

InfrastructureUSA

Guest on THE INFRA BLOG

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Conversation with Steve Anderson, Managing Director, InfrastructureUSA

Robbie Diamond

Oil We Use and Oil We Waste

People have to appreciate how much oil the United States uses every year. We use around 19 million barrels of oil, but our transportation sector uses about 70% of that oil consumed in the United States. Roughly 14 million barrels per day, our transportation sector alone consumes more oil than any national economy in the world. And when looking at how to solve this problem, there are three ways to do it. There's dealing with the vehicles themselves, there's dealing with the fuels, and then finally there's the infrastructure. And if you don't deal with the infrastructure, you actually get less benefit from dealing with the other two. So we're both, by not having an infrastructure system that works, not only threatening our economy, but we're also threatening our economic and national security because we all will be wasting more oil over time and we will not be getting the benefits of some of the solutions we have implemented to solve this problem.

Gas Prices & Recessions

US households now spend \$2,700 a year on gasoline, that's more than double what they were spending in 2002. A good example of this is when gasoline prices averaged around \$3.00 per gallon in 2010; US economic growth was trending positively or getting out of this slow growth environment. But then in the first half of 2011 gasoline prices rose by really only \$.90 per gallon and yet that sent GDP growth to near zero for the first quarter because it dampens consumer spending. And what you see by using so much oil and why people should care, is they have to make choices, many people between traveling to work or buying another TV or doing something else. And when you have such a consumer-based economy, every dollar is precious. And every dollar we're sending overseas because we're paying more for oil, that really hurts the economy. Every recession in the United States in modern times has been preceded by, or happened concurrently with a price spike. Right now oil holds a monopoly of our transportation sector, of this global mobile economy that we're also tied too. And really if they made the right choices and if this country made the right choices, so no longer you had a monopoly of oil as the only transportation fuel—oil and other liquid fuels are responsible for about 97-98%, there are no other substitutes. And so, for example, by moving to electric vehicles, where we use many more different fuel

types and have a fuel diversity, that would dramatically change the economic and national security of the United States and our position. As well as the types of trips we make. Thinking about that and the types of vehicles I said and the types of fuels, these will all really put the United States in a much stronger position going forward.

Infrastructure Investments

We need to shift the system from one where we're just paying a gas tax and have all these free services at our disposal, all these roads, to one that's based on dynamic tolling, vehicle miles traveled. It has to be more of a market-based system. And when you have a market-based system, the market and people will start making appropriate choices where they want to drive, how they want to drive or other types of systems they want, whether they want rail or public transit. And I think that that's very important; that we get away from what I call a Soviet style system, where you really, yes you pay a gas tax, but really it's a free good with no relationship to the money that we pay as citizens. And there the market will be making these decisions and consumers will be making. I think this idea where you have block grants that go to various states and everything else, I mean that should not be the way we're thinking about this. The decisions of Department of Transportation should be made on needs by the country, based on an economic cost-benefit analysis as well as the way people are using it and needing these services.

What Americans Want

It's very different what happens at the state level versus the federal level. You know on the state level, you see that citizens are much more supportive of infrastructure projects and to fund them when they see and are told the direct benefits that they'll get. They really have a sort of a touch and feel moment and they're willing to support it. Whereas as you get further up the system, I think it becomes much less about what they get—that the money will be spent wisely or they'll see the benefit of it. And really, hopefully, changing the system from one where we're just building projects so that we can put, you know, shovels in the ground as opposed to what we believe are the most high-reward, cost-benefit projects for the United States, that will have an impact on people's beliefs. But it's just, I think a function of what people see as sort of beyond their daily lives and somehow people who deal with transportation at the federal level will have to connect it to the real decisions of things that happen at the state level and into their, and into people's, daily lives. You know we really believe at SAFE that one should connect the decision to not only cost-benefit analysis but really connect the decisions to our oil use. It's hard to see how we grow our way out of this problem if every time we see some growth globally, and demand growing in countries that aren't in the United States, because there's one global market for oil, we get driven back into recession. So really we need to solve this problem. We need to make decisions based on how we're going to get a transportation

sector and infrastructure that is not only dependent on oil or minimizes the use of oil and drives through the alternatives. And I think those two things will maximize sort of support in the country to move forward with these projects.

Securing America's Future Energy (SAFE)

SAFE was founded to reduce US oil dependence for economic and national security reasons. We are concerned when one is looking at the wars we are fighting around the world and the increasing costs of oil to our economy, that this issue wasn't being addressed and that there are real solutions to solve this problem. The only problem is that you need to implement the policies years before you have the crisis. And so, when looking at the politics of this issue one could see that narrow interests were sort of beating out the broader interests of the American people. And so we decided to recruit CEOs of companies that use a lot of oil, who were speaking for us as consumers, as well as admirals and generals who have really been on the front line of fighting our energy security battle, making sure that the free flow of oil continues for ourselves and our allies. And that they needed to speak strongly to why the United States needs to implement policies and take actions around the country that would finally end this oil dependence. And by ending this oil dependence we are really addressing one of the greatest national security threats, probably, arguably, besides weapons of mass destruction.

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