Scraping the Bottom of the Barrel?

The Alaskan oil battle ("Hodel Recommends Leasing of Coastal Plain," back page, April 21) is first about economic rationality, not caribou.

The Department of the Interior assumes that oil will sell (in 1986 dollars) for $35/bbl in 2000 and $61 in 2010. That's more than the oil companies apparently expect: They aren't drilling now even in far cheaper areas. At those high prices, Interior says leasing in the Arctic National Wildlife Refuge has an 81% chance of finding no economically recoverable oil; a 19% chance of finding oil averaging a six-month national supply, including a 1% chance of a year and a half's worth; and a 100% chance of trashing the Refuge. If such poor odds of so little oil are "vital to our national security," why cut new-car standards from 27.5 to 26 miles a gallon—thus wasting more oil per year, with 100% certainty, than unlikely success in the Refuge could yield it? Why not get serious about boosting cars' or buildings' efficiency, thereby eliminating oil imports sooner and much cheaper than betting on Refuge oil?

Interior's projected profits and tax revenues, discounted to 1986 at a risk-free real rate of only about 1% a year, would be worth about $19 billion: a ten-thousandth of the nation's projected energy bills during exploitation. The lower oil prices plausible when Secretary Hodel is rushing to pump out the oil would yield a multibillion-dollar net loss. So much for "tremendous economic benefits": This is just another corporate-socialist scheme to unload irreplaceable public assets onto a glutted lease market at fire-sale prices.

Whatever "business and oil interests praised" this daft notion are forgetting recent history. Twice in the past 13 years the government has pushed grandiose energy expansions while the market instead produced a gush of energy efficiency, sticking the overbuilt industry with unsaleably costly surpluses. This year, U.S. energy-saving capacity that took only 13 years to build is delivering two-fifths more energy, with rising output and falling real costs, than the century-old oil industry is delivering with falling output and rising real costs. Which industry merits, and is getting, the marginal dollar?

The issue isn't just a steward who thinks the answer to oil depletion is to deplete even faster. It's Mr. Hodel's wish to inflict on the struggling oil industry the same wisdom with which, as prime architect of WPPSS, he virtually bankrupted the Northwest's utilities. In only two years his predicted electricity shortage magically turned into a seemingly endless glut, triggering a $7 billion default. Today, as he again spurs supply and ignores demand, he seems, like an earlier *ancien regime*, to have learned nothing and forgotten nothing.

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