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THE MILITARY COST OF SECURING ENERGY

by

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with

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Conclusion

In the end, both methodologies arrived at similar estimates of the military costs associated with securing access to energy.

Without including costs of war, we estimate that approximately \$100 billion out of the military budget is spent to fulfill the

mission of securing access to energy in fiscal year 2009. If we include three-fourths of the spending on the Iraq War, the figure doubles. Without war, securing energy access accounts for about 20 percent of the Department of Defense budget. With the majority of the Iraq War spending included, the proportion rises to nearly one-third of the budget.

Table 4: Overview of Estimates for FY2009 (in billions)

	Peacetime	w/Iraq War
Method 1	\$97	\$208.9
Method 2	\$103.5	\$215.4

The numbers are large and yet conservative. For one, it is difficult to argue that the U.S. government invaded Iraq for any reason other than its oil reserves and its position in an energy-rich region. Yet, we did not include all of the spending on the Iraq War nor the present value of future costs which are projected to be in the trillions. We also included only half of the resources we estimate were devoted to the Persian Gulf region and the surrounding countries of USCENTCOM. It is likely that interest in the region might be trivial if there were no fossil fuels. U.S. military policy also appears to be increasingly focused on energy supplies with the creation of the new U.S. Africa Command, and the re-deployment of the 4th Fleet in South America.

By publishing these estimates now, we accomplish two important objectives. We ask the questions and offer answers which will hopefully induce others into this line of research. Secondly, since we are publishing our numbers and methodology, if anyone disagrees with the proportion we have attributed to securing energy in a particular region, she can re-calculate and offer a different viewpoint.

A more precise calculation could involve listing, documenting, and costing out specific operations such as Naval patrols to maintain the Straits of Hormuz. But at this time, the information needed to provide that level of detail is not publicly available. It may be possible to refine the methodologies we employed by improving our estimates of resources

devoted to each region of the globe. We await responses to a number of Freedom of Information Act requests to help us in this task. It may be possible, though tremendously time consuming, to evaluate every budget justification item and estimate the proportion that can be attributed to operations related to the mission of securing access to energy resources. We continue to collect and process information and will further refine our estimates. Yet, the importance of this issue dictates that we cannot await the perfect methodology, or the perfect set of assumptions, or the complete level of information needed for a better estimate. A tremendous volume of resources is expended each day to secure access to energy supplies. Until further information and study provide a better estimate, we note the significant opportunity costs of dependency on fossil fuels.

Even if the military costs were lower than we have estimated, the salient point is that these costs are not included in the market valuation of energy, which is an externality leading to market failure. This market failure is not trivial. The price of a good in a market is a signal to both consumers and producers. If the price does not reflect the true cost of production, consumers purchase more of the good than would otherwise be the case. With respect to energy consumption, this market failure is disastrous. Consumption of fossil fuels leads to pollution and global warming. The correct valuation of energy in markets would lead to a transition away from fossil fuels and toward renewable and clean-burning energy sources.