. At the same time, Canadian production is falling. And Canada has historically been the main natural gas import source for the U.S. In fact, Canada has already experienced a significant decline in gas production—about 25%, since a peak in 2002—and has dramatically slowed its exports to the United States.¶ TER: What does this mean for investors?¶ BP: The decline is a set-up for a gas crisis, a supply crunch that will lead to much higher prices similar to what we saw in the 1970s.¶ Interestingly, during the lead-up to that crisis, the gas industry mounted a significant advertising campaign trumpeting the theme, "There's plenty of gas!" Now, it is true that there was a huge ramp-up for gas during the post-World War II period that lasted through the late 1960s as demand for gas for the U.S. manufacturing base grew rapidly. But we hit a production peak in the early 1970s during a time of rapidly growing demand. This led to a huge spike in prices that lasted until 1984.¶ It was very difficult to destroy demand, so the crisis was resolved by building hundreds of coal-fired power plants and dozens of nuclear power plants. But today, gas-fired plants are popular as we try to turn away from coal. This time around, those options are no longer available. Nuclear plants are still an option, but the time and money involved in keeping our aging nuclear power plant fleet operational, let alone building new plants, will be quite significant.¶ TER: How will the contraction of the natural gas supply affect its price?¶ BP: We will see a new equilibrium price for gas at much higher levels than the present. I vehemently disagree with industry observers who say that the U.S. is the next big exporter of liquefied natural gas (LNG). I believe that the U.S. will soon be increasing LNG imports, and that U.S. prices will move back to world levels.¶ We are currently seeing between $13 per thousand cubic feet (Mcf) and $15/Mcf in South America as Brazil and Argentina import LNG. We're seeing $17/Mcf in Japan and similar prices in Korea. The only place that is not increasing its LNG imports right now is Europe, and that is being made up for by increasing demand in Asia.

#### Cheap natural gas enables new steel processes- revitalizes the industry

Daltorio 1/16 (Tony Daltorio, contributing writer to Money Morning, “Cheap Natural Gas Prices Give Hope to this U.S. Industry,” Money Morning, http://moneymorning.com/2013/01/16/cheap-natural-gas-prices-give-hope-to-this-u-s-industry/)

The steel industry saw robust growth between 2004 and 2006 when global steel prices rose by more than 20% a year.¶ But since 2009, steel producers have been lucky to see any price increases at all due to chronic overcapacity in the industry.¶ According to the American Iron and Steel Institute, the U.S. steel industry capacity utilization rate is at 74%. Industry profit margins are particularly vulnerable any time this rate is below 80%.¶ Before the financial crisis in 2008, domestic capacity utilization in the steel industry was at a robust 91%, but the steel business has not seen a good earnings period since.¶ According to Bloomberg News, the country's largest steel producer, United States Steel (NYSE: X), is forecast to post its fourth consecutive annual loss when it releases earnings Jan. 29. Bloomberg says steel producer Nucor Corp. (NYSE: NUE) will have $504 million in net income for 2012, less than one-third of what it was in 2008.¶ The industry remains in survival mode in much of the globe.¶ But a technology in steel production that takes advantage of cheap natural gas will start to play into the steel industry recovery. Here's how.¶ Cheap Natural Gas Prices to the Rescue¶ Steel producers are using natural gas for direct-reduced-iron technology, or DRI.¶ DRI heats iron ore - the main ingredient in steel - to a temperature high enough to burn off the carbon and oxygen content but retain the iron.¶ This is instead of using coal-power blast furnaces to heat and thereby separate or "reduce" iron from the other minerals found in iron ore. According to the World Steel Association, this method accounts for 94% of global iron output.¶ Nucor says by using DRI iron can be produced for approximately $324 a ton. That is about $82 a ton, or 20%, less than using a conventional blast furnace to reduce iron.¶ DRI also makes smoother, stronger steel.¶ Michelle Applebaum, managing partner at consultancy Steel Market Intelligence, told Bloomberg "That technology has been around for 30 years, but for 29 years gas prices in the U.S. were so high that the technology was not economical. This is how steel will be built in the future."¶ If Applebaum is correct, good news lies ahead for the domestic steel industry.¶ There are five plants in the works that would substitute natural gas for coal to reduce iron.¶ Nucor is building a plant in Louisiana, which it plans to start-up in mid-2013. In addition, Austrian steelmaker Voestalpine AG said last month it may build a $660 million mill here in the United States to take advantage of cheap natural gas. India's Essar Global is also eyeing such a plant in Minnesota and Australia's Bluescope Steel and Cargill plan one in Ohio.¶ Looks like thanks to low natural gas prices, a new day is dawning for the U.S. steel industry.

#### Key to upstream stability and downstream innovations that cement naval power

Shaiken 2002 (Harley Shaiken, global economy professor at UC Berkeley, March 22, 2002, Detroit News, online)

But because an advanced industrial economy needs a vibrant steel industry, not just a source of steel products, the U.S. steel industry needs some temporary resuscitation and long-term structural support to survive. More than 30 firms have gone bankrupt since 1998 -- and far more would likely have fallen over the edge without President George W. Bush's recent modest measures. The hard lesson of this debacle might well have been that it's easier to see an industry like steel implode than to rebuild it when it's needed. Why does America need a steel industry? Steel executives want to keep their companies afloat and the steelworkers union wants to preserve members' jobs. But beyond their immediate concerns, an important, long-term public interest is involved. First, steel provides critical linkages throughout manufacturing. A healthy steel industry can spur innovations in downstream industries such as autos. These industries would enjoy earlier access to new processes and products. U.S. steel firms, for example, are spearheading an international consortium on advanced vehicle concepts. It doesn't help that three of the largest U.S. firms involved are in bankruptcy. Second, steel remains an important source of well-paid, middle-class jobs. While more than 70,000 jobs are threatened at bankrupt steel producers, an additional 250,000 jobs at suppliers and firms dependent on steelworker spending are impacted, according to Professor Robert Blecker at American University. A collapsing steel industry cuts a wide swath of destruction through communities. Finally, a domestic industry provides more stable sources of supply, which is pivotal in a national security crisis. Steel is genuinely a strategic industry unless we are thinking about aluminum aircraft carriers and mahogany tanks.

#### Plan revitalizes shipbuilding industry

Mason 2011 (Joseph Mason, Senior Fellow, The Wharton School, Louisiana State University Endowed Chair of Banking and nationally-renowned economist, April 6, 2011, House Natural Resources Subcommittee on Energy and Mineral Resources Hearing; Fisheries, Wildlife, Oceans and Insular Affairs Legislative Hearing on H.R. 306, H.R. 588, S. 266 and H.R. 285, Lexis)

Apart from national energy concerns, however, economic considerations also favor increased development of OCS energy resources. Specifically, the boost provided to local onshore economies by offshore production would be particularly welcome in the present economic climate. Similar to fiscal alternatives presently under consideration, OCS development would provide a long-run economic stimulus to the U.S. economy because the incremental output, employment, and wages provided by OCS development would be spread over many years. Unlike those policies, however, this stimulus would not require government expenditures to support that long-term growth. A. The Present State of Offshore U.S. Oil and Gas Production Despite its importance, U.S. oil and natural gas production in offshore areas is currently limited to only a few regions. At the present time, oil and gas is only actively produced off the coast of six U.S. states: Alabama, Louisiana, Mississippi, Texas, California, and Alaska. The Energy Information Administration (EIA) reports that Alabama, Louisiana, Mississippi, and Texas are the only coastal states that provide access to all or almost all of their offshore energy resources. Only two additional states--Alaska and California--are producing any offshore energy supplies. All California OCS Planning Areas and most Alaska OCS Planning Areas, however, were not open to any new facilities until the recent end of the Congressional and Presidential moratoria. The remaining 16 coastal states are not open to new production and are not presently extracting any offshore energy resources. Even without those remaining sixteen states, plus California and Alaska, the OCS is already the most important source of U.S. energy supplies. According to the MMS, "the Federal OCS is a major supplier of oil and natural gas for the domestic market, contributing more energy (oil and natural gas) for U.S. consumption than any single U.S. state or country in the world." That is, OCS production presently meets more U.S. energy demand than any other single source, including Saudi Arabia. B. Offshore Oil Production Stimulates Onshore Economies Offshore oil and gas production has a significant effect on local onshore economies as well as the national economy. There are broadly three "phases" of development that contribute to state economic growth: (1) the initial exploration and development of offshore facilities; (2) the extraction of oil and gas reserves; and (3) refining crude oil into finished petroleum products. Industries supporting those phases are most evident in the sections of the Gulf of Mexico that are currently open to offshore drilling. For example, the U.S. shipbuilding industry - based largely in the Gulf region - benefits significantly from initial offshore oil exploration efforts. Exploration and development also requires specialized exploration and drilling vessels, floating drilling rigs, and miles and miles of steel pipe, as well as highly educated and specialized labor to staff the efforts. The onshore support does not end with production. A recent report prepared for the U.S. Department of Energy indicates that the Louisiana economy is "highly dependent on a wide variety of industries that depend on offshore oil and gas production" and that offshore production supports onshore production in the chemicals, platform fabrication, drilling services, transportation, and gas processing. Fleets of helicopters and U.S.-built vessels also supply offshore facilities with a wide range of industrial and consumer goods, from industrial spare parts to groceries. As explained in Section IV.G, however, the distance between offshore facilities and onshore communities can affect the relative intensity of the local economic effects. The economic effects in the refining phase are even more diffuse than the effects for the two preceding phases. Although significant capacity is located in California, Illinois, New Jersey, Louisiana, Pennsylvania, Texas, and Washington, additional U.S. refining capacity is spread widely around the country. As a result, refinery jobs, wages, and tax revenues are even more likely to "spill over" into other areas of the country, including non-coastal states like Illinois, as those are home to many refining and chemical industries that ride the economic coattails of oil exploration and extraction. II. OFFSHORE OIL AND GAS RESERVE ESTIMATES AND THE SOURCES OF THEIR ECONOMIC BENEFITS As described in my 2009 white paper, "The Economic Contribution of Increased Offshore Oil Exploration and Production to Regional and National Economies," available at www.americanenergyalliance.org/images/aea\_offshore\_updated\_final.pdf, significant oil and gas reserves lie under the U.S. Outer Continental Shelf (OCS). According to the Energy Information Administration (EIA), the OCS (including Alaskan OCS Planning Areas) contains approximately 86 billion barrels of recoverable oil and approximately 420 trillion cubic feet of recoverable natural gas. As noted by the White House, however, the OCS estimates are conservative. Of the total OCS reserves, a significant portion was unavailable to exploration until recently. Specifically, Presidential and Congressional mandates banned production from OCS Planning Areas covering approximately 18 billion barrels of recoverable oil and 77.61 trillion cubic feet of recoverable natural gas. These bans covered approximately 31 percent of the total recoverable OCS oil reserves and 25 percent of the total recoverable OCS natural gas reserves. Economic benefits of utilizing OCS reserves accrue from three primary sources: (1) exploration/platform investments; (2) production; and (3) refining. Sources (1) and (3) produce initial effects--that is, new industry expenditures--today; in contrast, source (2) produce economic effects only once production begins. The analysis therefore considers "initial" economic effects as those that flow from exploration or investments in new refining capacity and long-term economic effects as those that flow from production and ongoing refining. A. Exploration and Offshore Facility Development In contrast to other industries, the high fixed investment costs associated with offshore oil and gas production produce large initial investments that reverberate throughout the economy. Once oil or gas reserves are located, billions of additional dollars must be spent before the well produces even $1 of revenue. For example, oil exploration costs can amount to between $200,000 and $759,000 per day per site. Additional production in the U.S. will also require a costly expansion refining capacity as well. Taken together, the fixed expenditures that precede actual offshore oil and gas production can amount to billions of dollars. For example, Chevron's "Tahiti" project in the Gulf of Mexico is representative of the large investments that firms must make before production is achieved. In 2002, Chevron explored the Tahiti lease--which lies 100 miles off the U.S. coast at a depth of 4,000 feet--and found "an estimated 400 million to 500 million barrels of recoverable resources." Chevron estimates that it will take seven years to build the necessary infrastructure required to begin production at Tahiti. The firm estimates that its total development costs will amount to "$4.7 billion--before realizing $1 of return on our investment." As a typical U.S. offshore project, the Tahiti project provides a wealth of information regarding the up-front investment costs, length of investment, and lifespan of future OCS fields. As noted above, the Tahiti field is estimated to hold between 400 million and 500 million barrels of oil and oil equivalents (primarily natural gas) and is expected to require an initial fixed investment of $4.7 billion. Using the mid-point reserve estimate of 450 million barrels of oil equivalent, up-front development costs amount to approximately $10.44 per barrel of oil reserves or $1.86 per 1,000 cubic feet of natural gas reserves. These costs will be spread over 7 years, resulting in average up-front development expenditures equal to $1.49 per barrel of oil and $0.27 per 1,000 cubic feet of natural gas. Chevron also estimates that the Tahiti project will produce for "up to 30 years". Although investment and production times vary widely, the analysis that follows uses the Tahiti project numbers - an average initial investment period of seven years followed by an average production period of 30 years - as indicative of the "typical" offshore project. I will thus assume an average initial investment period of seven years followed by an average production period of 30 years. The speed of OCS development also factors into the analysis. Because most areas of the U.S. OCS have been closed to new exploration and production for almost forty years, it is unclear how quickly firms would move to develop new offshore fields. Given its large potential reserves, however, the OCS is sure to attract significant investment. Without the benefit of government data, a rough estimate suggests that annual total investment in OCS fields would be $9.09 billion per year. Those annual expenditures are expected to last, on average, the full seven years of the development phase. Additional investment in states that already support significant production - Alabama, Louisiana, Mississippi, and Texas - are limited. Some of the greatest benefits accrue to areas that are home to enormous - but unavailable - total reserves: California and Florida. B. Production The likely value of state recoverable oil and gas reserves are estimated using the likely lifetime revenue that could be generated by the project. In that case, average wholesale energy prices provide the information necessary to translate reserves into revenues. Taking the simple average of the EIA's latest inflation-adjusted energy price forecasts through 2030 as provided by its Annual Energy Outlook 2009, the average inflation-adjusted price of oil will be $110.64 per barrel and the average inflation-adjusted price of natural gas will be $6.83 per thousand cubic feet. At these prices, the estimated OCS reserves are worth about $13 trillion. The value of each state's available reserves are calculated as the sum of (1) its share of available OCS Planning Area oil reserves times $110.64 per barrel and (2) its share of available OCS Planning Area natural gas reserves times $6.83 per thousand cubic feet. The same method applies to the valuation of total state OCS reserves. By those estimation methods, states such as California, facing a budget crisis in the current recession, have an estimated $1.65 trillion in resources available in nearby OCS planning areas. Florida, while not facing as dire a fiscal crisis, has about $0.55 trillion in resources available in nearby OCS planning areas. Hence, a permanent relaxation of all federal OCS production moratoria would unlock more than $3.4 trillion in new production among all the coastal states. C. Investments in Incremental Refining Capacity Since U.S. refineries are presently operating near maximum capacity increased offshore oil and gas production would also spur investment in new refineries. The U.S. refining industry is presently operating at 97.9 percent of capacity and can no longer depend on excess foreign refining to meet production shortfalls arising from seasonality or repairs. In response, many large refiners are already considering refinery expansions: ConocoPhillips announced that it planned to spend $6.5 billion to $7 billion on capacity expansion at its U.S. facilities; Chevron has also considered a major refinery expansion; and while Shell is completing a $7 billion expansion and its Port Arthur, Texas refinery they are considering further expansion elsewhere. Additional refinery investments are likely to occur in the few U.S. states that already host significant U.S. refineries. This result is largely due to environmental restrictions that severely limit the placement of new refining capacity. Current capacity is primarily concentrated in California, Louisiana, and Texas. The U.S. presently has an operating refining capacity of approximately 6.287 billion barrels of crude oil per year. Conservative estimates of OCS production would add approximately 3.773 billion barrels per year, or about sixty percent of current U.S. operating refinery capacity. Because some OCS refining production would most likely substitute for foreign production, however, the analysis conservatively assumes that only one-quarter of this new OCS production necessitates additional U.S. refinery capacity. That is, I estimate that U.S. refinery demand would increase by 943.25 million barrels per year, or 15 percent of current installed capacity. Even this modest capacity increase would require substantial new investments. In response to existing capacity constraints, Shell is already increasing the capacity of its Port Arthur, Texas refinery. This expansion will take approximately two and one-half years to complete and cost $7 billion. The facility will add 325,000 barrels per day (or 118.6 million barrels per year) in new capacity, at a cost of approximately $59.02 per barrel of new annual capacity. As noted above, since tough environmental regulations effectively limit new refinery capacity to a few states, refinery investments are likely to be limited to only a few states with large existing capacity. These states can be reasonably assumed to be the same states the already have large installed refinery capacity. Hence, incremental refinery capacity will be added predominantly in states already home to large refining capacity--those with a present capacity of more than 200 million barrels per year. There are seven such states: California, Illinois, Louisiana, New Jersey, Pennsylvania, Texas, and Washington. Expected increases in offshore oil production will induce approximately $22 billion in refining capacity investments each year for two and one half years. California, Texas, and Louisiana will receive the bulk of this investment, but investments of more than $1 billion annually can be expected in Illinois, New Jersey, Pennsylvania, and Washington. III. INCREASED INVESTMENTS IN OFFSHORE OIL AND GAS PRODUCTION WILL CAUSE SUBSTANTIAL INCREASES IN WAGES, EMPLOYMENT, AND TAXES, AND PROFOUND EFFECTS ON COMMUNITIES THROUGHOUT THE NATION Onshore state and local economies benefit from the development of OCS reserves by providing goods and services to offshore oil and gas extraction sites. Onshore communities provide all manner of goods and services required by offshore oil and gas extraction. A variety of industries are involved in this effort: shipbuilders provide exploration vessels, permanent and movable platforms, and resupply vessels; steelworkers fashion the drilling machinery and specialized pipes required for offshore resource extraction; accountants and bankers provide financial services; and other onshore employees provide groceries, transportation, refining, and other duties. These onshore jobs, in turn, support other jobs and other industries (such as retail and hospitality establishments). The statistical approach known as an "input-output" analysis measures the economic effects associated with a particular project or economic development plan. This approach, which was pioneered by Nobel Prize winner Wassily Leontif, has been refined by the U.S. Department of Commerce. The most recent version of the Commerce Department's analysis is known as the Regional Input-Output Modelling System, or "RIMS II." The RIMS II model provides a variety of multipliers that measure how an economic development project--such as offshore drilling--would "trickle down" through the economy providing new jobs, wages, and government revenues. This analysis can be broken down into two parts: (1) a "direct" analysis measuring the benefits that arise from industries that directly supply offshore oil and gas exploration and (2) the "final" analysis that measures the direct and indirect benefits associated with offshore exploration. The RIMS II model is the standard method governmental authorities use to evaluate the benefits associated with an economic development project. According to the Commerce Department, the RIMS II model has been used to evaluate the economic effects of many projects, including: opening or closing military bases, tourist expenditures, new energy facilities, opening or closing manufacturing plants, shopping malls, sports stadiums, and new airport or port facilities. A. Opening OCS Planning Areas would Unleash More than $11 trillion in Economic Activity The broadest measure of the incremental effect of increased OCS oil and natural gas extraction is the effect on total economic output. Until OCS production begins, onshore communities will realize only the benefits associated with offshore investment. These benefits take two forms: (1) the development of the offshore facilities themselves and (2) the expansion of onshore refining capacity. These two effects, taken together, provide a rough approximation of the additional output that would be created by allowing greater access to offshore reserves. Of course, the investment expenditures and resulting output estimated above is only made to facilitate oil and gas extraction. Once extraction begins, additional economic activity continues for the lifetime of the oil and natural gas reserves. Using the total U.S. multipliers (2.2860 for refining and 2.3938 for extraction), the total increase in U.S. output from initial investment is estimated to be a total of about $0.5 trillion, or approximately $73 billion per year for the first seven years the OCS is open. For comparative purposes, a $73 billion stimulus amounts to approximately 0.5 percent of total U.S. output (GDP) per year. Increased OCS oil and gas extraction would yield approximately $5.75 trillion in new coastal state output over the lifetime of the fields. Approximating the total increase in output associated with increasing offshore resource production throughout the U.S. (including states in the interior), yields approximately $2.45 trillion in additional output. The total increase in output in the United States is estimated to total approximately $8.2 trillion or about $273 billion per year, which amounts to just over two percent of GDP. Because the OCS areas are currently unavailable, the entire amount--$8.2 trillion--is completely new output created by a simple change in policy allowing resource extraction in additional OCS Planning Areas. B. Opening OCS Planning Areas could Create Millions of New Jobs An economic expansion tied to increased OCS resource production would also create millions of new jobs both in the extraction industry and in other sectors that serve as suppliers or their employees. The annual increase in coastal state employment from initial investments in previously unavailable OCS planning areas and additional refining capacity is estimated to be 185,320 full-time jobs per year. Again, this number does not consider the spill-over effects of investment in productive capacity and refining to other U.S. states. The total increase in U.S. employment from the investment phase is approximately 271,570 full-time jobs per year. Applying the BEA multipliers to the estimated production value results in approximately 870,000 coastal state jobs in addition to the jobs created during the initial investment phase. Again, the total increase in U.S. employment in all states (including those in the interior) resulting from increased OCS production is 340,000 greater, for a total of approximately 1,190,000 jobs be sustained for the entire OCS production period. Increased investment and production in previously unavailable OCS oil and gas extraction and the ancillary industries that support the offshore industry would produce thousands of new jobs in stable and valuable industries. Among the 271,572 jobs created in the investment phase and sustained during the first seven years of the investment cycle. The majority of new positions (162,541 jobs, or 60 percent) would be created in high-skills fields, such as health care, real estate, professional services, manufacturing, administration, finance, education, the arts, information, and management. Although the largest total increase in employment in the production phase would occur (quite naturally) in the mining industry, significant numbers of jobs would be created in other industries. Again, many of these new jobs would be created in high-skills fields, representing approximately 49 percent of all new jobs and approximately 61 percent of all new non-mining jobs. C. Opening OCS Planning Areas can Release Trillions of Dollars of Wages to Workers Hit by Recession Those jobs pay wages. OCS development is estimated to yield approximately $10.7 billion in new wages in coastal states each year. OCS production would yield approximately $1.406 trillion in additional wage income to workers in coastal states over the lifetime of the fields (or $46 billion per year over 30 years). Across the U.S., the investment phase would generate approximately $15.7 billion in additional annual wages per year for the first seven years and $70 billion per year for the next thirty years, or approximately $2.1 trillion in additional wage income. BLS data suggest that all four broad industry classifications related to oil and gas extraction pay higher wages and similar jobs in other industries. Jobs in: (1) Oil and Gas Extraction, (2) Pipeline Transportation of Crude Oil, (3) Petroleum and Coal Products Manufacturing, and (4) Support Activities for Mining, typically pay higher wages than the average American job. Taking this broader measure, the average job created by increased offshore oil and gas production pays approximately 28 percent more than the average U.S. job. D. Opening OCS Planning Areas can Contribute Trillions of Dollars in Taxes and other Public Revenues to Local, State, and Federal Governments Greater output, more jobs, and higher wages translate into higher tax collections and increases in other sources of public revenues. The MMS Report to Congress suggests that public revenues derived from OCS extraction are significant--the U.S. federal government has collected more than $156 billion in lease and levy payments for OCS oil and natural gas production. Note that this amount counts only lease and royalty payments and thus does not include any sales and income taxes paid by firms or workers supported by OCS production. Conservative estimates suggest that seven years of initial annual exploration and refining investments would produce approximately $4.8 billion annually in coastal state and local tax revenue and $11.1 billion in U.S. federal tax income. Over thirty years of production, I estimate that the extraction phase of OCS development would yield approximately $561 billion ($18.7 billion per year) in coastal state and local tax revenue and approximately $1.64 trillion ($54.7 billion per year) in new U.S. federal tax income.

#### Key to naval power

ICAF 2011 (The Industrial College of the Armed Forces, National Defense University, CDR Marc Batsford, Canadian Navy¶ Ms. Olivia Bradley, Dept of the Navy CAPT Alan Cusi, Philippine Navy¶ Mr. Juan Figueroa, Dept of Homeland Security CAPT Scott Galbreaith, US Navy¶ LtCol Stephen Jost, US Air Force¶ CDR Chris Mitchell, Canadian Navy¶ Mr. Mike Resnick, US Marine Corps¶ Mr. Bryan Riley, Bell Helicopter - Textron LtCol R.L. Shea, US Marine Corps¶ CDR Paul Steinbrenner, US Navy¶ Mr. Andrew Squire, Esq. US Coast Guard CDR Brett Stevens, US Navy¶ LTC Rob Wiley, US Army Reserve¶ Dr. Mark Montroll, Faculty¶ Dr Linda Brandt, Faculty¶ Dr. Seth Weissman, Faculty VADM James Perkins (Ret), Faculty, Spring 2011, “Final Report Shipbuilding Industry,” http://www.ndu.edu/es/programs/academic/industry/reports/2011/pdf/icaf-is-report-shipbuilding-2011.pdf)

The United States is a maritime nation, reliant on the world‘s vast oceans and waterways for transportation, resources, and defense. Shipbuilding and repair have historically been an essential domestic industry supporting both military and commercial interests. The defense shipbuilding industry has provided warships and support vessels that are vital to maintaining America‘s maritime supremacy and protecting its national security interests and key partners abroad.1¶ The unprecedented economic challenges facing the shipbuilding industry threaten the sustainability of America‘s primacy on the seas. The current US national debt profile is unsustainable and a clear threat to not only the national fiscal health but also the national defense maritime industry. Sustainment of a stable and healthy defense shipbuilding industry is critical to this nation maintaining its position as a global superpower, for which dominance of the maritime domain is so important.¶ US warships are acknowledged to be the best in the world. The American fleet is capable of missions centered on influencing events ashore by countering both land- and sea-based military forces of potential regional threats—including non-state terrorist organizations—using world class precision-guided air delivered weapons, tomahawk-capable ships, sophisticated C4ISR systems and networks, and unmanned vehicles.2 Clearly, defense shipbuilding remains a key element of our military instrument of power, making the viability of the shipbuilding and repair industry a vital national security interest.

#### \*Scalability key and builds resilience

Holmes 2012 (James R. Holmes, not the Dark Knight Rises shooter, associate professor of strategy at the US Naval War College, June 26, 2012, “U.S. Navy’s Quantity Problem,” Flashpoints, The Diplomat, http://thediplomat.com/flashpoints-blog/2012/06/26/u-s-navys-quantity-problem/)

As naval technology gallops on, can fleets execute the same missions with fewer assets?¶ Eminent people say so; I have my doubts.¶ Officials like U.S. Defense Secretary Leon Panetta and Undersecretary of the Navy Robert Work point to scientific and technical advances that supposedly render numbers of ships and aircraft less meaningful than in bygone decades. Unmanned reconnaissance aircraft able to detect, classify, and track hostile contacts across wide sea areas and feed targeting information to U.S. Navy task forces represent one such innovation. Sea-service leaders also point out that warships now entering service are far more technologically advanced than the ones they replace.¶ The message, seemingly, is that quantity no longer has much quality of its own.¶ Yet there’s an otherworldly feel to such claims. It’s certainly true that each new generation of ships, warplanes, sensors, and weaponry is far more capable in an absolute sense than the generations that went before. True, but not especially meaningful.¶ One of today’s Arleigh Burke-class Aegis destroyers, for example, would surely outclass an Aegis cruiser from the early 1980s, when that combined radar/fire-control system first went to sea on board USS Ticonderoga.¶ So what?¶ In most respects the Ticonderoga (in which I spent two happy months cruising the Baltic Sea in 1989) vastly outmatched its ancestors from Adm. Chester Nimitz’s Pacific Fleet, or from Adm. George Dewey’s flotilla at Manila Bay. Such comparisons tell us little about our prospects in battle today. We build against present-day competitors, not our Cold War, World War II, or Spanish-American War selves.¶ Combat power is a relative thing, then, not an absolute one. We may be more capable. So are our competitors.¶ The only standard that matters is how well ships, aircraft, and weaponry perform against today’s adversaries in today’s tactical setting – not on battlegrounds of yore. As prospective antagonists mount fiercer, more sophisticated defenses of offshore seas and skies, navies must keep improving just to keep pace with the competition. By that unforgiving standard, it’s far from clear that American men-of-war have vaulted past their predecessors.¶ Furthermore, the fleet’s complexion is changing. In some cases, the Navy is replacing retired vessels not with like vessels of new design but with lesser – and less capable – ship types. Speaking at the 2012 Shangri-La Dialogue last month, Secretary Panetta announced that the Navy will take delivery of forty new warships in the coming years. That sounds impressive. But what kinds of hulls comprise that forty? The single-mission Littoral Combat Ships (LCS), for example, aren’t descendants of the multi-mission Oliver Hazard Perry frigates they replace. The Perrys were built to perform picket duty with the battle fleet, fending off aerial, surface, and subsurface threats. The lightly armed LCS has important diplomatic and maritime-security uses. It is no frigate.¶ This uneven shipbuilding program will dilute the fleet’s aggregate combat power at a time when the threat environment has grown increasingly stressful – witness the proliferation of air-independent diesel submarines, stealthy missile craft, antiship cruise and ballistic missiles, and other hardware useful for disputing U.S. access to “contested zones” around the world. Secretary Work’s boast that the low-end LCS will “kick [the] asses” of foes it encounters may be true. But it misleads. It’s one thing to apply a boot to the posterior of a pirate in a skiff, quite another to enter the lists against the likes of China’s People’s Liberation Army. The LCS is eminently qualified to do the former, but ill-suited to the latter.¶ Sea power is an interactive business in which prospective opponents may attempt to veto U.S. actions, and increasingly possess the wherewithal to make their veto stick. Whether the United States can accomplish the same globe-spanning goals it has pursued for decades with fewer assets is doubtful. A mismatch among policy, strategy, and forces looms.¶ Carl von Clausewitz advises statesmen and commanders to undertake campaigns in “secondary” theaters only if the likely gains are “exceptionally” promising, the enterprise contributes to success in the principal theater, and it does not imperil efforts in the principal theater. Only “decisive superiority” in the main theater justifies secondary efforts. Abiding by this formula requires setting priorities – namely, determining which zones on the map are critical and which are not. The corollary is that a nation should wind down military commitments in nonessential theaters in order to concentrate resources where needed most.¶ But declaring that some regions or missions are more important than others evidently demands that global powers make a hard mental leap. Few and far between are leaders like Adm. Jacky Fisher, the British first sea lord who brought home – and mostly scrapped – the Royal Navy’s detached squadrons of gunboats and light combatants a century ago. Fisher’s decision freed up resources and manpower in the Far East and North America that the navy sorely needed to gird itself for its arms race with Imperial Germany. Staying ahead of the German High Seas Fleet, which threatened the British Isles, constituted the greater priority by far.¶ Fin de siècle Britain pivoted homeward, largely evacuating U.S. and Asian waters and trusting to local powers to guard its interests there. It accepted risk while unloading foreign commitments. By contrast, I could retire comfortably tomorrow if I had a dollar for every time in recent weeks I’ve heard a U.S. official or pundit insist that Secretary of State Hillary Clinton’s metaphor of a “pivot” to Asia had to be discarded because it implied that America was turning its back on regions outside Asia. Hence the switch to the more neutral, less evocative term “rebalance.” But it’s worth rediscovering Clausewitz’s remorseless logic and Fisher’s clear vision and pugnacity. Washington ought to reacquaint itself with setting priorities.¶ History is unkind to sea powers that invent fudge factors – golly-gee technology, tactical mastery, indomitable élan – to explain away numerical shortfalls. The interwar Imperial Japanese Navy had boundless faith in Japanese seafarers’ resolve and tactical virtuosity. Commanders talked themselves into believing that these intangibles would negate superior U.S. Navy numbers. Their navy now litters the bottom of the Pacific – in large part because Rosie the Riveter and her comrades turned out warships and merchantmen like sausages during World War II, overwhelming Japan with insurmountable numbers. Quantity does matter. Let’s not succumb to the sort of thinking that beguiled Tokyo in those fateful years.

#### Naval decline unleashes numerous nuclear conflicts

Eaglen 2011 (Mackenzie Eaglen, research fellow for national security at the Heritage Foundation, and Bryan McGrath, former naval officer and director at Delex Consulting, Studies and Analysis, May 16, 2011, “Thinking About a Day Without Sea Power: Implications for U.S. Defense Policy,” Heritage Foundation, http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy)

Global Implications. Under a scenario of dramatically reduced naval power, the United States would cease to be active in any international alliances. While it is reasonable to assume that land and air forces would be similarly reduced in this scenario, the lack of credible maritime capability to move their bulk and establish forward bases would render these forces irrelevant, even if the Army and Air Force were retained at today’s levels. In Iraq and Afghanistan today, 90 percent of material arrives by sea, although material bound for Afghanistan must then make a laborious journey by land into theater. China’s claims on the South China Sea, previously disputed by virtually all nations in the region and routinely contested by U.S. and partner naval forces, are accepted as a fait accompli, effectively turning the region into a “Chinese lake.” China establishes expansive oil and gas exploration with new deepwater drilling technology and secures its local sea lanes from intervention. Korea, unified in 2017 after the implosion of the North, signs a mutual defense treaty with China and solidifies their relationship. Japan is increasingly isolated and in 2020–2025 executes long-rumored plans to create an indigenous nuclear weapons capability.[11] By 2025, Japan has 25 mobile nuclear-armed missiles ostensibly targeting China, toward which Japan’s historical animus remains strong. China’s entente with Russia leaves the Eurasian landmass dominated by Russia looking west and China looking east and south. Each cedes a sphere of dominance to the other and remains largely unconcerned with the events in the other’s sphere. Worldwide, trade in foodstuffs collapses. Expanding populations in the Middle East increase pressure on their governments, which are already stressed as the breakdown in world trade disproportionately affects food importers. Piracy increases worldwide, driving food transportation costs even higher. In the Arctic, Russia aggressively asserts its dominance and effectively shoulders out other nations with legitimate claims to seabed resources. No naval power exists to counter Russia’s claims. India, recognizing that its previous role as a balancer to China has lost relevance with the retrenchment of the Americans, agrees to supplement Chinese naval power in the Indian Ocean and Persian Gulf to protect the flow of oil to Southeast Asia. In exchange, China agrees to exercise increased influence on its client state Pakistan. The great typhoon of 2023 strikes Bangladesh, killing 23,000 people initially, and 200,000 more die in the subsequent weeks and months as the international community provides little humanitarian relief. Cholera and malaria are epidemic. Iran dominates the Persian Gulf and is a nuclear power. Its navy aggressively patrols the Gulf while the Revolutionary Guard Navy harasses shipping and oil infrastructure to force Gulf Cooperation Council (GCC) countries into Tehran’s orbit. Russia supplies Iran with a steady flow of military technology and nuclear industry expertise. Lacking a regional threat, the Iranians happily control the flow of oil from the Gulf and benefit economically from the “protection” provided to other GCC nations. In Egypt, the decade-long experiment in participatory democracy ends with the ascendance of the Muslim Brotherhood in a violent seizure of power. The United States is identified closely with the previous coalition government, and riots break out at the U.S. embassy. Americans in Egypt are left to their own devices because the U.S. has no forces in the Mediterranean capable of performing a noncombatant evacuation when the government closes major airports. Led by Iran, a coalition of Egypt, Syria, Jordan, and Iraq attacks Israel. Over 300,000 die in six months of fighting that includes a limited nuclear exchange between Iran and Israel. Israel is defeated, and the State of Palestine is declared in its place. Massive “refugee” camps are created to house the internally displaced Israelis, but a humanitarian nightmare ensues from the inability of conquering forces to support them. The NATO alliance is shattered. The security of European nations depends increasingly on the lack of external threats and the nuclear capability of France, Britain, and Germany, which overcame its reticence to military capability in light of America’s retrenchment. Europe depends for its energy security on Russia and Iran, which control the main supply lines and sources of oil and gas to Europe. Major European nations stand down their militaries and instead make limited contributions to a new EU military constabulary force. No European nation maintains the ability to conduct significant out-of-area operations, and Europe as a whole maintains little airlift capacity. Implications for America’s Economy. If the United States slashed its Navy and ended its mission as a guarantor of the free flow of transoceanic goods and trade, globalized world trade would decrease substantially. As early as 1890, noted U.S. naval officer and historian Alfred Thayer Mahan described the world’s oceans as a “great highway…a wide common,” underscoring the long-running importance of the seas to trade.[12] Geographically organized trading blocs develop as the maritime highways suffer from insecurity and rising fuel prices. Asia prospers thanks to internal trade and Middle Eastern oil, Europe muddles along on the largesse of Russia and Iran, and the Western Hemisphere declines to a “new normal” with the exception of energy-independent Brazil. For America, Venezuelan oil grows in importance as other supplies decline. Mexico runs out of oil—as predicted—when it fails to take advantage of Western oil technology and investment. Nigerian output, which for five years had been secured through a partnership of the U.S. Navy and Nigerian maritime forces, is decimated by the bloody civil war of 2021. Canadian exports, which a decade earlier had been strong as a result of the oil shale industry, decline as a result of environmental concerns in Canada and elsewhere about the “fracking” (hydraulic fracturing) process used to free oil from shale. State and non-state actors increase the hazards to seaborne shipping, which are compounded by the necessity of traversing key chokepoints that are easily targeted by those who wish to restrict trade. These chokepoints include the Strait of Hormuz, which Iran could quickly close to trade if it wishes. More than half of the world’s oil is transported by sea. “From 1970 to 2006, the amount of goods transported via the oceans of the world…increased from 2.6 billion tons to 7.4 billion tons, an increase of over 284%.”[13] In 2010, “$40 billion dollars [sic] worth of oil passes through the world’s geographic ‘chokepoints’ on a daily basis…not to mention $3.2 trillion…annually in commerce that moves underwater on transoceanic cables.”[14] These quantities of goods simply cannot be moved by any other means. Thus, a reduction of sea trade reduces overall international trade. U.S. consumers face a greatly diminished selection of goods because domestic production largely disappeared in the decades before the global depression. As countries increasingly focus on regional rather than global trade, costs rise and Americans are forced to accept a much lower standard of living. Some domestic manufacturing improves, but at significant cost. In addition, shippers avoid U.S. ports due to the onerous container inspection regime implemented after investigators discover that the second dirty bomb was smuggled into the U.S. in a shipping container on an innocuous Panamanian-flagged freighter. As a result, American consumers bear higher shipping costs. The market also constrains the variety of goods available to the U.S. consumer and increases their cost. A Congressional Budget Office (CBO) report makes this abundantly clear. A one-week shutdown of the Los Angeles and Long Beach ports would lead to production losses of $65 million to $150 million (in 2006 dollars) per day. A three-year closure would cost $45 billion to $70 billion per year ($125 million to $200 million per day). Perhaps even more shocking, the simulation estimated that employment would shrink by approximately 1 million jobs.[15] These estimates demonstrate the effects of closing only the Los Angeles and Long Beach ports. On a national scale, such a shutdown would be catastrophic. The Government Accountability Office notes that: [O]ver 95 percent of U.S. international trade is transported by water[;] thus, the safety and economic security of the United States depends in large part on the secure use of the world’s seaports and waterways. A successful attack on a major seaport could potentially result in a dramatic slowdown in the international supply chain with impacts in the billions of dollars.[16]

#### Dominance renders great power wars obsolete

Eaglen 2011 (Mackenzie Eaglen, research fellow for national security at the Heritage Foundation, and Bryan McGrath, former naval officer and director at Delex Consulting, Studies and Analysis, May 16, 2011, “Thinking About a Day Without Sea Power: Implications for U.S. Defense Policy,” Heritage Foundation, http://www.heritage.org/research/reports/2011/05/thinking-about-a-day-without-sea-power-implications-for-us-defense-policy)

The U.S. Navy’s global presence has added immeasurably to U.S. economic vitality and to the economies of America’s friends and allies, not to mention those of its enemies. World wars, which destroyed Europe and much of East Asia, have become almost incomprehensible thanks to the “nuclear taboo” and preponderant American sea power. If these conditions are removed, all bets are off. For more than five centuries, the global system of trade and economic development has grown and prospered in the presence of some dominant naval power. Portugal, Spain, the Netherlands, the United Kingdom, and now the U.S. have each taken a turn as the major provider of naval power to maintain the global system. Each benefited handsomely from the investment: [These navies], in times of peace, secured the global commons and ensured freedom of movement of goods and people across the globe. They supported global trading systems from the age of mercantilism to the industrial revolution and into the modern era of capitalism. They were a gold standard for international exchange. These forces supported national governments that had specific global agendas for liberal trade, the rule of law at sea, and the protection of maritime commerce from illicit activities such as piracy and smuggling.[4] A preponderant naval power occupies a unique position in the global order, a special seat at the table, which when unoccupied creates conditions for instability. Both world wars, several European-wide conflicts, and innumerable regional fights have been fueled by naval arms races, inflamed by the combination of passionate rising powers and feckless declining powers.

#### \*Sea power key to maintenance of global trade

Eaglen and Sayers 2009 (Mackenzie Eaglen, Senior Policy Analyst, and Eric Sayers, Research Assistant for National Security at The Heritage Foundation, March 24, 2009, “A 21st Century Maritime Posture for an Uncertain Future,” Heritage, http://www.heritage.org/research/commentary/2009/03/a-21st-century-maritime-posture-for-an-uncertain-future)

Beyond the vagaries of history and human behavior, a central element of America's national strength is tied to maritime security and stability.¶ Only a secure global maritime environment will continue to ensure economic viability, and promote global freedom of trade and the movement of people. America's $14 trillion economy depends on maritime trade as its lifeline. Fully 95% of the nation's imports and 90% of total global commerce are carried by sea. In the last half century, whose defining feature has been a dramatic rise in overall global prosperity, global trade has grown 60% faster than the world's combined Gross Domestic Product.¶ With over 100 maritime shipping chokepoints around the world, and much of the world economy now operating around a just-in-time delivery business model that requires the steady flow of cargo, the U.S. cannot afford to leave these shipping lanes unprotected.

The same imperatives face developing nations like China and India, who see the ability to project maritime power as a rising national security priority. Chinese President Hu Jiantao has referred to his nation's need to secure the shipment of energy resources through the narrow Strait of Malacca as the "Malacca dilemma."¶ In 2008, the Heritage Foundation conducted a gaming exercise that simulated the effects on world oil supplies, demand, and prices following a series of terrorist attacks in the Persian Gulf and Pacific Asia. The findings demonstrated the vulnerabilities of the global system's capacity to produce and deliver oil supplies in the face of a concerted transnational terrorist threat. This exercise also suggests that major producer and consumer nations ,and key geostrategic allies who can act in concert with one another while protecting their own national interests, can ameliorate the severity of long-term disruptions.¶ The geographical proximity of a majority of the world's population to the seas (75% live within 200 miles of coastlines) has also ensured that coastal zones will become more immediate security concerns. Further, 65% of the world's oil and 35% of global gas reserves are resident in the littorals. The maritime consequences of weak and failed states have already been demonstrated off the coast of Somalia. Likewise, the trafficking of narcotics and proliferation of both conventional weapons and weapons of mass destruction is almost entirely a seaborne enterprise. U.S. Navy leaders are predicting a disorderly future world whose challenges are concentrated along its coasts. These problems will require a multi-faceted maritime solution that includes cooperation with the private sector, between agencies and services, and among nation states.¶ States are increasingly looking to the seas as a means to project power and secure their territorial and energy interests. Naval analyst Bob Work has observed the "United States may be on the leading edge of a broader, longer-term global naval competition, with either China or Russia, or perhaps both."¶ Emerging naval powers like China are beginning to challenge our Shipbuilding capabilities, with indigenous industrial bases that can produce high-quality maritime assets, in quantity. Indeed, China is in the middle of a peacetime naval buildup that is unprecedented in modern history. The People's Liberation Army's (PLA) foreign procurement and indigenous develop of anti-ship cruise missiles adds to the risks faced by America's major surface combatants.¶ Though Russia has a long way to go, its intent to again project power globally is leading to a national rearmament drive, beginning with the deployment of a more capable navy. Both Russia and China are also building, and in Russia's case, exporting, modern submarines. They are not alone. U.S. Navy leaders project a startling 280% growth in the number of submarines in operation around the world over the next 2 decades alone, with most of that growth occurring outside the United States or Europe. At the same time, today's Navy has fewer sailors than it has at any period since 1941, and is the smallest fleet since 1960.¶ An American Navy that cold be hedged from vital shipping lanes in times of crisis, or from key maritime theaters of operation, would sharply undercut America's global influence. Yet that is exactly the challenge poses by these and other trends.¶ The global proliferation of nuclear technology and ballistic missiles also presents challenges. The Chief of Naval Operations recently cautioned that every 3 years since the early 1990s, a nation becomes capable of launching ballistic missiles. Continuing the Navy's evolution into a key component of America's global Ballistic Missile Defense (BMD) mission will be one of its primary responsibilities in the decades ahead.

#### \*Protectionism lowers the threshold for all conflict – makes escalation more likely – causes a laundry list of impacts

Patrick 2009 (Stewart Patrick, senior fellow and director of the Program on International Institutions and Global Governance at the Council on Foreign Relations, March 2009 “Protecting Free Trade” The National Interest http://nationalinterest.org/article/protecting-free-trade-3060)

President Obama and his foreign counterparts should reflect on the lessons of the 1930s-and the insights of Cordell Hull. The longest-serving secretary of state in American history (1933-1944), Hull helped guide the United States through the Depression and World War II. He also understood a fundamental truth: "When goods move, soldiers don't." In the 1930s, global recession had catastrophic political consequences-in part because policymakers took exactly the wrong approach. Starting with America's own Smoot Hawley Tariff of 1930, the world's major trading nations tried to insulate themselves by adopting inward looking protectionist and discriminatory policies. The result was a vicious, self-defeating cycle of tit-for-tat retaliation. As states took refuge in prohibitive tariffs, import quotas, export subsidies and competitive devaluations, international commerce devolved into a desperate competition for dwindling markets. Between 1929 and 1933, the value of world trade plummeted from $50 billion to $15 billion. Global economic activity went into a death spiral, exacerbating the depth and length of the Great Depression. The economic consequences of protectionism were bad enough. The political consequences were worse. As Hull recognized, global economic fragmentation lowered standards of living, drove unemployment higher and increased poverty-accentuating social upheaval and leaving destitute populations "easy prey to dictators and desperadoes." The rise of Nazism in Germany, fascism in Italy and militarism in Japan is impossible to divorce from the economic turmoil, which allowed demagogic leaders to mobilize support among alienated masses nursing nationalist grievances. Open economic warfare poisoned the diplomatic climate and exacerbated great power rivalries, raising, in Hull's view, "constant temptation to use force, or threat of force, to obtain what could have been got through normal processes of trade." Assistant Secretary William Clayton agreed: "Nations which act as enemies in the marketplace cannot long be friends at the council table." This is what makes growing protectionism and discrimination among the world's major trading powers today so alarming. In 2008 world trade declined for the first time since 1982. And despite their pledges, seventeen G-20 members have adopted significant trade restrictions. "Buy American" provisions in the U.S. stimulus package have been matched by similar measures elsewhere, with the EU ambassador to Washington declaring that "Nobody will take this lying down." Brussels has resumed export subsidies to EU dairy farmers and restricted imports from the United States and China. Meanwhile, India is threatening new tariffs on steel imports and cars; Russia has enacted some thirty new tariffs and export subsidies. In a sign of the global mood, WTO antidumping cases are up 40 percent since last year. Even less blatant forms of economic nationalism, such as banks restricting lending to "safer" domestic companies, risk shutting down global capital flows and exacerbating the current crisis. If unchecked, such economic nationalism could raise diplomatic tensions among the world's major powers. At particular risk are U.S. relations with China, Washington's most important bilateral interlocutor in the twenty-first century. China has called the "Buy American" provisions "poison"-not exactly how the Obama administration wants to start off the relationship. U.S. Treasury Secretary Timothy Geithner's ill-timed comments about China's currency "manipulation" and his promise of an "aggressive" U.S. response were not especially helpful either, nor is Congress' preoccupation with "unfair" Chinese trade and currency practices. For its part, Beijing has responded to the global slump by rolling back some of the liberalizing reforms introduced over the past thirty years. Such practices, including state subsidies, collide with the spirit and sometimes the law of open trade. The Obama administration must find common ground with Beijing on a coordinated response, or risk retaliatory protectionism that could severely damage both economies and escalate into political confrontation. A trade war is the last thing the United States needs, given that China holds $1 trillion of our debt and will be critical to solving flashpoints ranging from Iran to North Korea. In the 1930s, authoritarian great-power governments responded to the global downturn by adopting more nationalistic and aggressive policies. Today, the economic crisis may well fuel rising nationalism and regional assertiveness in emerging countries. Russia is a case in point. Although some predict that the economic crisis will temper Moscow's international ambitions, evidence for such geopolitical modesty is slim to date. Neither the collapse of its stock market nor the decline in oil prices has kept Russia from flexing its muscles from Ukraine to Kyrgyzstan. While some expect the economic crisis to challenge Putin's grip on power, there is no guarantee that Washington will find any successor regime less nationalistic and aggressive. Beyond generating great power antagonism, misguided protectionism could also exacerbate political upheaval in the developing world. As Director of National Intelligence Dennis Blair recently testified, the downturn has already aggravated political instability in a quarter of the world's nations. In many emerging countries, including important players like South Africa, Ukraine and Mexico, political stability rests on a precarious balance. Protectionist policies could well push developing economies and emerging market exporters over the edge. In Pakistan, a protracted economic crisis could precipitate the collapse of the regime and fragmentation of the state. No surprise, then, that President Obama is the first U.S. president to receive a daily economic intelligence briefing, distilling the security implications of the global crisis.

### Plan

#### Plan: The United States Federal Government should substantially reduce restrictions on energy production of natural gas in the Outer Continental Shelf.

### Solvency

#### OCS natural gas is abundant- removing restrictions key to development and expectations of future supply

Medlock 2008 (Kenneth B. Medlock, fellow in Energy Studies at Rice University's James A Baker III Institute for Public Policy and an adjunct assistant professor in the Economics Department at Rice, July 13, 2008, “Open outer continental shelf,” http://www.chron.com/opinion/outlook/article/Open-outer-continental-shelf-1597898.php]

Of course, opening the OCS will not bring immediate supplies because it would take time to organize the lease sales and then develop the supply delivery infrastructure. However, as development progressed, the expected growth in supply would have an effect on market sentiment and eventually prices. Thus, opening the OCS should be viewed as a relevant part of a larger strategy to help ease prices over time because an increase in activity in the OCS would generally improve expectations about future oil supplies.¶ Lifting the current moratorium in the OCS would also provide almost 80 trillion cubic feet of technically recoverable natural gas that is currently off-limits. A recent study by the Baker Institute indicates that removing current restrictions on resource development in the OCS would reduce future liquefied natural gas import dependence of the United States and lessen the influence of any future gas producers' cartel.¶ There is currently drilling in certain areas of the OCS, in particular the western and central Gulf of Mexico where the MMS reports more than 4,000 active platforms. This activity accounts for about one-third of our nation's oil supply and one quarter of our natural gas.¶ Oil companies currently hold undeveloped leases. It has been argued, therefore, that it is not worth offering new areas for exploration. This is not a well-reasoned thesis. Commercial quantities of oil do not exist everywhere a well is drilled. If a company's assessment of the acreage under lease indicates it will not bear commercial quantities of oil and gas, then it will not be developed. Moreover, some leases are under study but drilling, which may happen eventually, has not yet begun. Oil companies with leases cannot simply hoard acreage without ramifications. In fact, they would be penalized by investors and shareholders with lower company share values for doing so.¶ The most vehement objection to opening the areas currently off limits in the outer continental shelf is made on environmental grounds. But, according to the MMS, the offshore drilling industry is one of the safest in the United States.

#### Removing restrictions key to 98% of our supply

Pyle 2012 (Thomas Pyle, President of the Institute for Energy Research, July 10, 2012, “Energy Department sneaks offshore moratorium past public; Jobs and oil-supply potential are shut down,” Lexis)

While the Obama administration was taking a victory lap last week after the 5-4 Supreme Court decision to uphold the president's signature legislative accomplishment, Obamacare, the Interior Department was using the media black hole to release a much-awaited five-year plan for offshore drilling. That plan reinstitutes a 30-year moratorium on offshore energy exploration that will keep our most promising resources locked away until long after President Obama begins plans for his presidential library. Given the timing, it is clear that the self-described "all of the above" energy president didn't want the American people to discover that he was denying access to nearly 98 percent of America's vast energy potential on the Outer Continental Shelf (OCS). ¶ The Outer Continental Shelf Lands Act (OCSLA) of 1953 provided the interior secretary with the authority to administer mineral exploration and development off our nation's coastlines. At its most basic level, the act empowers the interior secretary - in this case, former U.S. Sen. Kenneth L. Salazar of Colorado - to provide oil and gas leases to the highest-qualified bidder while establishing guidelines for implementing an oil and gas exploration-and-development program for the Outer Continental Shelf. In 1978, in the wake of the oil crisis and spiking gasoline prices, Congress amended the act to require a series of five-year plans that provide a schedule for the sale of oil and gas leases to meet America's national energy needs.¶ But since taking office, Mr. Obama and Mr. Salazar have worked to restrict access to our offshore oil and gas resources by canceling lease sales, delaying others and creating an atmosphere of uncertainty about America's future offshore development that has left job creators looking for other countries' waters to host their offshore rigs. More than 3 1/2 years into the Obama regime, nearly 86 billion barrels of undiscovered oil on the Outer Continental Shelf remain off-limits to Americans. Alaska alone has about 24 billion barrels of oil in unleased federal waters. The Commonwealth of Virginia - where Mr. Obama has reversed policies that would have allowed offshore development - is home to 130 million barrels of offshore oil and 1.14 trillion cubic feet of natural gas. But thanks to the president, Virginians will have to wait at least another five years before they can begin creating the jobs that will unlock their offshore resources.¶ Once you add those restrictions to the vast amount of shale oil that is being blocked, the administration has embargoed nearly 200 years of domestic oil supply. No wonder the administration wanted to slip its plan for the OCS under the radar when the whole country was focused on the health care decision.¶ But facts are stubborn things, and the Obama administration cannot run forever from its abysmal energy record. In the past three years, the government has collected more than 250 times less revenue from offshore lease sales than it did during the last year of the George W. Bush administration - down from $9.48 billion in 2008 to a paltry $36 million last year. Meanwhile, oil production on federal lands dropped 13 percent last year, and the number of annual leases is down more than 50 percent from the Clinton era.¶ Under the new Obama plan, those numbers will only get worse. The 2012-17 plan leaves out the entire Atlantic and Pacific coasts and the vast majority of OCS areas off Alaska. It cuts in half the average number of lease sales per year, requires higher minimum bids and shorter lease periods and dramatically reduces lease terms. Yet, somehow, we're supposed to believe that our "all of the above" president is responsible for increased production and reduced oil import.

#### Certainty is key- only the plan solves

Loris 2012 (Nicolas Loris, Fellow in the Roe Institute for Economic Policy Studies at the Heritage Foundation, August 6, 2012, “Senate Energy Bill: Good Start, Room for Improvement,” Heritage Foundation, http://www.heritage.org/research/reports/2012/08/domestic-energy-and-jobs-act-good-start-room-for-improvement)

Senator John Hoeven (R–ND) recently introduced the Domestic Energy and Jobs Act (DEJA), which would greatly expand access to energy and simplify burdensome regulations that prevent projects from coming online in a timely manner. While the legislation could be improved by further increasing access and removing the top-down energy planning, DEJA would still spur economic growth and drive energy production. Increasing Access to Energy DEJA would accept the State Department’s environmental review of the Keystone XL pipeline as sufficient and allow the state of Nebraska to reroute the pipeline to meet the state’s environmental concerns. The State Department studied and addressed risks to soil, wetlands, water resources, vegetation, fish, wildlife, and endangered species and concluded that construction of the pipeline would pose minimal environmental risk.[1] The construction of Keystone XL would allow up to 830,000 barrels of oil per day to come from Canada to the Gulf Coast and create thousands of jobs. DEJA also directs the Department of the Interior (DOI) to conduct a lease sale off the coast of Virginia. The 2.9 million acres 50 miles off the coast has an estimated 130 million barrels of oil and 1.14 trillion cubic feet of natural gas. Opening access off Virginia’s coast is long overdue, and the legislation only opens up a small portion of America’s territorial waters that are off limits. The Offshore Petroleum Expansion Now (OPEN) Act of 2012, also co-sponsored by Senator Hoeven, would replace President Obama’s 2012–2017 Outer Continental Shelf Oil and Gas Leasing Program with a much more robust plan that opens areas in the Atlantic and Pacific Oceans, in the Gulf of Mexico, and off Alaska.[2] Both DEJA and OPEN increase the royalties that states would receive from energy production, but both could go further to increase state involvement in offshore drilling decisions. Since onshore states already receive 50 percent of the royalties, Congress should also implement a 50/50 royalty-sharing program between federal and state governments involved in offshore drilling. Efficient Permitting and Leasing for All Energy Projects Another important component of DEJA is that it streamlines the permitting of all energy projects. Receiving a permit for any energy project, not just fossil fuels, takes entirely too long. Duplicative and unnecessary regulations slow the process and drive up costs. Furthermore, environmental activists delay new energy projects by filing endless administrative appeals and lawsuits. DEJA would create a manageable time frame for permitting for all energy sources to increase supply at lower costs and stimulate economic activity. DEJA also calls for an end to the lengthy permit process in the Natural Petroleum Reserve area of Alaska. It would require the DOI to approve drilling permits within 60 days and infrastructure permits within six months. Lease certainty is another critical issue. The act states that the DOI cannot cancel or withdraw a lease sale after the winning company pays for the lease. Ensuring that the federal government does not pull the rug out from under a company that wins the lease sale would provide the certainty necessary to pursue energy projects. Freeze and Study Environmental Regulations DEJA would also create transparency and accountability for Environmental Protection Agency (EPA) regulations by establishing an interagency committee that would report on the full economic impact of the rules implemented by the EPA that affect fuel prices. This includes any part of the production process that would be affected by greenhouse gas regulations. DEJA delays the implementation of Tier 3 fuel standards (designed to replace the Tier 2 regulations issued in 2000) that would lower the amount of sulfur in gasoline but could add 6–9 cents per gallon to the cost of manufacturing gasoline. The EPA has declared no measurable air quality benefits from these standards. DEJA delays the New Source Performance Standards for refineries, which would drive up the cost of gasoline for no measurable change in the earth’s temperature.[3] It would also delay new national ambient air quality standards for ozone, which are unnecessary because the ozone standard set by the EPA is already more than stringent enough to protect human health. Though the delays contained in DEJA underscore the problems with these regulations, the preferred approach would be to prohibit the implementation of these three standards altogether. DEJA would also prevent the DOI from issuing any rule under the Surface Mining Control and Reclamation Act of 1977 before 2014 that would adversely affect coal employment, reduce revenue from coal production, reduce coal for domestic consumption or export, designate areas as unsuitable for surface mining and reclamation, or expose the U.S. to liability by taking privately owned coal through regulation. While this temporary fix recognizes the federal overreach in coal production, a better approach would be to create a framework that restricts overregulation, empowers the states, balances economic growth and environmental well-being, and creates a timely permitting process for all aspects of coal production.[4] Energy Central Planning Unneeded DEJA would require the federal government to create production objectives for fossil fuels and renewable energy and allow the relevant agencies to make additional lands available to meet those objectives. The bill would also require the U.S. Geological Survey to establish a critical minerals list and create comprehensive policies to increase critical mineral production. A much simpler and effective solution would be to open all federal lands for energy production of all sources and allow the private sector to determine what sources of energy and what technologies meet America’s electricity and transportation fuel demand. Too often the use of critical minerals has been used as cover for subsidies and extensive government intervention in a major industry. If there are clear military needs for certain critical materials, these should be met by government action. Absent that, streamlining the bureaucracy that has expanded around mining and opening access is the only necessary federal action surrounding critical minerals.