**Submitted Testimony of Admiral Dennis C. Blair, Co-Chair, Commission on Energy and Geopolitics**
**U.S. House of Representatives Committee on Foreign Affairs**
**Hearing: "The Geopolitical Potential of the U.S. Energy Boom"**
**March 26, 2014**

## Introduction

Chairman Royce, Ranking Member Engel, and Members of the Committee, thank you for inviting me to participate in this very important hearing.

I currently serve as Co-Chair of the Commission on Energy and Geopolitics, a bipartisan group of former high-ranking U.S. military, diplomatic, and national security officials that have come together to explore the national security and foreign policy implications of the country's continued dependence on oil and evolving domestic energy outlook. The Commission is a project of Securing America's Future Energy (SAFE), a non-partisan, non-profit organization committed to improving U.S. economic and national security by reducing the country's dependence on oil. Our inaugural report, "Oil Security 2025: U.S. National Security Policy in an Era of Domestic Oil Abundance," explores the potential for rapidly increasing U.S. oil production to impact American foreign policy and national security in the coming decade and presents a series of recommendations designed to safeguard and advance U.S. interests.

As recently as five years ago, conventional wisdom among most energy and national security experts was that the United States was exhausting its domestic oil supplies while requiring ever larger quantities of fuel for transportation. These trends were locking the country into an increasingly import-dependent oil future that would have negative effects on U.S. national security and geopolitical standing and leave the economy dangerously exposed to physical supply interruptions and their accompanying oil price spikes. Serious concerns about this outlook dominated energy policy discussions, and—at least in part—led military and diplomatic policymakers to begin planning for a future in which the United States would continue to be heavily engaged in regional politics in major oil-producing regions, protecting critical energy infrastructure and guaranteeing the free flow of global oil supplies.

Today, the U.S. oil outlook has been dramatically altered by rapid developments in domestic energy markets that have shattered conventional wisdom and upended numerous long-held beliefs. Specifically, high oil prices and improvements in drilling technology have helped unlock massive light, tight oil (LTO) resources in North Dakota, Texas, and elsewhere. As a result, U.S. crude oil production that had dropped to 5 million barrels per day (mbd) in 2008 averaged 7.5 mbd in 2013 and is expected to reach 8.4 mbd in 2014. Though estimates vary widely, the Department of Energy recently forecast continued U.S. production growth for more than a decade. Alongside this rapid rise in domestic oil production, various economic, demographic, and policy factors have contributed to a stabilization in the long-term outlook for U.S. oil demand, with 2040 demand projected at 18.7 mbd compared to today's 18.9 mbd.

These changes will have profound consequences for the United States. While many dynamics are still evolving, a great deal of attention has already been given to the economic ramifications of domestic energy abundance, which are already proving beneficial. The national security, foreign policy, and geopolitical impacts of U.S. oil abundance are more complicated and less understood.

A wide range of market observers, policymakers, and other commentators have suggested that today's shifts in energy market dynamics, extrapolated to the future, will result in major changes in global economics and regional security dynamics—particularly in the Middle East and North Africa (MENA)—with attendant benefits for the United States. For example, as reliance on foreign oil supplies decreases, it is often suggested that the United States could disengage militarily from volatile oil-producing regions, clearing the way for a larger security role and increased burden-sharing by energy-hungry emerging economies, especially China and India. Although there may one day be some truth to such assertions, very little of this analysis is based on a rigorous framework for understanding energy market dynamics, and much of it ignores the potential for wide ranging uncertainty in current forecasts.

Nonetheless, shifts in U.S. energy supply are likely to have unexpected consequences for global energy suppliers, consumers, and even prices. While navigating such changes, the United States will need to balance a combination of sometimes competing interests—diplomatic, military, and economic. To best serve the national interest, U.S. policymakers will have to consider the potential of the various impacts and implications of U.S. oil abundance to initiate major changes in the global political and security environment.

In our inaugural report, released in January 2014, the Commission on Energy and Geopolitics presents a scenario-based analysis through 2025 to help explore the possible impacts of rising U.S. oil production on a host of countries and regions across the globe—specifically, the Middle East and North Africa, Sub-Saharan Africa, Russia, and China. By considering different outlooks for global oil demand and supply, the scenarios provide a framework for assessing the range of potential geopolitical impacts of U.S. oil abundance and what these impacts in turn could mean for national security and foreign policy.

A brief summary of our regional assessments is as follows:

*Middle East and North Africa*
The Middle East will remain crucial to the global oil supply system as both the largest oil producing region and the global market's swing producer. Despite falling slightly as a result of the boom, U.S. crude imports from the region still account for about one-quarter of our total imports. Further, the region typically provides one-quarter to one-third of global oil supply. We also must be prepared for violence and instability in the region—which can impact production centers, pipelines, and, most ominously, the three crucial maritime chokepoints in the region—to continue in the years ahead.

To make up for the reduction in U.S. demand, the destination for the region's oil exports is shifting toward non-OECD Asian countries. China has emerged as a major buyer in recent years. We expect this shift to continue in the years ahead.

Saudi Arabia remains effectively the only country in the world that can replace lost supplies for any meaningful period of time, and its ability and willingness to act as a swing producer will continue to be critical in determining prices and the degree of market stability. In Iran, oil production growth will remain limited through 2025, even if sanctions are removed relatively quickly. Significant production growth in Iraq will likely be tempered by continued political instability and sectarian violence. Finally, widespread political and economic stability concerns will continue to hamper output in North Africa.

Additionally, many countries in the Middle East have become dependent on high oil prices to meet increased spending demands stemming from the Arab Spring. If global prices for oil were to fall, budget shortages in oil-producing counties in the region could increase the chance of unrest.

*Sub-Saharan Africa*

Sub-Saharan Africa's oil trade with the United States is declining due to rising U.S. oil production and is unlikely to meaningfully rebound, forcing the region's producers to seek new markets and creating an opportunity for China to increase its ties in the region. Shipments are already re-orienting to Asia and Europe. The region's growing oil trade with China will deepen bilateral economic ties and could have long-term geopolitical implications, particularly if there is a receding U.S. presence in the region.

Many governments rely heavily on oil revenue, exposing them to price volatility and increasing their urgency to find new markets to replace lost trade with the United States. The region's reliance on oil as a source of export and government revenue will persist and extend beyond established oil producers like Angola and Nigeria. Domestic unrest, prompted by economic challenges and/or grievances about corruption, oil revenue sharing, or environmental degradation, would affect the stability of political systems and regimes, the investment climate, and oil output and production growth.

*Russia*

As its adversaries have learned again recently, geopolitics and energy go hand-in-hand for Russia. Russia's budget is highly reliant on oil revenues, and its economy is dangerously vulnerable to decreases in oil prices. Oil and gas revenues accounted for more than 50 percent of total federal budget revenue in 2012. A sharp change in oil prices in either direction could significantly affect Russia's foreign policy decisions. Sustained high oil prices, which supply Russia with ample revenues to weather short-term economic or market fallout, have helped to make actions like Russia's recent incursion into Ukraine more manageable for the government in Moscow.

Going forward, expanding or even maintaining oil production is expected to be difficult for Russia given depleted oil fields and the high cost of recovering untapped reserves. Private sector expertise could help unlock these resources more effectively, yet international oil companies have been increasingly reluctant to operate in the Russian market, due largely to political and business environment risks and uncertainty. Exacerbating the need for increased production is the fact that, without it, rising domestic oil demand will lead to lower export levels and reduced revenues.

Europe's demand for Russian oil—and to a lesser extent natural gas—is declining, prompting Russia to look to other regions—particularly Asia—for export growth. The shifting of oil and natural gas exports east is likely to create new geopolitical dynamics between major players.

*China*

China's rapid growth over the past two decades has seen it become a major world economy, and its oil demand has kept pace. Over the past five years, China has accounted for 75 percent of global demand growth and in 2013 surpassed the United States as the world's largest net oil importer. If current economic trends continue, Chinese oil demand will account for more than 40 percent of global demand growth through 2025.

China's exploding energy needs are making it far more reliant on imports. As a result, Beijing has deepened ties in the Middle East and Sub-Saharan Africa—notably, as U.S. imports from these regions decrease—and could be prompted to become more assertive as a global power as it looks for new markets to satisfy its thirst for oil. China's desire to diversify the sources of its imports and also decrease its reliance on unstable regions like the Middle East is also prompting it to increase ties with countries such as Russia, Kazakhstan, Venezuela, Brazil, and Angola. Furthermore, China's increasing vulnerability to supply disruptions could cause the nation to grow more assertive as a global power overall.

China has actively pushed—with some success—to increase domestic oil production and the country is currently the world's number four oil producer. Still, possibilities to increase domestic production remain challenging due both to offshore boundary disputes and the high costs and logistical challenges of accessing shale resources. Conventional oil production at mature domestic fields has largely peaked.

**Commission Policy Recommendations**

New U.S. oil production entering the global marketplace will create opportunities for gains in both economic and national security. Additional supplies from the United States will make the global oil market more stable and robust. The United States can regain greater flexibility in dealing with foreign policy challenges in major oil-producing countries and regions. The combination of rapidly declining import levels and greater reliance on North American partners will also lead to increased physical security of America's overall oil supplies.

Yet, despite these positive developments, the American economy will still be highly vulnerable to developments in the global oil market and the United States will continue to have vital national security interests in oil-producing countries. There are four fundamental reasons for this conclusion:

1. **The United States will remain a major consumer of oil in the coming decades, even if total volumes begin slowly declining by 2025.** In the Department of Energy's most recent forecasts, petroleum fuels remain America's largest source of primary energy in 2025, and still account for 92 percent of the country's transportation fuel. This dependence will leave the country economically—and therefore strategically—exposed to volatility in the global oil market, resulting in severe negative economic costs when prices fluctuate.

2. **The balance between global supply and demand is likely to remain relatively tight.** Across the four scenarios considered by the Commission, OPEC spare capacity in 2025 ranges from as low as 2 mbd to as high as 4.5 mbd. Even in the cases where oil prices are relatively low and spare capacity is relatively high, Saudi Arabia remains the world's swing producer, and the level of flexibility is never so substantial that disruptive geopolitical events in key oil-producing regions would not severely stress the supply system, creating ripple effects across the global economy, including the American economy.

3. **OPEC and other anti-competitive actors will continue to manipulate the global oil market for their own benefit at the expense of major oil consumers.** The presence of anti-competitive forces in the global oil market will endure as a serious policy challenge that leads to structurally higher oil prices over the long term. OPEC countries today control nearly three-fourths of global conventional oil supplies, a massive resource endowment of more than 1.2 trillion barrels. OPEC's members manipulate global supply levels to keep markets tight and prices elevated.

4. **Major oil-producing countries, particularly in the Middle East and North Africa, are likely to remain extremely unsettled**. Throughout the Middle East and North Africa, the political consequences of the Arab Awakening are still only beginning to come into focus. All told, Libya, Iran, Iraq, and Saudi Arabia accounted for more than 20 percent of global liquid fuel production capacity at year-end 2013.

Beyond oil security, the United States has other important interests in the Middle East and North Africa: the American commitment to the security of Israel as well as other traditionally friendly states in the Gulf region, the danger posed to the United States from al Qaeda and its affiliates located in ungoverned territories in the region, and the American commitment to countering the proliferation of weapons of mass destruction.

The Commission's recommendations are designed to meet these challenges and better position the United States for the future. They are organized into four sections of policy focus: Global, Middle East, China, and Domestic. Two core goals are consistent throughout:

> **1. Increase the stability and flexibility of the global oil market.** As both a major oil producer and consumer, the United States can and should take a series of steps in foreign and military policy to substantially reduce the likelihood and impact of crippling international oil supply interruptions and associated price spikes. Our foreign policy should prioritize long-term political stability in major oil producers, and the technologies and policies that facilitated the U.S. oil boom should be shared where appropriate. These steps will make the market more robust.
>
> Meanwhile, international tools for responding to disruptions should be strengthened so that the global economy is prepared for the inevitable setbacks that will occur. The United States must improve the strategic focus of diplomatic, military, and intelligence policies toward major oil producers and consumers alike in order to achieve this.
>
> **2. Reduce American oil dependence.** As new technologies and fuels enter the marketplace, the United States must develop a more competitive transportation market. A more diverse transportation sector would fundamentally disconnect the U.S. economy from the global oil market. No single step would be more effective for preserving U.S. national security and economic prosperity in the 21st century, or for maximizing the benefits of domestic oil abundance.

The Commission's recommendations are broken down into four categories.

*Global Policy*
The importance of oil in the U.S. economy has driven American policymakers to prioritize a stable global oil market for more than four decades. Critical infrastructure and transit route protection have historically been undertaken by the United States with very little assistance from other countries. The development of a more diverse, more robust set of policies and partnerships to prevent and respond to challenges and crises can help increase market stability. The Global Policy recommendations are designed both to reduce the chances of supply interruptions and to increase the international community's ability to absorb them without devastating economic damage.

**Global Policy Recommendation 1:** Through sustained U.S. diplomatic activity, build an international consensus among oil-consuming nations on the importance of shared responsibility and coordinated action to deal with future oil supply interruptions.

The United States should lead a series of multilateral consultations with other major oil-consuming countries (including countries that are not currently IEA members like China and India) to develop a set of guidelines for improved coordinated responses to oil supply disruptions. These guidelines should focus on the size of the disruption, the crude varieties impacted, prevailing global economic conditions, the potential for establishing greater reserve capacity, and the effect of the disruption on prices.

**Global Policy Recommendation 2:** Deepen global cooperation in the protection of key transit routes and anti-piracy efforts, particularly with partners in Asia.

Approximately half of global oil production is transported by ship, and often through one of just a handful of transit routes. Even a temporary blockage of one of these routes could have a substantial impact on global trade flows and prices. Only the United States has shown the convening power, global communications networks, maritime surveillance systems, and experience to initiate sustained maritime security operations. It can do so more efficiently, however, by bringing new partners into joint operations and also using vessels that are better-suited to protection and anti-piracy activities.

**Global Policy Recommendation 3:** Provide expertise and advice to oil-producing countries to protect their oil production and transportation installations.

Attacks on physical infrastructure are common in many countries, and damage to pipelines or the forced closure of oil production facilities can affect the flow of oil to the global marketplace. The potential for cyber-attacks that disrupt oil production and transportation has also become an increasing security concern for oil companies across the globe due to a growing reliance on networked industrial control systems technology. The United States should continue to provide expertise both to companies and countries to improve the gathering and analysis of threat intelligence and strengthen the physical and cyber defenses of critical oil installations and infrastructure.

**Global Policy Recommendation 4:** Support peaceful reform in autocratic oil-producing countries to develop more stable, and eventually democratic, governments over time.

The greatest threat to the stability of global oil exploration, production and export is turmoil within oil-producing countries. Governments that are accountable to their people have proven to be more flexible and resilient in adapting to social stresses. Therefore, supporting political and economic reform, respect for human rights, and the development of democratic institutions is not only in accord with American values, but with our interests as well. The more oil-producing countries that exist that are seriously pursuing such strategies, the better for American energy security.

**Global Policy Recommendation 5:** Continue U.S. technical engagement—especially through hydraulic fracturing technology—to help promote the development of oil and gas resources around the globe.

A U.S. Department of Energy study (June 2013) estimated global shale oil resources to represent approximately 10 percent of all global oil resources. The development of these resources in countries like China and Argentina could over time help to alleviate the market's reliance on OPEC countries and the Middle East in particular.

**Global Policy Recommendation 6:** Promote reforms and good governance in the energy sectors of oil-producing and oil-consuming countries both on the demand and supply sides.

On the demand side, excessive consumer fuel subsidies in both major oil-producing and oil-consuming countries distort oil consumption globally, helping to drive up prices. The United States should use its diplomatic and economic leverage to encourage the goal of decreasing fuel subsidies globally. On the supply side, host government decisions to alter terms mid-contract, shut down projects, or seize oil fields threaten the consistent flow of oil to the marketplace and discourage investment in exploration and production activities. The United States should use its influence to improve the content and administration of contract law in oil-producing countries.

*Middle East Policy*

The rapid growth in domestic supplies and a declining import requirement have created a perception that America is able to disengage from the Middle East. However, despite greater self-sufficiency and minimal American oil imports from the Middle East, the region will remain for the foreseeable future the source of one-quarter to one-third of the world's oil supplies and the global economy's swing producer—the only region with spare production capacity that can be brought online quickly to make up for global supply interruptions.

The United States needs a foundational regional energy security policy that can be accomplished with a reasonable expenditure of resources while ensuring a stable supply of oil to the global marketplace. This is a vital interest not only of the United States, but of its allies and partners as well.

The Middle East will continue to experience significant turbulence through 2025. Now is an especially difficult time to recommend or implement changes in American policies in the Middle East and North Africa, and the Commission favors caution and deliberation in the implementation of new American policies going forward. However, while there is no perfect time to make fundamental change, the combination of increasing American energy production and the redeployment of major combat units from the region creates an opportunity to adopt a set of policies aimed to achieve long-term goals of energy security. Unless these long-term objectives are advanced at the same time we are meeting the crises of the day, America will be no more secure in another ten years than it is now.

**Middle East Policy Recommendation 1:** Rebuild a diplomacy-centered U.S. approach in the Middle East.

The large military presence in Iraq and Afghanistan, the high-priority intelligence campaign against al Qaeda, and the dominance of military and intelligence officials in countries in the region have gradually supplanted a diplomatic policy framework for U.S. actions in the Middle East. The United States needs to restore the diplomacy-centered approach it has used successfully in the past in other regions and include substantial military and intelligence actions in support of diplomacy.

**Middle East Policy Recommendation 2:** Continue to support the external defense needs of friends and partners in the region through military assistance and an in extremis coalition intervention capability.

As the United States demonstrated in the first Gulf War, it alone can provide the leadership and expeditionary heavy forces to bring international assistance to support the defense of a major oil-producing country against external invasion. America will continue to play this role, including against attacks by military forces on international shipping lanes.

**Middle East Policy Recommendation 3:** Fashion a reconfigured forward deployed posture based on flexible deployment of maritime and air forces to the region, and a demonstrated capability to bring major forces forward when needed.

The Commission recommends a lean, forward-based military posture in the region that includes a robust mix of advisory and assistance teams to strengthen the self-defense capabilities of friendly oil-producing countries in addition to a backbone logistics, surveillance, and communications footprint to support a range of potential contingency operations.

**Middle East Policy Recommendation 4:** Support peaceful evolutionary reform in autocratic Middle East oil-producing countries to develop more stable and, eventually, more democratic societies and governments. Support transitions to more effective, moderate, representative, and accountable regimes in those countries that have deposed dictators.

With the assistance of allies and partners, and through the use of diplomatic, economic, military, and intelligence engagement programs, the United States should assist countries that have rejected dictators to complete over time the difficult transition to effective democratic forms of government. The United States should encourage autocratic regimes in the region to introduce peaceful political and economic reforms that address popular needs and respect human rights.

*China Policy*

As the world's two largest consumers of oil, China and the United States have a strong interest in ensuring a stable flow of oil to the global marketplace. It should be an objective of U.S. policy to develop common understandings of this interest and to look for specific ways in which both countries can cooperate diplomatically, technically, commercially, and militarily in the area of energy security.

China's economic and security relations with the rest of the world, especially with the United States, combine elements of cooperation and adherence to international norms with elements of competition and policies of unilateral advantage. The recommendations below are all cooperative in nature, intended to benefit both countries and the global oil market more generally. If Chinese policies and actions in the future become more competitive and confrontational, then these recommendations will be neither advisable nor practicable.

**China Policy Recommendation 1:** Enhance Sino-American cooperation on the development of tight oil.

Extending current efforts to share technical expertise in unconventional gas development to oil resources could help China meet more of its oil needs domestically over the long term. It could also help mitigate Chinese insecurities over oil supply security that may contribute to a more aggressive policy toward, for example, the South China Sea.

**China Policy Recommendation 2:** Involve China in international consultations on dealing with supply interruptions and price spikes in the global oil market.

China's growing reliance on oil and oil imports should encourage it to take an increasingly active role in international dialogue regarding coordinated action to deal with future oil supply interruptions. China's efforts to construct its strategic petroleum reserves should help the United States and other oil-consuming countries make meaningful progress with China toward developing guidelines for coordinated action to deal both with supply interruptions and price spikes.

**China Policy Recommendation 3:** Involve China in international maritime security operations to protect oil shipping.

In both official discussions and unofficial Track Two dialogues, Chinese representatives have shown a readiness to discuss China joining additional maritime security operations. Chinese participation in protecting oil shipping is important not so much from the military point of view as from the political. It would be a major step forward in a cooperative framework of the oil-consuming countries to ensure the security of supplies. However, if aggressive Chinese air and maritime territorial policies continue in East Asia, it will not be welcomed into coalitions elsewhere in the world seeking to ensure maritime security.

*Domestic Policy*
Despite rising vehicle efficiency and rising domestic oil production, the United States remains vulnerable to oil price fluctuations in the short-to-medium term. The two recommendations below will strengthen the U.S. economy's resistance to and resilience in the face of high and volatile prices, with sizeable economic and national security benefits.

**Domestic Policy Recommendation 1:** Continue to promote the use of alternative transportation fuels, particularly electricity and natural gas, in addition to improved fuel efficiency.

Oil dependence can only truly be addressed by evolving a transportation system that is no longer predominantly beholden to the global oil market and its high and volatile prices. While continued improvements in efficiency remain a critical part of the solution for all transportation modes, so too is the development and adoption of cars, trucks, trains, airplanes, and ships that operate on other fuels, particularly electricity or natural gas. Such shifts will help to meaningfully reduce the oil intensity (quantity of oil consumed per unit of GDP) of the U.S. economy over the long term. Government supported research and development efforts in particular will continue to play a critical role in reducing the cost of advanced automotive components such as batteries for electric vehicles and storage tanks and refueling systems for natural gas vehicles.

**Domestic Policy Recommendation 2:** Direct the Department of Energy to develop workable guidelines for the use of the Strategic Petroleum Reserve (SPR) and evaluate its proper size based on those criteria. The guidelines should be approved by the National Security Council.

Congress should direct the Secretary of Energy to initiate a process to develop clear guidelines for sizing and use of the SPR. The reserve is currently large enough to enable temporary responses to physical supply disruptions related to acts of war, terrorism, or natural disasters. However, today's reserve is far too small—and probably could never be made large enough—to respond meaningfully to a catastrophic loss of oil resulting from a crisis involving a long-term interruption in the flow of oil to the market.

Congress should also direct the Department of Energy to initiate a process to establish clear criteria for use of the SPR. Once completed, the Government should then initiate a study to determine the appropriate size for the SPR, and offer new recommendations to Congress regarding both the SPR's size and proper use.

**The Question of Exports**
The unprecedented growth in U.S. production of light-sweet crude oil has stretched storage capacity in some parts of the country to its limits and led to disparities in regional crude benchmarks. After spending much of the past decade preparing to process increasing quantities of heavy-sour crude grades, many U.S. refiners have now been forced to re-adjust to process lighter grades. While this adjustment has thus far been manageable, some oil analysts expect that U.S. production of light-sweet crude oil will overwhelm our nation's existing capacity to refine these grades as soon as 2015. If this were to occur, the result would be steep price discounts for crude supplies originating in many of the nation's shale plays, a development that could undermine the longevity of the U.S. oil boom.

Although enabling U.S. crude oil exports will likely raise the price of some American crude streams, it should, everything else equal, exert downward pressure on global crude prices as refiners and producers are able to achieve efficiencies in matching crude streams with optimal refining centers. However, this effect should not be overestimated given a market where daily oil demand and supply is approximately 92 million barrels. U.S. crude oil production must be considered in that context.

Moreover, in the near term at least, the ability of OPEC countries, and particularly Saudi Arabia, to lower production in order to mitigate downward pressure on global oil prices—and thereby offset the effect of increases in production from the United States and other countries—is likely to endure. Perhaps more importantly, adhering to its historical pattern, OPEC members appear to view rising non-OPEC oil production as a signal to forestall investments in new capacity. Thus, beyond the near term, and toward the end of the current decade, a supply crunch could be looming due to underinvestment in Middle East oil production capacity.

**Conclusion**

Despite a revival in domestic oil production and a decline in imports, American oil dependence continues to constrain U.S. foreign policy and burden a military that stands constantly ready as the protector of the world's vital oil arteries. Today and into the foreseeable future, global oil market dynamics show few signs of a fundamental break from the "new normal" of high and volatile prices as global oil demand continues to grow rapidly in emerging economies and global oil supply—significant bright spots notwithstanding—remains constrained due to geology, economics, or politics, or some combination of all three.

To be sure, the nation has already reaped important economic benefits from our newfound domestic oil abundance, including a stronger balance of trade and substantial job growth. Greater volumes of U.S. supplies flowing into the global oil market have also given a freer hand to our foreign policy at times, most notably with respect to the implementation of binding sanctions on the Iranian oil industry.

Our nation's leaders must be clear-eyed about the dangers we continue to face as a result of America's overwhelming dependence on oil. The reality is that, despite surging U.S. production, the oil market today remains tight, and will continue to be tight in the future. The Department of Energy estimates that OPEC surplus production capacity today stands at just 2.26 mbd, a razor thin margin that could be effectively overwhelmed by an unexpected disruption in any major oil producer. With political instability on the rise in Venezuela, Iraq, and Russia—just to name a few—a debilitating oil price shock remains a very real possibility. With America still dependent on oil for 92 percent of its transportation fuel, U.S. consumers and businesses would pay a heavy price. While taking near-term advantage of increased oil production, we must take the steps now to achieve true energy security in the future.