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Driving into an Age of Increasing Oil Freedom

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We are living in exciting times when it comes to the nation's oil and energy dependence. You could call this era the age of increasing oil freedom. From the mid-1980s to the mid-2000s the U.S. used and imported more oil every year, but since the mid-2000s that trend has reversed, with lower oil consumption and lower oil imports every year. To be clear, I'm not claiming that we are at or near energy independence, a clarion call that has been sounded by U.S. Presidents since Nixon, and I will not be discussing oil production, which is only one half of the equation. I am simply making an observation that is obvious from examination of recent trends in U.S. oil consumption, specifically in our transportation sector which accounts for the lion's share. Whether and how this trend of lower oil consumption continues is up to our national and state government.

First, let's examine how efficiently we're using this resource in our world-leading fleet of cars and trucks. In the early 2000s oil prices began rising at an alarming rate. I still recall a comment made by one of NRDC's communications experts as we worked on a study: the scenario in which the price of oil would rise to $100 per barrel just didn't "pass the laugh test." Just three short years later the price of oil broke the $140 mark. This is a reminder that $100 per barrel prices are a relatively new normal, and this backdrop has added a boost to policy drivers described below.

High oil prices drive change in policy, Photo: Justin R

This oil-price rocket boosted the chances that new policies could be implemented to reduce the nation's oil dependence, and that's in fact what happened, especially from 2007 on. In 2007, one short year after stunning the world by declaring that "America is addicted to oil" in his State of the Union address, President Bush signed the Energy Independence and Security Act into law. This law gave Bush's successors the tools to dramatically raise the fuel-economy-performance bar for our fleet of cars and trucks. And that is what President Obama has done, in a series of historic rulemakings such as those in 2012 and 2013. These policies are driving record jumps in fuel economy and help explain the plateauing of long-term oil consumption projections.

Beyond vehicle efficiency, another discontinuity is putting the squeeze on oil consumption: flattening trendlines in the number of miles driven per capita, called vehicle-miles-of-travel (VMT). As I wrote recently, this has spurred analysts to reduce their projections of VMT growth, which forms the baseline for energy use and pollution estimates for the transportation sector. By 2030, projected demand drops more than one-fifth compared to the 2008 baseline, so one-trillion vehicle miles vanish every year! Conventional wisdom said this would turn around once the economy recovered, but as the trend continues more analysts think change may be structural and therefore lasting. Even bureaucratically calcified state highway agencies are changing their projections.

This is all very good news for energy security and the environment. However, while federal policy drives the first set of efficiency trends by raising the standards for fuel economy, it has yet to contribute to the second set by shaping the nation's transportation infrastructure so people can drive less.

Transportation law relies heavily on state authority to plan and invest in infrastructure. However, federal infrastructure spending can be hugely influential because it accounts for about one-fifth of the nation's transportation investments every year, and since spending federal dollars requires local, state, and/or private matches it leverages a lot more spending than that.

This is why the reauthorization of the national transportation law is a focus of policymakers, advocates, industry and state and local officials every few years. The most recent law, Moving Ahead for Progress in the 21st Century (MAP-21), was enacted in 2012 and it's sadly a lackluster statute when it comes to saving energy and the environment.

Transportation law made a huge leap forward two decades ago in the Intermodal Surface Transportation Efficiency Act (ISTEA), which as Robert Puentes at Brookings wrote recently remains relevant to transportation even if its promise of more balance in authority between metropolitan regions and states and between modes (e.g. vehicle, bus, rail) remains largely unfulfilled. This bill was followed by two sequels (TEA-21, SAFETEA-LU) that preserved the basic architecture of the original and shared its "TEA" namesake.

MAP-21 includes a notable set of steps forward in its

planning sections, specifically a performance management process with measurements being designed right now by federal rulemaking and guidance (view the implementation schedule here). However, tying performance to funding – which seems logical – is facing resistance from recalcitrant state highway bureaucrats.

And this is exactly where the next battle lines are drawn for advancing transportation energy policy beyond vehicle efficiency. State agencies must change colors – challenging though it may be – to become leaders and not laggards in the energy security race. Vehicle performance standards are doing their part to improve fuel economy performance of our fleet, yet states remain poor partners with metropolitan areas where the vast majority of us live (especially in the suburbs, like yours truly).

We may be entering a new era, however, for three reasons. First, the lasting moderation of VMT growth as described above. Whatever the factors driving it – demographic (millenials forsaking the car culture, as another article in this issue describes, economic, environmental, etc. – it's something to which even state highway agencies must adjust by re-balancing investment portfolios.

Second, as the saying attributed to Churchill goes, "We have run out of money, time to start thinking." The federal gas tax hasn't budged since 1993, and in the interim inflation and additional needs have clobbered the spending power of this revenue. We are funding our federal program increasingly on the nation's already overburdened credit card. States and local jurisdictions are filling in some of the gap, but the revenue picture for them is a threadbare patchwork quilt. With the last transportation bill, this revenue squeeze sadly made Congress and states more risk averse, not less, so policy changes tended to be regressive or nonexistent. We need more, not less, progressive innovation from our policymakers. We have no alternative but to start thinking.

And last, thanks to the fiscal crunches and ensuing scrutiny of public expenditures, we may be at a turning point for state transportation policy. The best evidence of this for me is a new evaluation of one of the largest state highway agencies, the California Department of Transportation (Caltrans), by the State Smart Transportation Initiative at the University of Wisconsin. This remarkable report, commissioned and then embraced by Caltrans' parent agency, the California State Transit Agency (CalSTA), recommends that the agency reform itself from top-to-bottom. It must become, among other things, better at collaborating with and supporting metropolitan area planning and investment, and more balanced in terms of its focus on modes of transportation (i.e., less focused on sprawl-inducing, oil-guzzling highways).

That's the kind of balance ISTEA promised for transportation, and in the wake of historic federal fuel-efficiency policymaking it is high time Caltrans and other state highway agencies get serious about fulfilling that promise so the nation can continue up the road to increased freedom from oil.

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