



Taking Back Our Future and Our Freedom: The National Security Levy

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Jan 16, 2008

We currently pay an enormous price for our petroleum consumption. Our economy can be held hostage by events in Iran and other hostile or unstable countries. Every time we fill our gas tanks, we are funding regimes that oppose American interests around the world. We are indirectly financing terrorism and oppression. Our dependence on imported oil is a key reason for our military involvement in the Middle East.

To combat this dependence, we need to put a National Security Levy on every barrel of oil we use. Rather than let OPEC manipulate our economy, we need to take control. This National Security Levy will be a contribution by all Americans to help end our nation's dangerous dependence on imported oil. The National Security Levy will move us toward energy independence and secure the future of our country for our children.

First and foremost, the National Security Levy is designed to make America stronger and the economy less vulnerable to disruptions in foreign supplies for our energy needs.

Any major disruption to our supply of imported oil would have devastating consequences for our economy and standard of living. Taking small steps now to reduce our dependence on oil will provide some insurance against significant risks to our economic future.

The National Security Levy will

- reduce the military commitment to securing our oil supply
- provide a strong incentive for efficiency
- ensure the economic viability of new and alternative energy supplies
- help reduce carbon emissions and improve the environment
- encourage the development of new technologies for energy, which would also create new jobs

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How it will operate:

The National Security Levy is a fee on all oil consumption in the United States. The National Security Levy will be phased in slowly so that consumers will not face a sudden price shock. The National Security Levy will be variable and it will depend upon the world price of oil. If the world price of oil falls, the fee will be increased so that the domestic price remains does not fall below an established floor price. This is a necessary step so that those investing in new alternative energy technologies will not be wiped out by a temporary decline in the price of oil; they will have assurance that the price will remain above the established floor. Allowing a price reduction would only seduce us into complacency and increase our long-run vulnerability. If, however, the price of oil spikes, then the National Security Levy could be suspended during the spike.

The revenues from the National Security Levy would be used to:

- Reduce the impact of higher energy prices for working families
- Finance an Apollo program for energy independence, which would develop new technologies and stimulate the economy

What about people who are on tight budgets, or retired on fixed incomes or earning low wages?

The National Security Levy can raise substantial amounts of revenue, part of which will be returned as a rebate to lower income households as compensation for the higher fuel prices. Also, the Apollo program for energy will include significant incentives and credits for improved insulation and windows than can reduce fuel oil needs dramatically. Lastly the Apollo program for energy will create new jobs for many Americans.

Why not just impose a fee on imported oil?

An import fee gives producers an incentive to increase domestic production. We want to keep our oil supplies in the ground for use in a national emergency. To use our domestic supplies now, when there is still a relative abundance of oil abroad, would be a “drain America first policy” – not a wise plan for the future.

Why is this National Security Levy a contribution?

The National Security Levy provides a direct financial incentive for efficiency and for developing new renewable energy sources--objectives that receive lip service but won't happen without inducement. The more people change their behavior (insulate their homes, purchase for fuel efficient automobiles, monitor their consumption more closely), the less they pay the National Security Levy. But they will be contributing to our freedom and independence.

How does it improve our national security?

While many oil-producing countries are our friends, many are not, including the current government of Iran. Its oil wealth can and has been used to fund activities contrary to America's national security. Reducing our dependence on oil will also reduce the dependence of Iran and other OPEC countries on oil production. Instead of relying on natural resources for their wealth, they will have to diversify their national economies, making them more stable in the long-term.

How does it improve our environment?

By providing incentives to economize on the use of oil, we will reduce greenhouse gas emissions and promote the adoption of cleaner, more efficient technologies.

How does it strengthen our economy?

The gradual increase in the National Security Levy will assure that the economy will not receive a shock. But by assuring that the price of oil will not go down, we will be giving a powerful incentive for energy companies and other businesses to invest in alternative energy sources and new conservation technologies. A major barrier to investment in alternative energy technologies is fear that the price of oil may fall dramatically and the investment will be lost. America can become the leader in these new cutting-edge technologies and sell them to the world.

What about coal, or making liquid fuels from coal?

We need to support solutions that address the climate problem and coal does not do this. Possibly coal could be solution for power generation provided that carbon produced at power plants could be captured and safely stored. In that case there is potential for the U.S.'s abundant coal resources in a low-carbon

future. However, petroleum - our chief security and economic challenge among energy sources - is not used to make electrical power, and liquid fuels cannot be produced from coal in a carbon-neutral way. Thus proceeds from the energy levy will not be used to support research on coal to liquids.

Would this stimulate more oil drilling in the United States?

No, measures will be included to remove subsidies for oil and gas exploration and the Arctic National Wildlife refuge will remain off limits for domestic exploration.

Where are the detailed numbers for the cost and revenues?

This is a proposal that shows the direction we want to head. From this point forward we will be taking comments on the proposal and our economic team will be generating different scenarios for costs and revenues. As an illustration, however, a \$2 tax on a barrel of oil (assuming \$95/barrel) would raise approximately \$15 billion in revenues, and would likely affect gasoline and heating oil by only several cents per gallon.

Conclusion

The National Security Levy represents an essential investment that recognizes the importance of energy challenges in a way that would be made in larger amounts during times when the U.S. economy and consumers are benefiting from low oil prices, and in smaller amounts when oil prices are high. This will fund vitally important new energy technologies at unprecedented levels, and stimulate private sector investment in new energy technologies by leveling out the price of oil. This would be done in a way that minimizes the burden to consumers and asks them to contribute most when they are most able to pay.

As a nation, we have been talking about reducing our dependence upon imported oil for decades. It is time to end this addiction. Rather than staying on the defensive by continued involvement in the Persian Gulf, we need to go on the offense and make petroleum dependence a thing of our past. The days of easy oil have to end, but the days of American leadership in alternative energy should begin. We must do this for our security, our economy, our environment and our children.