

Energy

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US urged to work with China on energy

By Caroline Daniel in Washington

The US must expand international co-ordination of energy issues, especially with China and India, to address concerns about growing global competition for energy resources, the chairman of the Senate foreign relations committee said on Monday.

In a speech in Washington, Dick Lugar, the influential Republican senator, warned: "No one who is honestly assessing the decline of American leverage around the world due to energy dependence can fail to see that energy is the albatross of US national security."

His remarks highlight the extent to which energy security has moved rapidly up the US political agenda, driven by an unusual coalition of interests. These include national security specialists concerned about US reliance on foreign oil in troubled parts of the world, environmentalists and unions keen to create jobs in the US by developing alternative energy sources.

Political interest in the issue was underlined by President George W. Bush's unexpected comments in his State of the Union speech in January, when the former oil executive warned that the US "was addicted to oil".

Mr Lugar on Monday called that phrase a "seminal moment in American history, when a US president said something contrary to expectations," and compared it with "President Nixon using his anti-communist credentials to open up China".

As debate about Iran's nuclear ambitions shifts to the United Nations Security Council, Mr Lugar highlighted the dangers of transferring billions of dollars to unaccountable regimes and warned that economic sanctions against Iran might not work.

?Iran has been anticipating a crisis by accumulating funds [from high oil prices], so if they shut off oil supplies it could have savings to draw down for a long period of time. That is not well recognised and allows Iran and other states a degree of invulnerability to economic sanctions,? he said.

Mr Lugar noted that 77 per cent of the world?s oil supply was controlled by foreign governments, and that the US paid 17 per cent more for its energy in 2005 than the year before. Energy costs now account for a third of the US trade deficit. He predicted that the US would spend \$320bn on oil imports this year.

To reduce US vulnerability he said he would introduce an Energy Diplomacy and Security Act this week to expand international co-operation to ?enhance preparedness for major disruptions in oil supplies?.

He said a priority was formal co-ordination with China and India as they developed strategic petroleum reserves. He also called for new regional partnerships in the west. More controversially, he suggested that there be a \$35 a barrel price floor for oil, to provide security for companies seeking to invest in alternative fuels. He admitted that he was still speaking to economists about how this could be achieved.

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