



The Pickens Plan: A Plan to End America's Dependence on Foreign Oil

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My dad told me a long time ago, "Son, a fool with a plan can beat a genius with no plan." I'm not a fool but I do have a plan, and that's the Pickens plan and we have had great response to that plan. We started on the 8 of July which was my mother's birthday just by coincidence, but it certainly makes me remember when we kicked this off. We've been at it now for about a month and we've had over three million visitors on Pickensplan.com, we have signed up 200,000 and we're now working out way up to a million.

We did some polling, and we did focus groups early, to see if we had read the public like we thought the public was reading the lack of an energy plan, and there was no question that the American people did not understand energy and the problems that we've had, and going to have from this point—which are a lot of problems right now. What came out of the work that we did before we started was that the American people didn't believe that they were being told the truth about energy in this country. I'm not sure that anybody was lying to them. I think it's more a case that there was ignorance on the subject in Washington. They didn't understand energy and what was happening in this country, but I became alarmed in 1991 when we were importing 42 percent of our oil and made speeches that if we didn't do something about it we would be importing 60 percent of our oil by the end of that decade. There were several articles written that I was crazy and this would never happen. It did happen but I didn't draw a crowd. People were interested maybe for a few minutes or for the evening but they didn't focus on how this would cripple this country.

So, now we've advanced to the point in 2008 where we are importing almost 70 percent of the oil used, and 75 percent of that is used for transportation fuel. That's an interesting point to remember, I'm going to get on that in a minute. It's costing us \$700 billion a year. You have politicians get up and tell you about the horrible cost of the Iraq war – this is four and one-half times greater than the Iraqi war. The point is that I don't hear any politicians say that we are paying \$700 billion to a few friends and a bunch of enemies for oil every year. That's unfortunate because, I think, most of the guys in Washington know that we're paying \$700 billion.

Now, how does this all unfold? It's been going for 40 years. In 1970 we were importing 24 percent of our oil; in 1991, 42 percent, and now we're almost 70 percent, and if we go another ten years we'll be close to 80 percent or maybe over 80 percent. That's a horrible, horrible problem for this country, and totally unidentified is that we are paying a few friends, but more enemies than friends for oil and we could be cut off of that. You could bring a superpower to its knees in a minute. Of course, we have the SPR, the Strategic Petroleum Reserve, 750 million barrels, but that goes away pretty fast if you have the oil cut off and you're importing 70 percent.

Okay, we've identified the problem. How did we get in the spot we're in? We got here, if you said, "Okay, give me one word to tell us what was it," it was leadership. The lack of leadership was the problem. Now, we're not trying to place blame but let's identify the problem and how we got here. We had people who ran for president, starting with Nixon who said we were importing 24 percent of our oil and that by the end of the decade we would not be importing any of our oil. Well, you see now how ridiculous that was because at the end of the decade we were probably up to 30 percent. But from that point forward the people running for president, both Democrats and Republicans, would say "elect me and we will be energy independent." I started becoming so sensitive to it that anyone about to run for president I'd say, "We'll see how long they go before they tell us that we'll be energy independent if we elect them." The subject was never brought up again, during any time that I can recall, and we never held them accountable for the statement "we will be independent if you elect me." I thought I'm going to go to one of those speeches that candidates give and I'm going to wait until they say "Elect me and we'll be energy independent" and I'm going to jump up on my chair and "Hold it. Stop the music. I want you to explain to me now how you're going to make us energy independent." I should have done that but I would have probably been labeled as a kook or something and they would have taken me out of the meeting. But, anyway I didn't do it but always wondered what would happen if I did.

Well, now I'm in a spot where my wife got tired of listening to me, I think it was in the middle of the night, I said, "You know, Madeline, this is foolish and ridiculous that we are going down a path that's going to break the country at \$700 billion a year, and it's going to go up from that. In ten years if we just keep drifting, it's going to cost us \$10 trillion." Well, you know what that's going to do to the country. You say, "how could that happen?" I can tell you how it can happen, if you do the same thing in the next ten years that you've done in the last 40 years, that's exactly where we're going to be. It's not something that I'm projecting without experience. I've seen where we are and we're in one tough deal. I have the feeling that I'm in the Niagara River in a boat and I'm floating down the river. It's very serene, things are fine, the weather's good and I'm enjoying the ride, but it's gone on a long, long time and along the way I looked around the boat and I didn't have an oar, a motor, I didn't have a preserver—I'm just floating, I'm drifting and drifting. That's exactly where we've been. I'm starting to hear the water and the falls. We are at that point where we cannot continue to do this.

Now, the solution. Well, the last point on how we got there. Why didn't our leadership say "We can't do this? We're too dependent on foreign oil." The reason that we continue to drift and nobody has said anything is because the oil was cheap and we took it. It was like send us the oil, never mind the price until recently, like two months ago, all at once it went vertical and now we're at \$4 gas. California got it first and usually you get higher prices for gasoline than we do in Texas. Anyway, we're at \$4 gasoline and you have people saying, "Wait a minute. This isn't something I counted on. What happened? Why has this happened to me? I can't pay \$4 for gas. I've got an SUV and I'm only getting 12 miles a gallon?" Nobody said that a big car some day was going to cost you a lot more than the day you bought it. But this is where we are. Gasoline prices could go down if we get into a global recession and energy prices will go down, but you go right back on the uptrend that you've been on for the last year.

And now the people with the oil fully understand and appreciate what you're willing to pay. They went to \$50 like a hot knife through butter and you were at \$60 and \$70 and \$80 and there was not a supply response. Why was there not a supply response? In the past, as the price went up the oil showed up and consequently you had more supply, it was greater than demand and the price went up.

That was in the '70s and the '80s. But now something had changed. You peaked on oil in the world at about 85 million barrels a day and that's it. I don't think you can increase the supply beyond 85 million barrels. Now, you have the Chinese buying cars and buying gasoline. Their gasoline is subsidized; ours is not but it's been very cheap over the years.

If you look at the United States we have 750 cars per thousand people. You look at China and it has 44 cars per thousand but the world average is 120 cars per thousand. So, we're most unusual to the rest of the world. Eighty-five million barrels a day are produced and we use 21 million—21 million barrels a day out of 85, so we're using 25 percent of all the oil in the world. Today, I spoke with the *Orange County Register* editorial board and they quickly pointed out that we're more highly industrialized. Well, we're using 25 percent of all the oil with four percent of the population but we only have three percent of the reserves. So, we're almost a country without oil using a great amount. The Japanese have no oil but they adjusted to that, and the French now have 80 nuclear and we have 20 percent—and we were the first ones with nuclear. You wonder how, and I hate to say this, but how the French can be smarter than were? No question that they recognized their problem; they didn't have oil so they made other adjustments. Then you look at who has the most wind energy in the world and it's the Germans. The Danes have a high degree of wind energy as well. Spain does. Not us.

When you look around the world, natural gas is a better fuel than gasoline and diesel—it's cleaner, it's cheaper, and in the United States it's abundant and it's ours. Why didn't we do it? Because the infrastructure was set up to use cheap oil. The major oil companies didn't want natural gas as a transportation fuel, the manufacturers of automobiles didn't want it either, and so it didn't happen. And there was no leadership in Washington to say, "Why are we using foreign oil when we have a better natural resource in this country?" So, it drifted and we're still drifting. There are eight million vehicles now in the world that are on natural gas and we have 142,000 of them in the United States. How could that happen to us when we have an abundance of natural gas? The Iranians are switching everything over to natural gas now. Gazprom announced two months ago that it's building natural gas fueling stations all over Europe; it's moving in that direction for transportation fuel, but only one state has focused on natural gas as transportation fuel—California. You cleaned up the air here with natural gas and the ports of Los Angeles and Long Beach are switching over to get away from bad air quality there with natural gas. You look at South Coast Air Quality Management District in Southern California and they've switched everything over there on trash trucks, but it wasn't because of imported oil, it was because they were trying to clean up the air.

Now, we have to go to natural gas as a primary transportation fuel as quickly as we can in the United States. The way I see it unfold is when you look at the power generation pie it's made up of 50 percent coal, 20 percent nuclear and 22 percent natural gas. Hydro is a miscellaneous and the other. So, focus on that piece of the power generation pie that is natural gas that is 22 percent.

I took my story to the White House ten weeks ago. The president wanted me to come and explain to him how he could leave a better energy legacy and I came with this plan. He had Secretary Bodman there and four DOE people and two other staff and it was a good session, we talked for almost exactly one hour, there were no interruption calls, nobody got up out of their chairs, I was able to make my case. I could have said a month later, when nothing happened, that I wish we'd had phone calls and kept getting interruptions and hadn't been able to concentrate, but that was not the case. It was a clean one hour for Boone to sell and Boone didn't sell. Two weeks later he made a speech about ethanol, that it was a great fuel, it was misunderstood because it wasn't

causing the price of corn to go up. I couldn't see why it wasn't, because corn was the highest price I'd ever seen it and they were using it for ethanol.

I was opposed to ethanol for years and years. Back in 1991 I [met with] five senators in Washington and I told them, "Ethanol is not a good fuel. The emissions are not good and you're subsidizing it and you have to use a lot of water—actually you're using more energy to make it than what you have when you get through." They listened, we left the room and Bob Dole walked out with me and he said, "I need to explain something to you. You're wasting our time coming up here telling us about ethanol." I said, "Is what I'm saying incorrect?" He said, "I don't care whether it's incorrect or not. There are 21 farm states and there are 42 senators." I said, "I think I'm starting to understand." He said, "They want ethanol and they're going to have it." I said, "I'll never come back and complain about ethanol again." And I didn't although I've commented about it from time to time. It was an ugly baby but it was our baby, and it's better than foreign oil. I can tell you that. Anything American for energy is better than foreign oil.

So, they ask me up there and Nancy Pelosi introduced me to the Democrat Caucus and there were 254 people there, and I got a very nice introduction and this is because I have said that my issue is nonpartisan. I do not have a candidate in this race. What I have to do is that I have to make this issue nonpartisan and I will, I'm doing just exactly that. What I want to do is I want to bring the renewables into the deal. And they look at me and say, "Oil man, oil man. Renewables. He likes renewables." They act like there's something wrong with me because I'm an oil man who likes renewables. They even introduced me as a *former* oil man, an ex-oil man. I said, "No. There are no ex-Marines, there are no ex-oil men either." I'm an oil man. I want to go out of this life identified as an oil man. It's nothing to apologize for. It's not a dishonest profession.

We did focus groups and I was behind the black wall watching the questions and the answers, and this one very intelligent 45-year old woman in Washington, D.C. was puzzled. When they came around and said, "How does he strike you?" and she said, "Does he have something terminal?" "Something terminal? What do you mean?" She said, "Because he has something terminal if he's trying to clean up what he's done." "What has he done? He's found oil and you used it."

Now we're at the point of the solution, and I want to use renewables. We have an unbelievable corridor of wind from Texas to Canada and we have an unbelievable corridor of solar energy that is from Texas to California. Why haven't we used them? Go back to the first—cheap oil. We have not been tasked to do anything other than get cheap oil. Now, you've had some pioneers that have done some things, and we've had times when we thought the price of oil was getting too high so we opened up on alternatives a little bit, but it didn't go down like Americans approach, for instance, war. I see this like war, it's nonpolitical, it's powers together, whether we be Democrats or Republics, and it has to be solved by us. We're the ones that will have to solve the problem. You can't leave this to anybody else, we did that. So now everybody has to get together on it and first recognize the problem, be sure that we have it well analyzed, and then we have to come up with a plan.

I have a plan. I've told people in speeches, I've said, "Look, I've never seen a plan yet." Does Obama have a plan? No. Does McCain have a plan? No. Obama's changing over where he's going to drill. You're going to have to come to it because 75 percent of the people polled want to drill. They want some kind of relieve. Democrats and Republicans both read polls and they both react to polls. So here you're going to see that they're going to drill. That's coming up pretty quick; they're going to decide to drill. Now, McCain has a peculiar drill program. He's going to drill off the West Coast and East Coast but not in Anwar, Alaska. There are a hell of a lot more

people inside the drilling region on the East Coast and West Coast than there are in Anwar. There's nobody there to see a drilling rig run or a truck go down the road. I know, I've been to Anwar. I've never in my life seen as many mosquitoes as they have in Anwar. It's unbelievable. I got on a hill where there's a 25-mile an hour wind and tried to eat a sandwich. If anyone tries to tell me mosquitoes can't fly in a 25-mile an hour wind they're crazy.

Anwar is going to have to be drilled, but don't pay any attention to the Department of Interior which has given reserve numbers, why they don't give them on Anwar I don't know, but they give them to the East Coast and the West Coast. Now the politicians have picked it up and talk about it as if it's proven, but the Department of Interior says there's 86 billion barrels of oil on the East and West Coast of the country. Well, first thing is, when they give a number like that it's not [all] recoverable. You can use about 30 percent of what the in-place oil is, so you're looking at 25-30 million barrels if it was there. I don't think it's going to be there. Ask a geologist, and geologists are always optimistic. I'm always optimistic about how we solve a problem, but I'm not optimistic about how much oil we're going to find off the East and West coasts. But they're going to drill, I think this is going to be opened up, that's fine, do it. Where you're going to get the first indication of the worth of the West and East coasts, when they put those tracks up for sale, watch what the oil companies pay for them. Not much. That's going to be the tip off that they don't think very highly of what they're going to find.

Having said that, 86 billion barrels is tossed around like it's a fact, but go back in history and the Gulf of Mexico is by far the best hunting ground for oil and gas. Why? Because for millions and millions of years the Mississippi river dumped sediment into the Gulf. The shale sand ratio is good and you have the reservoirs in the Gulf, it's a given. Now, remember the 86 billion barrels that are tossed around like it's proven. How many barrels can you imagine have been taken out of the Gulf of Mexico in the last seven years? 40 billion barrels. The best place to look has produced 40 billion barrels—not anything close of 86 billion. I was talking to my wife the other night I said, "I can't believe these guys get up and give these numbers out to people because I think some people believe them." She said, "I think the guy who is saying it believes it, too. He doesn't know but he's saying it. So go to sleep." We don't have a lot of oil to be found in the United States. Anwar, if it's four billion barrels I think we did well. They toss around 16-20 billion consistently on Anwar. Remember, the biggest oil field in the United States is Prudhoe Bay on the Artic Coast. Its 13 billion barrels and it sits 20 miles west of Anwar. That's the biggest. Now we talk about Anwar being 20 billion. I don't know how you get a bigger figure than 13 when the sediments aren't even as good. You don't even have the best chance in Anwar.

Let me go to the Plan. I want the wind in the wind corridor, and I want the solar to be developed. They work very well together—solar in the daytime, wind does better at night, so they go together. They don't either one of them work all the time, but surely we can figure out how to use natural gas in conjunction with those. We're going to have to use coal, we can clean it up and sequester the CO₂. We're smart enough people, with those resources, to solve this problem. But, what I'd like to do is bring the wind back into the power generation pie and the 22 percent of it that goes to natural gas and replace it with wind. There's a good study from the Department of Energy that came out in April 2007 that shows how you can easily get 20 percent of the power in the United States from wind in the central part of the United States, a very safe place to be for the terrorists. So let's say we accomplish that and take the 22 percent out and take it to transportation fuel, if you did that you would reduce the \$700 billion we're paying by 38 percent. That's a real number, and you can get to that number. At the White House on the white board I put the 38 percent and circled it and I turned and said, "That is a real number that we can do. Have you all ever seen a number that size?" "No. Never seen that number." We have to reduce that \$700

billion. We can do it. It would end up that natural gas is a transportation fuel. It goes into heavy duty and government vehicles, and if the general public wants to use it they can. I have a Honda Civic and I fuel it in my garage at night for \$1.50 a gallon and it was \$27,000 and the fueling device I paid \$5,000 for it. So I paid \$5,000 and \$27,000, that's \$32,000 and I said that's too much to pay. Not really. I sold my Mercedes for \$70,000, that's \$38,000 in my pocket. I drive three miles to work. I damn near go on a bicycle, it's that close. So, it's a commuter car, that's what it is and I drive my wife's nice car if we go out for the evening.

The conclusion of this is what do I want? As I watched this campaign unfold I thought "This is going to be your last chance, Pickens, to do something about this. So go ahead and step up and do it." I got key guys who had done this kind of thing before that I had worked with and I said, "Give me a budget for how we do this, we're going to do it topnotch and it's going to be equivalent or better than a presidential campaign." They came back with \$58 million dollars and that's what I committed to. It's mine; I don't have any partners, and I think I'm going to feel better about myself. When I get through if I accomplish what I want to accomplish, or if I don't, I'm going to feel better about it. Now I feel like I got \$58 million dollars worth because I got it off my chest and you all have to sit here and listen to me.

But I want to elevate this into the political debate and both candidates know very well this because they're in communication with my staff. I've not talked with McCain. I talked with him two years ago at the Reagan Library for a few minutes, I've never met Senator Obama. So, I am totally clean in this. This is what I want: First I want the three of us to sit down and talk about this. I envisioned myself being the general before the commander-in-chief, to explain the problem and the crisis that we have and what I think we should do to fix it, and they sit and ask me questions. The more I thought about that the more I thought, "It's better if we separate them." So, I do two hours in the morning with one, and two hours in the afternoon with the other. If I do Obama in the morning he brings four people with him. I sit down and give the whole pitch to him and McCain sends an observer that doesn't get to say anything but comes and sees what's said in that meeting. In the afternoon I reverse and I do McCain and his staff with an Obama observer. I want totally all cards on the table, and all the cards stay on the table.

That's my plan. This is for America. We're all in this together. This is about the country, it's not about politics and I'll keep it away from politics. I think I'm clever enough that I can do that, but I am going to get this in the presidential debate. We're going to get everything on the table, and the American people are going to know when we get to November that whoever wins this presidential race is going to be committed to do something about the largest problem this country is facing. Now, if we don't solve this problem we can forget health care, education, social security reform, whatever, because we're not going to have the money to address those problems. It's going to have to be solved and we can do it but it's going to take everybody in this country. Everybody's going to get serious about it and it will be very much like war. We will approach it like war if we're successful. And if we're not, I wonder what will happen in ten years, 20 years or 30 years to this country.

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