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the **BENEDICT** REPORT

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THIS CAN WILL BE A GAME CHANGER!

During the last major election I read and listened to the various candidates whining and bickering and blaming and promising and decided to write down what I considered the real issues that I felt were critical to the longer-term prosperity of our entire country and our people. Here's what I had written down:

The BIG ISSUES...really BIG!

- ◆ Terrorists
- ◆ Out of control government spending and promises
- ◆ Sending billions of dollars for oil to people who hate us
- ◆ Jobs
- ◆ Huge profits in illegal drugs
- ◆ Water

For the most part, other than promising spending cuts in ten or fifteen years and hoping to get the "other guy" to pay more taxes, I don't think much has happened on my BIG ISSUES. I also realize we currently do not have a national water crisis, so nothing is going to happen to prevent the crisis before it does happen.

But, in one of my BIG ISSUES I believe we have at our fingertips the potential to radically change the world and most of that change would be of tremendous benefit to our country and our people. It will likely dramatically reduce our trade deficit; it will provide thousands of good paying jobs; it will potentially reduce our pollution and we will no longer be financing regimes who, with money for oil, want to overthrow our society.

On March 30, the President gave a speech in which he basically said that we can cut our oil imports by

about one-third over the next ten years if we "curb our energy demand," "reform our bio-fuel incentives" and many other ideas and then offered "there are no quick fixes." (not exactly a "we will land on the moon" speech.)

I wish the President had given me a call before he gave that speech because I would have changed it rather significantly. In one phrase in his speech he "urged Congress to pass legislation to encourage the use of natural gas burning vehicles."

Over the last few years the natural gas industry has developed new ways to unlock the huge amounts of natural gas that are deep beneath our country. Many now claim that we currently have enough natural gas reserves to last over two hundred years without any new discoveries. This can be BIG, folks! Think of us as the Saudi Arabia of natural gas.

The PLAN

We pay about \$700 billion annually to import most of the oil used for transportation in this country. The President should have offered that **our goal is to eliminate ALL imported non-North American oil in five years.**

The answer is to convert our vehicles to run on natural gas. We don't have to wait ten years to maybe cut our oil imports by a little.

The major auto manufacturers already build cars that run on natural gas for many countries. What is needed in this country is the availability of natural gas filling stations and some basic consumer education. And, quite frankly, we don't need Congress to pass a lot of complicated, burdensome laws. Congress has not solved our energy problem in the past and they likely won't solve anything this time. If our solution is dependent on politicians, I believe we will never have a solution.

ENERGY SOLUTIONS BY CONGRESS

For each dollar that crude oil rises, we transfer to oil exporting countries an estimated \$95 billion. (Maybe \$95 billion doesn't sound like a lot after listening to the drama our politicians created over the recent budget cap, but it really is. The **total interest** we paid in 2010 on our national debt was **only \$413 billion!**)

Energy and politics seem to have been joined at the hip for many years. Some of us are old enough to remember the Oil Crisis of 1973. The Arab oil-exporting nations were displeased that we sided with Israel and cut off our oil in retaliation.

Many gas stations were without gasoline while others had lines of cars several blocks long waiting for their small "allotment." The price of a gallon of gasoline more than doubled and tripled in a matter of days. Panic was in the air...we were a country without a solution.

But don't worry - our leaders at the time took decisive action. And what do our leaders do when a crisis hits? They pass laws, of course.

Congress and the President authorized **The Federal Energy Office**, which was created in December 1973. It championed "Project Independence," which was to free us of foreign oil dependence by the year 1980.

In June 1974 we created **The Federal Energy Administration** to oversee The Federal Energy Office. I guess to prove our leaders were determined to reduce our dependence on imported oil.

Then over the next three years we passed more acts to make us energy independent.

We passed the **Geothermal Energy Research, Development and Demonstration Act** and we followed that by passing the **Solar Heating and Cooling Demonstration Act**. Then, the **Solar Energy Research, Development, and Demonstration Act** followed by the **Federal Non-Nuclear Energy Research and Development Act** and the **National Energy Act** and the **Natural Gas Policy Act**. You would think our leaders would have gotten tired of voting!

And, finally, we decided we needed a cabinet level Department to keep track of all the laws and regulations and departments that we created. That led to the creation of the **United States Department of Energy** in 1977

The barrage of laws continued throughout the 1980's, 1990's and into this century. We don't have enough pages in this newsletter to list all the laws and directives that relate to energy. But rest assured our bureaucrats and legislators worked diligently to lead us to energy independence.

But, despite all this sincere help from Washington, D.C., we are currently importing more oil than ever before. We are very susceptible to future oil embargos and at least a little of the oil money we send to the Mid-East might just be financing some terrorist movements.

I say, other than some basic environmental regulation, let the big dogs run. Let the system solve our energy needs, Congress has had four decades and has failed miserably.

Do you wonder why maybe the **Department of Energy**, which was created in 1977, seems to have failed so in leading us to a life of energy independence?

Who or what types of people would you want to lead such a department? Engineers? Scientists? Energy Experts?

Let's see where the leaders come from:

The Department of Energy is under the control of a **United States Secretary of Energy**, a Presidential political appointee.

To help this person there is a **United States Deputy Secretary of Energy**, also a political appointee.

Also, there are three **Under Secretaries of Energy**, again political appointees.

To aid these Under Secretaries the President appoints eight **Assistant Secretaries of Energy**.

Excuse me for being skeptical, but the top fourteen people in the Department are political appointees that change every time we have a change of President. And, probably a bunch of them are from Harvard! No wonder we don't have a meaningful long-term Energy Policy in this country.

MY NATURAL GAS VEHICLE

I'm ready! I decided I would convert my vehicle to run on natural gas. I like the idea of saving a little money, I like the idea of emitting far less pollution. I like the idea of not supporting the oil exporting countries and

I am already driving a rather large vehicle. (Converting to natural gas adds a few hundred pounds to the vehicle's weight, thus, small cars are likely to remain hybrids.)

I go to the trusty Internet and search for how to convert. I find that it is relatively simple and very difficult at the same time. Buying a *conversion kit* is relatively easy and relatively inexpensive...few hundred dollars max.

But, I am no Mr. Goodwrench, so I looked for a *conversion specialist*. I found companies that do this for commercial vehicles and I found a few that would do it for individuals...in California. I'm a long way from that west coast state, but let's pretend that I would go there for the conversion. What is next? Oh! I need a license. A license, what kind of a license? My vehicle class needed to be licensed (I found various estimates of the cost for this licensing, many were in the \$200,000 range) or they would not approve my conversion.

Who must approve it? The EPA (Environmental Protection Agency) and in California the CARB (California Air Resources Board). OK, let's assume my vehicle was in a class that had a license and assume I would drive it to California for the conversion, what is a ball-park estimate of the cost? I read answers that ranged from \$8,000 to \$25,000.

Well, so much for that idea. I don't think driving a vehicle that is already several years old across the country to lay down many thousand dollars would be in my best financial interest. (In reality, my natural gas vehicle will have to be a new car that is properly equipped. Natural gas burns much hotter than gasoline, thus some engine modifications must be made. However, there is almost no additional cost to be manufactured as a natural gas fueled vehicle.)

What about safety? Many claim it is far safer than gasoline; after all, gasoline is very dangerous stuff. The reason we are crazy enough to drive around with enough gasoline a few feet from us that could blow us to Oklahoma is because we are used to it.

FUELING

But wait, what if I go out and buy a new vehicle that runs on Compressed Natural Gas (CNG), where would I re-fuel?

I learned I can purchase a *home refueling device*. This allows any homeowner with access to natural gas to fill their CNG vehicle overnight. (If interested, type in "fuelmaker PHILL" in your Internet search engine and click around a few times. You will even find a YouTube video how to use the PHILL.)

I decided it was a little premature for me to install a PHILL, so I searched websites and found one that shows the location of natural gas fueling stations. However, the local sites are just for commercial vehicles.

Then, during a recent trip to Michigan, I found that the Meijer gas station in Ann Arbor has a "pump" that refuels natural gas vehicles. I wandered in and spoke with the person behind the counter. "How often does the natural gas fuel pump get used?" I was told that a local delivery service uses the fuel all the time. "Any individual vehicles?" "Not that I have ever seen."

We are playing this game right now. Which needs to come first, the fueling stations or the demand from CNG autos? But, it is going to happen. *The Atlanta Constitution* had an article on November 25, 2010, entitled, "Fight brews over natural gas fueling stations." The article outlined how a group controlled by T. Boone Pickens is at odds with Atlanta Gas over new CNG fueling stations. Watch for more on this.

Despite employing hundreds of well-paid people for almost forty years and an annual budget in the multi-millions, our future of energy INDEPENDENCE will have little to do with the efforts of our esteemed Department of Energy.

"One remarkable aspect of the shale gas revolution is that it was not the product of an energy policy edict from Washington, or the result of a bruising political battle to open up public lands and offshore waters for new exploration. The pioneers were mostly smaller risk-taking entrepreneurs and technological innovators. George P. Mitchell, an independent producer based in Houston, is widely credited as being the prime mover in shale gas, pushing the idea against skeptics. The technology was mainly deployed on existing oil and gas leaseholds or on private land beyond the reach of bureaucrats (for the time being, anyway). *That is why shale gas seemed to sneak up unannounced to the media and Beltway elites, even though people inside the gas industry realized several years ago what was rapidly taking place.* Mitchell worked the Barnett shale formation near Dallas, but the biggest shale gas "play" is the Marcellus - a massive deep shale formation stretching from West Virginia through upstate New York."

"The Gas Revolution" by Steve Hayward in the Weekly Standard

MY BIG PLAN

You may think that after all of this, I have given up on my plan to be free of “bad” oil in five years. If you think that, you are totally wrong!

Our economic growth depends on a cheap source of available energy. Our natural security depends on a local source of available energy. And we now have both...today, not a couple of decades from now when some of the other energy sources become economically viable.

We need to get rid of a lot of burdensome, archaic and overlapping laws and regulations regarding using natural gas for transportation use and streamline the process. We have recently discovered huge new quantities of natural gas and we need solid, well thought out rules to safeguard our environment when they extract the gas from the bowels of the earth. But, beyond that we need to get out of the way and let the entrepreneurial juices flow and take us into a future of energy independence.

This plan is not without hurdles along the way, but think of the benefits of not sending \$700,000,000,000, every single year, to people far, far away, many of whom do not like us. Think of the new jobs that will be created right here under our noses, jobs that are created by private industry and not some government make-work program. Think of the air around our major cities in the summer if the pollution from our automobile exhausts were reduced significantly.

I'm all behind you Mr. President, but “reduce our foreign oil by maybe one-third in ten years or so...” No, no, no, start reducing it now. We have more natural gas than we can use in centuries, let's use it.

This is big! About the only things that can stop this are politicians.

Information for this article came from these sources as well as other general reading:

"Natural Gas Vehicles and the EPA," by Brian McGraw

"Top Provider of Natural Gas for Cars Fuels New Spark," Spark 360 News, April 6, 2011

Wikipedia on the United States Department of Energy

"The 1970's Energy Crisis," <http://cr.middlebury.edu>

"The Gas Dilemma," *TIME*, April 11, 2011

"Obama calls for deep cuts in U.S. oil imports," REUTERS, March 30, 2011

"How to Convert a Vehicle to Natural Gas," eHow.com

<http://naturalgasvehicles.com>

Barron's, "Move Aside Ethanol—Compressed Natural Gas is a Better Gasoline Replacement," Ed Dolan, March 18, 2011

"The Great Shale Gas Rush," Bloomberg/BusinessWeek, March 7, 2011

Written by Ed Dolan in the March 19, 2011 issue of *Barron's* - "I first encountered CNG as an automotive fuel years ago when I was teaching in Bulgaria. I rented a car for a getaway in Greece. The car had two fuel tanks, one for CNG and one for gasoline. In Bulgaria, all the filling stations had CNG pumps, but in Greece I had to flip a switch on the dash to convert, seamlessly, to gasoline."

ExxonMobil Corp. completed the merger with the natural gas producer XTO Energy Inc. in June 2010.

Chevron Corporation and Atlas Energy, Inc. announced that Chevron would acquire Atlas Energy for \$4.3 billion in cash. *Chevron press release, November 9, 2010.*

Fiat Brazil, working with Magneti Marelli, has developed tetrafuel vehicles, and in Brazil it now markets cars that run on gasoline, alcohol, any ethanol blend, or natural gas. (www.greencar.com)

China National Offshore Oil Corporation Ltd. agreed in October to pay \$2.16 billion for a 33.3 percent stake in Chesapeake Energy's interest in the Eagle Ford shale play. *Oil Voice, August 5, 2010*

Reliance Industries Limited (located in India) announces that its subsidiary, Reliance Marcellus II, LLC, has paid \$3.4 billion to enter into a Marcellus Shale joint venture with United States based Carrizo Oil & Gas, Inc. *Oil Voice, August 5, 2010*

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