

Addicted to Oil? A \$1.47 Billion-a-Day Habit

Kate Cell

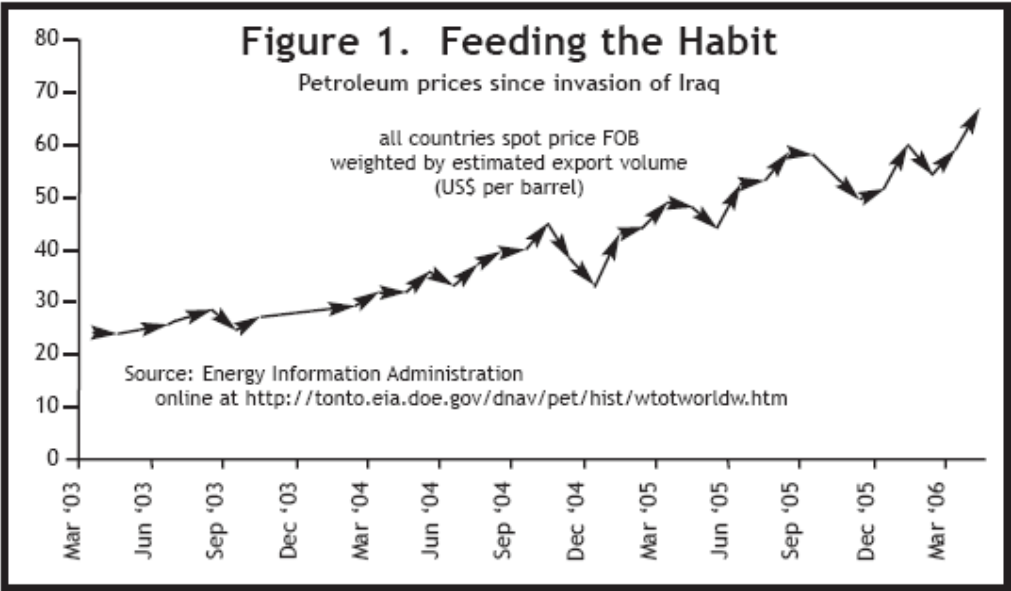
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In his most recent State of the Union address, President Bush declared that the US is “addicted to oil.” Is this a serious metaphor, meant to illuminate one mental image by the light of another? Can one be addicted to a substance one doesn’t ingest? Can a nation, a whole society, be so addicted? What effects does our “habit” have on our economy, policy, and polity? Has Mr. Bush taken the First Step and admitted that the nation is currently powerless to control its craving for oil?

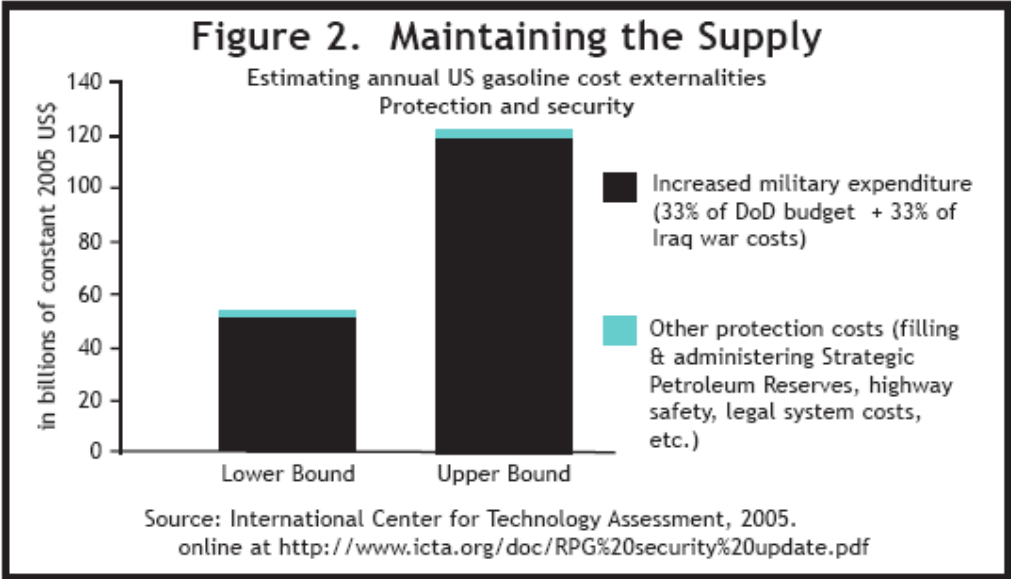
How big a habit?

The US uses oil at the rate of 21 million barrels per day. On May 17, 2006, with the price of light sweet crude at \$70 a barrel, the US spent almost \$1.5 billion on its oil habit. By contrast, on the same day we spent approximately \$3.5 million for alcohol. 44% of Americans drink at least occasionally, but 98% drive to work, either because no public transportation is available or because the incentives to use it are too low.

Those incentives may be growing. The cost of crude oil has more than trebled in the past three years (Figure 1), but even national gas prices over \$3.00/gallon don’t come close to reflecting the additional, hidden, or unintended costs of the US oil habit - its side effects.

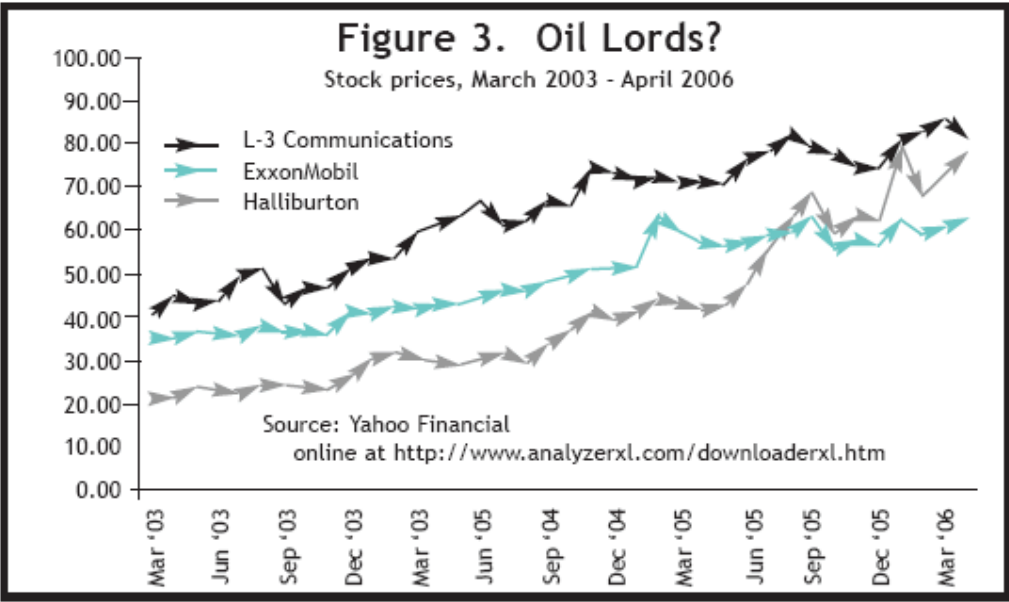


The International Center for Technology Assessment, in [The Real Price of Gas](#), estimated a range of external costs from government subsidies (\$9.1 - \$17.8 billion a year) to environmental and health costs (\$231.7 to \$942.9 billion a year). ICTA estimated a gallon’s real cost in 2004 to be between \$5.60 and \$15.14. Since then ICTA has released further analysis addressing global warming costs and the costs of protecting the oil supply (Figure 2).



Addiction profiteers

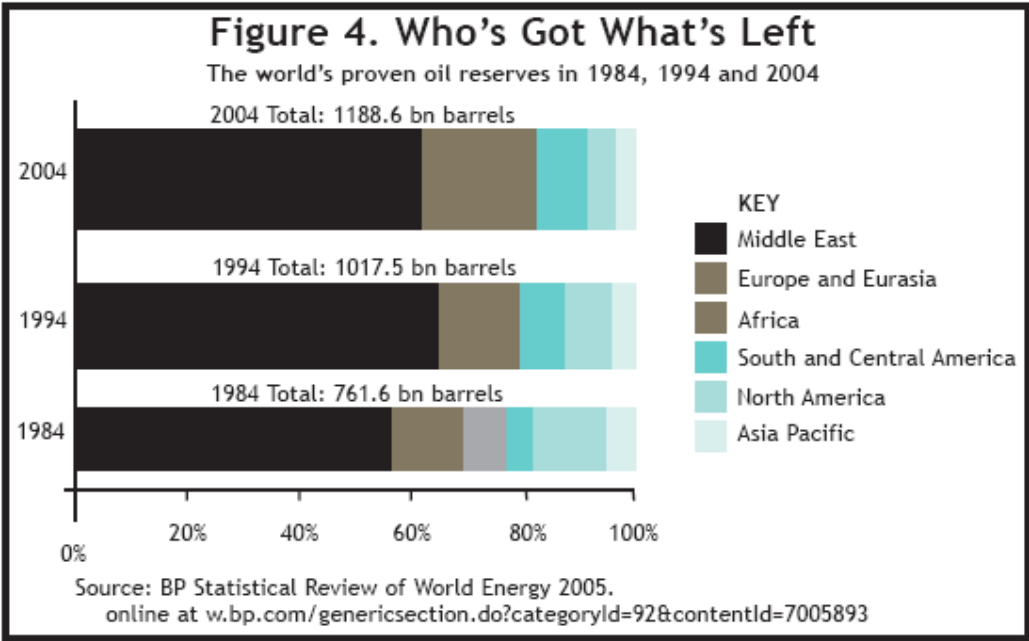
There's good money to be made selling and protecting the market for an addictive substance, as the British East India company (opium), Joe Kennedy and Al Capone (alcohol), and the Medellin Cartel (cocaine) all discovered. Figure 3 shows how the stock prices of three corporations that exploit or protect the oil supply have fared since the invasion of Iraq.



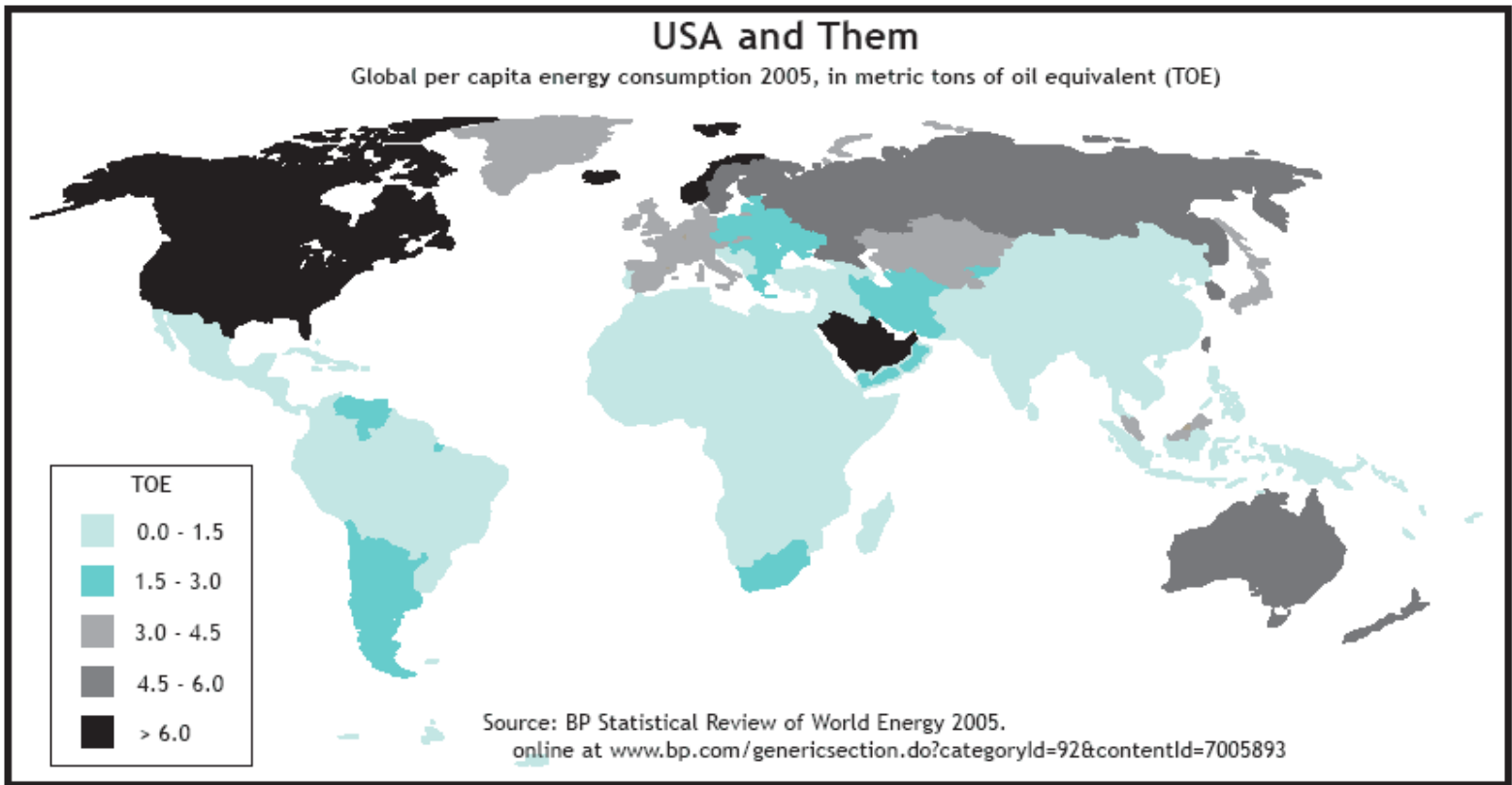
The price of L-3 Communications, “a leading provider of [military] Intelligence, Surveillance and Reconnaissance (ISR)” and training programs, doubled. Halliburton’s price per share increased by 377%.

Recovery: next steps

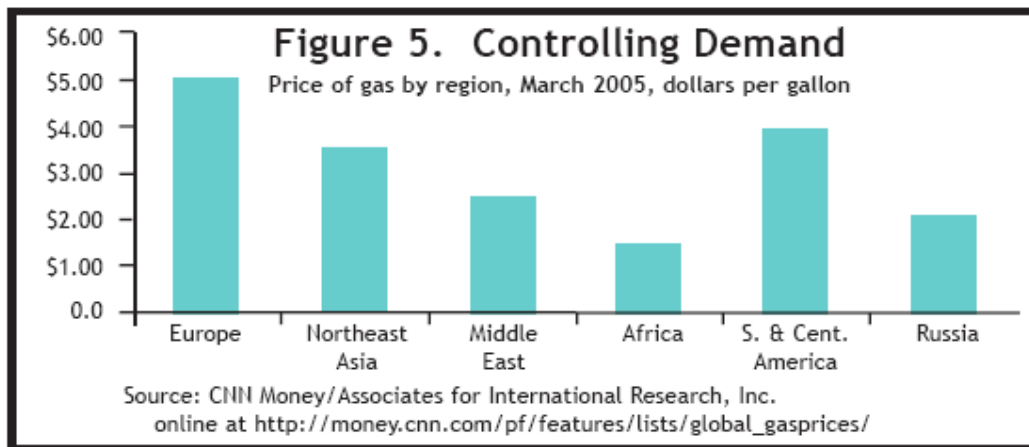
Drug addiction causes a range of problems for addicts and their families and friends. The US oil addict faces dwindling supplies from the world’s most unstable regions (Figure 4).



North America’s habit is supported by production in the global South (Figure 6). US oil use increases despite rising costs, an expensive war in one oil-rich country and the contemplation of another, and the growing disapproval of the family of nations.



Admitting the problem is the first step. Going cold turkey is not an option, but there are ways for the US to lessen its reliance on oil. Western Europe is lowering demand in part by shifting the cost of some externalities back to the consumer (Figure 5).



In the US, various taxes on consumption or inefficiency have been proposed. The US Energy Policy Act of 2005 allocated \$632 million to renewable energy R&D in 2007, increasing to \$852 million by 2009. It's a start, but it will not create the "energy-industrial complex" required to curb the national addiction to oil.