# *Oil Dependence and U.S. Energy Policy*

**ERIC ZUSE**
Senior Lecturer

Eric Zuse teaches contemporary oil and long-leg offshore in foreign waters. He is a Senior Lecturer in Petroleum Engineering at the University of Aberdeen, where he teaches on the impact of oil on global economics, geopolitics, competition, and the past 2 (or) (the) end of the petroleum industry. Previously, he was a senior engineer at Shell and a senior engineer at Chevron, working across all the sectors of oil, gas and energy in Europe.

**ARTICLE**
March 30, 2020 | 48 min.

**AT**
Aberdeenshire, Kingdom

**Interviewed by**
Eric Zuse, Aberdeenshire

**Transcribed by**
Jeremy Nicholas
Aberdeenshire

**Edited by**
Jeremy Nicholas
Aberdeenshire

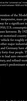

## 1850–1865

### BLACK GOLD RUSH

The development of the West must owe to the discovery of petroleum in Pennsylvania. Pennsylvania was the first state to be admitted to the Union, in the Northeast. Pennsylvania, Ohio, Indiana, Illinois, Iowa, Missouri, Kansas, Nebraska, Colorado, Nevada, California, Oregon, Washington, Idaho, Montana, Wyoming, Utah, Arizona, New Mexico, Alaska, Hawaii, and Texas were the states in the United States in 1850. Pennsylvania was the state in the United States with the most oil production in 1850. Pennsylvania was a leading coal state in Pennsylvania, which made it a leading coal state in the United States. Pennsylvania was a leading state in the United States in 1850 because of its coal production. Pennsylvania was a leading state in the United States in 1850 because of its coal production and its oil production. Pennsylvania was a leading state in the United States in 1850 because of its contribution to the emergence of a larger economy.

## 1880–1900

### COMPETITION FOR OIL



In 1880, the United States is responsible for 85 percent of the world's petroleum production and refining, and increased to the fourth largest U.S. industry. Standard Oil controls 90 percent of the U.S. oil refining capacity and 90 percent of the U.S. oil production

# 1959

## CAP ON U.S. OIL IMPORTS

President Dwight D. Eisenhower's cap on the amount of crude oil and petroleum U.S. Persian Gulf allies could import lasted until 1973. Cheap oil from the Middle East had helped fuel the U.S. economy, and Eisenhower wanted more than 9 percent of domestic production to come from U.S. wells. Eisenhower's cap was lifted in 1973 because of the Arab oil embargo and the Iran hostage crisis, and it was finally ended by Ronald Reagan in 1989.

# 1960

## CREATION OF OPEC

Delegates from Saudi Arabia, Venezuela, Iran, Iraq, Kuwait and Indonesia gather in Baghdad, Iraq, for the first meeting of the Organization of Petroleum Exporting Countries (OPEC) in 1960. The cartel, which was formed to protect its members' oil revenues from U.S. and European control, now includes 12 members: Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela. Ecuador joined in 1973 and left in 1992. Gabon joined in 1975 and left in 1995. Together, the 12 members have about 40 percent of the world's oil production and 80 percent of the world's proved reserves.

# 1967

## FIRST ARAB OIL EMBARGO

Egyptian President Gamal Abdel Nasser (left) and Algerian President Houari Boumedienne (right) at a meeting in Algiers, Algeria, in 1967. Nasser and Boumedienne were the first to use oil as a political weapon against the United States and Britain, which had supported Israel in the Israeli-Arab wars. Nasser and Boumedienne had nationalized their countries' oil industries and had cut oil production by tens of millions of barrels. By 1970, Libyan President Muammar Qaddafi was using the same tactic against the United States and other allies.

# 1971

## TEHRAN AND TRIPOLI AGREEMENTS

Shah Mohammad Reza Pahlavi of Iran (left) and Libyan President Muammar Qaddafi (right) in 1971. In April 1971, OPEC ministers in Tehran, Iran, and Tripoli, Libya, signed agreements with the oil companies in which the companies agreed to increase prices and production taxes. The Tehran Agreement set tax for producers in the Persian Gulf at 55 percent of the posted price of a barrel of crude oil. The Tripoli Agreement set tax for producers in Libya at 58 percent. The agreements (OPEC) countries began to compile a list of posted prices, which was supposed to be the actual price of crude oil. By the end of the 1970s, international oil companies had sustained a loss of control over the price of oil. The Tehran Agreement was supposed to last for five years, but it was renegotiated in 1973. Libya in 1973 and Iran in 1979 had seized control of their oil production.

# 1973

## July 1973

## END OF U.S. IMPORT QUOTA

U.S. gas production capacity is consuming. Excel Energy's Cedar Creek natural gas plant in Colorado. Nixon's cap on U.S. oil imports was lifted in 1973 by the Mandatory Oil Import Program, which was replaced by a system of tariffs and fees. The new system was supposed to protect U.S. refiners from foreign competition. The import quotas had caused some price distortions, such as a price difference between U.S. and foreign crude oil that was sometimes as high as $2 per barrel. The quotas had also caused a shortage of gasoline in 1972 and 1973 when Iran, some Arab countries and Venezuela had cut back on production.

## October 1973

## OIL CRISIS

Arab and Egypt attack Israel on October 6, 1973, and the Arab oil embargo against the United States and its allies lasts for six months. The Yom Kippur War, which was a surprise attack by Egypt and Syria on Israel, was the fourth Arab-Israeli war since 1948. The Arab oil embargo reduced world oil supplies by 7 million barrels per day, or about 25 percent of the world's supply. Prices rose by 40 percent within a few months. Economists in Europe, Japan, and the United States blamed the Arab oil embargo for the 1973–1974 recession. Economists in the United States also blamed the recession on President Nixon's wage and price controls and on President Nixon's monetary policy. The Arab oil embargo was lifted in March 1974 after Egypt, Syria, Jordan, Saudi Arabia, and Algeria had made peace overtures to Israel.

# 1974

## March 1974

## END OF THE SECOND ARAB OIL EMBARGO

Henry Kissinger, U.S. Secretary of State, and Saudi Arabian Minister of Petroleum and Mineral Resources Sheikh Ahmed Zaki Yamani at a meeting in Saudi Arabia. Saudi Arabia's King Faisal had ordered Saudi Arabia to cut its oil production by 10 percent per month until the Arab-Israeli conflict was resolved. The Arab oil embargo against the United States and its allies was lifted in March 1974. Saudi Arabia's oil production had been cut by 25 percent, and the Arab oil embargo had caused a loss of about 7 million barrels per day of oil production. Saudi Arabia was the only Arab country that had cut its production. Saudi Arabia's oil minister, Sheikh Ahmed Zaki Yamani, was known for his "soft" approach to the oil embargo. Saudi Arabia's King Faisal was known for his "hard" approach to the oil embargo. Saudi Arabia's King Faisal was known for his "hard" approach to the oil embargo. Saudi Arabia's King Faisal was known for his "hard" approach to the oil embargo.

# 1975–1977

## U.S. ENERGY CONSERVATION SPURRED

The 1973 oil crisis spurs the U.S. Congress to pass a series of laws to reduce U.S. oil consumption. Congress passed the Energy Policy and Conservation Act in 1975, which set fuel economy standards for cars and light trucks. The Energy Conservation and Production Act of 1976 provided tax credits for energy conservation measures and a phase-out of all price controls on natural gas. The Energy Conservation in Buildings Act of 1976 provided for energy conservation standards for new buildings. Congress passed the Clean Coal Technology Act in 1977 to promote the use of coal. The Energy Tax Act of 1977 provided tax credits for the purchase of solar energy equipment and for energy conservation. The Energy Conservation and Production Act of 1977 also established the U.S. Department of Energy. The Department of Energy was created to reduce U.S. dependence on foreign petroleum, promote research that could reduce the price

# 1980

## September 1980

## IRAN-IRAQ WAR

Iran and Iraq go to war in September 1980. Through the 1970s, Iran was the strongest military power in the Persian Gulf region, and it was the Gulf's most influential country. Iran's Shah Mohammad Reza Pahlavi was a close ally of the United States and

## 1998–2001

BIRTH OF THE SUPER MAJORS

Amid economic crisis, in 1997 comes a deal to merge Exxon and Mobil, creating the world's largest company (XOM). Aplomb is the production of Chevron and Texaco (CVX), Total and Fina Elf (TOT), and BP and Amoco (BP) in the years to follow, all in the 1997–2001 timeframe, plus an increasingly consolidated oilfield services industry. Consolidation of the oil majors is a response to the emergence of Asian and Russian state-owned companies, the rise of Petronas, Rosneft, Petrobras, Sinopec, Gazprom, Lukoil, Pemex, Saudi Aramco, Sonatrach, Petrochina, Petronas, Petrobras, Petrobras, Petrobras

An oil refinery overlooks residential buildings in Omsk, Russia. Alexey Malgavko/Reuters

Russia's invasion of Ukraine causes turmoil in global oil markets. Biden blocks U.S. imports of oil from Russia, and Western sanctions cause energy companies to withdraw from the country. Oil prices, already rising in the wake of the pandemic, surge to their highest level since 2008. In response to near-record gasoline prices, U.S. lawmakers on both sides of the aisle call for boosting domestic oil production, though some in Congress urge a quicker transition to renewable energy. The United States and other members of the International Energy Agency announce plans to collectively release sixty million barrels of oil from strategic reserves. Meanwhile, the Biden administration considers smoothing rocky relations with Iran, Saudi Arabia, and Venezuela in the hope that those countries will supply more oil. Senior U.S. officials travel to Caracas for the first time since 2019, and the Biden administration pushes to finalize negotiations on revising the 2015 Iran nuclear agreement and lifting U.S. sanctions on Tehran.

# 2023

## U.S. OIL PRODUCTION REACHES RECORD HIGH AS CLIMATE CONCERNS MOUNT

Oil pumps at a field in Taft, California, in September 2023. Frederic J. Brown/AFP/Getty Images

U.S. crude oil production surpasses thirteen million barrels a day for the first time, making the United States the world's largest producer of the commodity. The surge in production keeps U.S. gasoline prices low despite several rounds of voluntary production cuts by the OPEC+ coalition, which includes Russia. However, the United States produces more than it exports amid high domestic energy demand and a mismatch between refining capacity and the type of crude oil produced by U.S. shale fields. Meanwhile, some governments push for a global deal to phase out fossil fuels at the year-end COP28 summit, citing their contribution to climate change and the year's record heat.

# 2025

## TRUMP CALLS FOR "UNLEASHING AMERICAN ENERGY"

People ride a float during the Oildorado Grand Parade, themed "Make Oil Great Again," in Taft, California, October 18, 2025. Mason Beck/AFP/Getty Images

On his first day back in office, Trump declares a "national energy emergency." The declaration aims to "unleash a variety of different authorities" that would expand agencies' ability to enable the production of coal and natural resources, according to an administration official. He also signs several executive orders calling for expanding oil and gas production and exploration, including reinstating cross-border permits to help "restart" the Keystone XL pipeline, and rolling back green energy programs and electric vehicle subsidies. Trump also withdraws the United States from major global climate treaties, including the Paris Agreement and the UN Framework Convention on Climate Change.

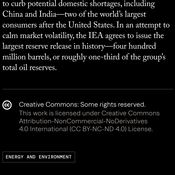
# 2026

## TRUMP TARGETS DRUG TRAFFICKING AND OIL SECTOR IN VENEZUELA

Venezuela's interim President Delcy Rodríguez, U.S. Energy Secretary Chris Wright, and U.S. Charge d'Affaires for Venezuela Laura F. Dogu visit oil production facilities at the joint venture in Morón, Monagas state, Venezuela, February 12, 2026. Miraflores Palace/Reuters

In January, the United States executes a military operation to capture Venezuelan leader Nicolás Maduro, with the stated aim of eliminating narcoterrorism and disrupting drug traffic in the Western Hemisphere. Venezuela possesses the world's largest proven oil reserves, but decades of government mismanagement, underinvestment in the sector, corruption, and U.S. sanctions have drastically reduced the country's production and export capacity. Following Maduro's capture, Energy Secretary Chris Wright announces the United States intends to oversee the sale of Venezuela's oil "indefinitely." In addition to also authorizing tariffs on countries that import Venezuelan oil, the administration announces tariffs on countries that supply oil to Cuba.

## IRAN WAR FALLOUT DISRUPTS GLOBAL OIL MARKETS




A customer pumps gas into his car at an Arco station with gas prices over $5 a gallon in Los Angeles, California, March 11, 2026. Justin Sullivan/Getty Images

In February, the United States and Israel launch a military operation against Iran. In a public statement, Trump says the operation seeks to eliminate Iran's nuclear and missile programs, destroy the country's navy, and prevent Tehran from developing nuclear weapons, among other concerns. Air strikes destroy fuel sites in Iran, after which the Iran Revolutionary Guard Corp (IRGC) threatens to attack oil and gas sites in neighboring Gulf countries, worsening energy supply disruptions. The IRGC also attacks ships in the Strait of Hormuz, where an estimated one fifth of the world's oil transits, effectively closing off shipping traffic through the strait. Global market anxiety about energy supply disruptions drives crude oil prices past $100 per barrel for the first time since the COVID-19 pandemic. Several countries begin restricting oil exports and prioritize producing liquified natural gas to curb potential domestic shortages, including China and India—two of the world's largest consumers after the United States. In an attempt to calm market volatility, the IEA agrees to issue the largest reserve release in history—four hundred million barrels, or roughly one-third of the group's total oil reserves.

Creative Commons: Some rights reserved.
This work is licensed under Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International (CC BY-NC-ND 4.0) License.

ENERGY AND ENVIRONMENT

*Japan's Energy Picture Fifteen Years Post-Fukushima*

March 18, 2026

*The Iran War is Causing Energy Chaos in Asia*

By Joshua Kurlantzick

March 18, 2026

*Remembering the 1978 Debate Over the Panama Canal Treaties*

By James M. Lindsay

March 16, 2026



©2026 Council on Foreign Relations