

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

This PDF is auto-generated for reference only. As such, it may contain some conversion errors and/or missing information. For all formal use please refer to the official version on the website, as linked below.

Oil During COVID-19: Essential Service or Subsidized Resource?

<https://www.e-ir.info/2020/05/12/oil-during-covid-19-essential-service-or-subsidized-resource/>

KELSEY SCHOBER, MAY 12 2020

The United States' reliance on oil has grown since the inception of industrialization. As the economy transitioned away from agrarianism in the 19th century, energy resources became critically important to the continued evolution towards an economy rooted in production and manufacturing. In the 21st century, however, reliance on energy has shifted dramatically from a simple need to fuel economic growth to a complex landscape in which oil extraction is entangled with narratives of national security, international relations, energy independence, and climate change. Even more complex than the narratives oil is related to is what oil drives: an extractive capitalist economy, the justification for international intervention, substantial corporate profit, unjustly distributed social and environmental impacts, and global climate change. Especially in times of global upheaval like wars, market crashes, natural disasters, and pandemics, the way in which this patchwork of narratives and oil-related impacts are both utilized and reinvented becomes especially noteworthy.

In this article, I argue that characterizations of oil as an essential service during the COVID-19 pandemic are reminiscent of the way in which oil has been characterized as critical to energy security. These present-day rhetorical characterizations serve to justify the continued subsidization and potential bailout of the oil industry during the COVID-19 pandemic, despite the reality of crashing demand and historically low oil prices. In favoring the essential services narrative over the reality of the oil industry and its relationship to rapidly accelerating climate change, I contend that the opportunity that low demand and prices offer for stimulating the transition to zero and low-carbon emission energy sources in the United States is being ignored.

Oil, Energy Security, and Securitization Theory

In the United States, presidential administrations since the early 2000s have combated concerns about oil in the United States by framing the issue as one of energy security. Indeed, the multiple energy crises withstood since the 1970s have been key to framing oil production as critical to energy security across the United States. However, this tactic has origins earlier than the 21st century. In 1912 when Britain converted its warship fleet from coal to oil, the issue was framed as one of energy security. The term energy security was later coined in 1956 during the Suez Crisis in which oil supply was unstable. Further oil supply instability in the 1970s due to the Yom Kippur War and the Iranian Revolution advanced the issue of energy security, orienting it as a term referring to 'a stable supply of energy... against geopolitical risks'. Growing instability and tighter oil markets during the early 2000s – namely due to the September 11 attacks and Hurricane Katrina – played a key role in further nuancing the concept of energy security by infusing it with national security concerns. Indeed, from these crises energy security emerged as a central concern that drove energy policy for many developed countries throughout the 20th century and continues to frame many energy concerns in the United States to this day.

Notably, energy security did not arise as a national concern solely due to energy crises, fluctuations in access, or global politics. The concept gained popularity 'even though the stability of energy supply, which once was the core meaning of energy security, remain[ed] unchanged'. Instead, the focus on energy security in the United States emerged from rhetoric emphasizing the need to 'reduce pressure on prices' in light of higher oil prices. Intimately tied with the rhetorical intent to reduce pressure on oil prices is the idea of energy independence. President Obama

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

claimed that “homegrown’ sources of energy... are said to ‘make us more secure,” echoing President George Bush’s argument that energy dependence on other countries ‘leaves us more vulnerable to hostile regimes and to terrorists’. Though these arguments fall in line with reframed concerns of oil as key to national security, they also emphasize the ability to critically reframe energy security through rhetoric. In essence, energy security grew rhetorically, rather than simply in response to crises that highlighted the vulnerability of the oil market.

The rhetorical framing of oil resources as central to energy security falls under the purview of securitization theory. The most oft-cited definition of securitization theory states that ‘when a securitizing actor uses a rhetoric of existential threat and thereby takes an issue out of what under those conditions is ‘normal politics,’ we have a case of securitization. Summarily, the key point of securitization theory is that if ‘an issue is given sufficient saliency to win the assent of the audience’ those in charge of the issue ‘are authorized to handle the issue to use whatever means they deem most appropriate’. By deeming oil a critical component of energy security and concurrently deeming energy independence a condition of energy security, American leaders successfully construct a worldview that justifies the use of whatever means possible in order to extract oil domestically. This is not a new theory, but one that bears repeating.

In 2002, Spencer Abraham, former United States Energy Secretary told Congress that ‘energy security is a fundamental component of national security’. The literature takes up this point, arguing that ‘as a component of national security, moreover, energy security can become the justification for using military force – a stance articulated by several United States presidents when authorizing military action in the Persian Gulf area’. In this way, oil is no longer simply key to only energy security, but rather, an issue of import to maintaining national security. This qualification constitutes not just a case of mild securitization, but one that allows for a truly unbridled approach to extracting oil under the guise of protecting national security.

Securitization theory accurately describes the use of energy security by American leaders due to its emphasis on the role of rhetoric in constructing a reality. The theory states: ‘words do not merely describe reality, but constitute reality, which in turn triggers certain responses’. In this manner, threats ‘are constructed as threats through language’ rather than their objective existence as such. In this way, oil is not a component of energy security nor national security because it exists objectively as such; instead, the rhetoric of oil, energy security, and national security intertwines these concepts simply because they are articulated as intertwined. Securitization theory ‘is organized around securitization as an act, as a productive moment, as a discontinuous reconfiguration of a social state’ and articulating oil as critical to energy security and national security constitutes both this act as well as the reconfiguration of the social state in response.

Oil Subsidies in the United States

In addition to vocalizing that domestic oil extraction is an energy and national security issue, the United States federal government promotes oil extraction by extending government subsidies and incentives for operation. For all energy sectors – coal, natural gas, and petroleum products – the United States is the second-largest subsidizer of energy worldwide, extending \$649 billion in 2015 to energy producers. These subsidies are ‘designed to provide a stimulus to either consumption or production of fossil fuels’, including oil.

The World Trade Organization (WTO) defines a subsidy as ‘any time a government programme benefits private actors’. Because this category is broad and may include downstream effects of providing consumers with cash transfers, the WTO has further clarified subsidies by stating that they may fall into three categories:

1. ‘The government may transfer funds to producers or consumers, resulting in direct or potential budgetary expenditure, or use its power to instruct private entities to make a transfer....’
2. ‘The government may provide goods or services at no cost or below market price, such as university education, public transport or food stamps. Such transfers also involve expenses for the government, with the difference being that beneficiaries receive in-kind contributions as opposed to funds they can freely dispose of.’
3. ‘Regulatory policies may be seen as subsidies, if they create transfers from one group to another... This

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

category of transfers caused but not paid for by the government may also comprise implicit subsidies arising from the failure by governments to internalize externalities, such as air pollution by industry, or rents associated with untaxed exploitation by private parties of publicly-owned or managed resources.'

Subsidies for oil in the United States are not unique from these three categories and fall to consumers – ultimately feeding back into the oil industry in the form of stimulated demand – as well as individual oil companies and the industry more broadly. While admittedly the 'nature and uses of subsidies have not remained constant over time', the United States has typically used these sorts of subsidies for 'new capital formation and the stimulation of demand'. Notably, the industries to which subsidies are applied are shaped largely by sociopolitical values and context. In the United States, the market economy, political re-election, and the power of those with large-scale capacity to contribute to the market economy (often governments or industries) are variables that the nation's capitalist, market-based economy values. Accordingly, endeavors that can perpetuate these values are likely to receive government support.

Given the extent of energy subsidies in the United States, it is clear that federal policy values the way in which energy producers both form capital and stimulate demand. However, many analysts, experts, and policy makers demonstrate that 'the vast majority of subsidy value' for fossil fuel in the United States 'goes to fossil fuel projects that are already expected to be profitable and would be developed anyway'. Henceforth, 'subsidy value goes directly to profits, with very little impact on production'. This analysis disrupts the narrative that subsidies are necessary investments prompting new capital development, and as such, energy security. In the case of fossil fuels, capital development occurs without subsidies. Paired with the United States' nearly unprecedented subsidizing of fossil fuels, this analysis demonstrates that fossil fuel development is about more than stimulating consumption and production. When production continues to occur and demand is satiated, what is the purpose of oil subsidies? In the same way that the energy security narrative is rhetorical framing that justifies action, subsidies for oil extraction concern more than simple development, production, and demand.

Subsidized Status Quo to Essential Service: Oil during the COVID-19 Pandemic

Though energy concerns in the early 2000s were framed by 'renewed anxiety over whether there will be sufficient [oil] resources to meet the world's energy requirements in the decades ahead' these concerns pale in comparison to the concerns about how crashing prices, overstock, and falling demand for oil during the COVID-19 pandemic as it intensified during early 2020 will impact the oil industry in the coming years.

Amidst the COVID-19 pandemic and concurrent oil concerns, a rhetorical shift is occurring around oil in the United States that echoes the role that the energy security rhetoric has historically played. As businesses outside essential services shut down, the oil industry has continued to stay afloat despite both crashing cost and demand. This is due, at least in part, to the way in which it has been positioned as a provider of energy, and as such, an essential service. In times of crisis, essential services provide services necessary to communities; to refuse to provide government support for essential services would be to refuse a service critical to the well-being of the nation state. The State of Alaska refers to 'oil production' as 'critical infrastructure'; the National Law Review includes oil as a provider of energy as an essential service; and even in California, 'workers supporting the energy sector' including oil extraction were deemed critical. This manner of framing of oil as an essential service during the COVID-19 pandemic echoes the framing of oil as critical to energy security in times of national upheaval throughout American history. In the same way that securitization theory allows the notion of energy security to justify all acts used to attain oil, securitization theory reveals the way in which deeming oil an essential service allows for its continued production – even subsidization, and potential industry bailout – despite historically low costs, crashing demand, and a glut of oil waiting to be consumed.

COVID-19 and Opportunities for Energy Shifts

During the COVID-19 pandemic outbreak in early 2020 in the United States oil prices have crashed, even dropping into negative per barrel prices. Not surprisingly, this has resulted in mixed calls for an oil industry bailout to ensure companies can continue to produce. Though treating oil as an essential service or key to national security – both

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

rhetorically and in terms of government subsidy policy – is unprecedented, it ignores the reality of falling global oil prices as well as the opportunity that these low prices offer for a transition to more affordable renewable resources. With ‘unprecedented’ changes to the climate observed across all seven continents and the burning of fossil fuels contributing ‘about 78% of the total GHG emissions increase from 1970 to 2010’, a transition to zero or low-carbon emissions options is critical to limiting climate change to below 2°C. This transition ‘will require an urgent and fundamental departure from business as usual’, or rather, a departure from our current dependence on fossil fuels.

Oil is not, in and of itself, either a building block of national security nor an essential service. Foremost, oil is a physical resource. It becomes a valued resource insofar as ‘actors inscribe values’ to its extraction and application. Since the inception of mass oil extraction and widespread use in the United States, value has been ascribed to oil; this can be clearly seen by the role that oil has played in energy and national security conversations. As the United States continues to subsidize oil at growing rates, value continues to be assigned to oil that places it as central to the United States’ economy. However, continuing to re-inscribe these values in the face of a rapidly changing climate that threatens water supply, food production, and livability of large regions ignores the potential opportunity that low oil prices provide for transitioning to zero or low-carbon energy sources. An independent financial think tank states:

Periods of low commodity pricing are the ideal opportunity to both cut subsidies for fossil fuels and reconfigure fiscal approaches to help the prices of products reflect their true costs including carbon externalities, giving a much needed boost to battered budgets and a source of funds for stimulus measures.

Previously high prices for oil yielded a successful market economy in the United States that drove further oil exploration. However, as prices drop the financial incentive for continuing to focus energy production on the burning of fossil fuels disappears. In this vein, the literature states:

The impact of subsidies is highly sensitive to oil price, which could have important policy implications. At very low oil prices (for example, US\$30 per barrel), almost no new (discovered but not yet producing) fields would be developed, even with subsidies.

As such, oil subsidies are fundamentally ineffective at improving oil production when oil prices drop below \$30 per barrel. In addition to ‘recent volatility’ that has ‘now passed into the historical record, raising equity premiums, and producers’ balance sheets’, lowered oil prices and ineffective subsidies offer lower pressure to keep the oil industry afloat. Even before the COVID-19 pandemic, further analysis shows that ‘reducing subsidies for GHG-related activities in various sectors can achieve emission reductions, depending on the social and economic context’. At a time when a lack of oil is not the root cause of low oil prices, subsidies will not further production and their repeal may result in reduced emissions in the long term.

On a broader scale, continued oil subsidies or industry bailouts ignore the opportunity that the COVID-19 pandemic provides for a transition away from carbon intensive energy sources. A business as usual model will only continue to exacerbate climate change and the way in which ‘nearly all systems on this planet would be affected’. This has implications not only for the energy industry, but for future sustainable development and equity of every country worldwide. As stated by the IPCC:

Restricting adaptation responses to incremental changes to existing systems and structures, without considering transformational change, may increase costs and losses and miss opportunities.

Conclusion

Oil has been central to the politics and economics of the United States since industrialization. As energy needs have grown more complex, oil extraction has continued to grow, as well as shape the way in which the American economy operates – both domestically and abroad. However, oil does not exist independent of national narratives; instead, it exists and holds power as a rhetorical concept. For decades, the narrative of oil has existed as a narrative that drives the concept of energy security. Securitization theory helps to explain the way in which the rhetorical positioning of oil as key to energy security and national security has resulted in oil exploitation, international interference and violence,

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

corporate profit, and the prioritization of oil over many other national needs.

The rhetoric surrounding oil has real consequences. Aside from international ramifications, it has domestically allowed for the fossil fuel industry to be subsidized at nearly unprecedented rates. These subsidies, meant to increase productivity of oil fields and stimulate demand for oil products, further exacerbate a domestic reliance on oil by valuing the production, demand, and use of fossil fuels at \$649 billion in 2015, at direct cost to not only other industries but taxpayers. This reliance further perpetuates domestic and international consequences of oil production.

As the United States experiences the COVID-19 pandemic in 2020, oil prices have fallen and the market is flooded due to a lack of demand. Despite this dramatically changing economy, oil continues to be articulated as key to our economy, or an essential service. With oil prices falling into the negative, there is a significant opportunity to transition to zero or low-carbon emission energy sources. Especially as the climate crisis is expected to worsen significantly without a shift from the current operation of infrastructure, economies, and production, steps towards reducing carbon emissions are critical to ensuring the future health of the United States as well as other nations worldwide. Where shifting entire markets away from profitable industries on the basis of moral grounds has historically posed a significant challenge for the transition to zero and low-carbon emission energy sources, the COVID-19 pandemic offers the opportunity to shift the United States economy based on its own values of prioritizing the market economy.

As international relations scholar Jonna Nyman argues, 'national security and its logic cannot secure the global climate'. Much in the way that securitization theory justifies all actions towards the pursuit of oil by placing it as central to energy security or national security, calling oil an essential service justifies ongoing dependence and subsidization. Rhetoric that continues to place oil as central to energy security, national security, or even as an essential service does not capitalize on the opportunities offered by the COVID-19 pandemic to shift to zero or low-carbon emission energy sources without significant costs.

Bibliography

- Abraham, S. (2002). Comments before the House International Relations Committee, Washington, D.C., 20 June. Available at: commdocs.house.gov/committees/intlrel/hfa80291.000/hfa80291_of.htm
- Aldy, J. (2013) '15 ways to rethink the federal budget: eliminating fossil fuel subsidies', *The Brookings Institute and The Hamilton Project*, 22 February (online). Available at: www.brookings.edu/interactives/15-ways-to-rethink-the-federal-budget-2/
- Allaire, M. & Brown, S.P. (2012) 'U.S. energy subsidies: effects on energy markets and carbon dioxide emissions', *Pre Charitable Trust and Resources for the Future*, 108 pp.
- Avango, D., Nilsson, A., and Roberts, P. (2013) 'Assessing Arctic futures: voices, resources, and governance.' *The Polar Journal*, 3(2), p. 431-446.
- Aydin, U. (2007) 'Promoting industries in the global economy: subsidies in OECD countries, 1989-1995', *Journal of European Public Policy*, 14(1), p. 115-131.
- Balzacq, T., Leonard, S., Ruzicka, J. (2016) 'Securitization revisited: theory and cases', *The Institute for Strategic Research*, 30(4), p. 494-531.
- Bush, GW. (2007) 'Twenty in ten: strengthening America's energy security 2007.01.23', George W. Bush White House Archives. Available at: georgewbush-whitehouse.archives.gov/stateoftheunion/2007/initiatives/energy.html
- Bush, GW. (2008) '2008.07.29 Bush Energy Fact Sheet', Office of the Press Secretary. Available at: <http://georgewbush-whitehouse.archives.gov/news/releases/2008/07/20080729-6.html>

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

- Buzan, B., Wæver, O., and de Wilde, J. (1998) *Security: a new framework for analysis*. Boulder, CO: Lynne Rienner Publishers.
- California State Public Health Officer. (2020) 'Essential Workforce', in response to California Governor Newsom's Executive Order N-33-20 (19 March 2020). Available at: covid19.ca.gov/img/EssentialCriticalInfrastructureWorkers.pdf
- Coady, D., Perry, I., Le, N.P, and Shang, B. (2019) 'Global fossil fuel subsidies remain large: an update based on country-level estimates', *International Monetary Fund*, May (online). Available at: imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509
- Erickson, P., Down, A., Lazarus, M, and Koplow, D. (2017) 'Effect of subsidies to fossil fuel companies on United States crude oil production', *Nature Energy*, 2, p. 891-898.
- Eroukhmanoff, C. (2017) 'Securitisation theory: an introduction' in Mcglinchey, S., Walters, R., and Scheinpflug, C. (eds.) *International relations theory*. Bristol, England: E-International Relations Publishing, p. 104-109.
- Grant, A. (2020) 'The transition in a time of turmoil', *Carbon Tracker*, 31 March (online). Available at: carbontracker.org/the-transition-in-a-time-of-turmoil/.
- IPCC. (2014) 'Climate change 2014: synthesis report. contribution of working groups I, II and III to the fifth assessment report of the Intergovernmental Panel on Climate Change'. Core writing team: Pachauri, R.K. and L.A. Meyer, L.A. (eds.). IPCC, Geneva, Switzerland: IPCC, 151 pp.
- Irie, K (2017), 'The evolution of the energy security concept and APEX Energy Cooperation', *International Association for Energy Economics*, Singapore Issue (online).
- Klare, M. (2016) 'No blood for oil? Hydrocarbon abundance and international security,' in Thijs Van de Graaf, T., Kern, F., Sovacool, B., and Klare, M (eds.) *The Palgrave Handbook of the International Political Economy of Energy*. London, England: Palgrave Macmillan, p. 410-440.
- Krueger, A. (2009) Statement of Alan B. Krueger Assistant Secretary for Economic Policy and Chief Economist, US Department of Treasury, to Subcommittee on Energy, Natural Resources, and Infrastructure, United States Senate (US Department of the Treasury, 2009).
- Mgbemene, C. (2011) 'The effects of industrialization on climate change', Fulbright Alumni Association of Nigeria 10th Anniversary Conference. Development, Environment and Climate Change: Challenges for Nigeria. Ibadan, Nigeria: September 2011.
- National Law Review (2020). 'How do I know if what I do is an essential service?', *National Law Review*, 31 March (online). Available at: www.natlawreview.com/article/how-do-i-know-if-what-i-do-essential-service
- Nyman, J. (2018) 'Rethinking energy, climate and security: a critical analysis of energy security in the US', *Journal of International Relations and Development*, 21, p. 118-145.
- Obama, B. (2012) 'Remarks by the President at Conveyor Engineering and Manufacturing in Cedar Rapids, Iowa 2012.01.25', Office of the Press Secretary. Available at: whitehouse.gov/the-press-office/2012/01/25/remarks-president-conveyor-engineering-and-manufacturing-cedar-rapids-io
- O'Rourke, D. and Connolly, S. (2003) 'Just oil? The distribution of environmental and social impacts of oil production and consumption', *Annual Review of Environmental Resources*, 28, p. 587-617.
- State of Alaska. (2020) 'Alaska essential services and critical workforce infrastructure order formerly "Attachment

Oil During COVID-19: Essential Service or Subsidized Resource?

Written by Kelsey Schober

A””, Office of the Governor, issued March 27 (amended April 10, amended May 5). Available at: gov.alaska.gov/wp-content/uploads/sites/2/03232020-COVID-19-Health-Mandate-010-Attachment-A.pdf

Wæver, O. (2011) ‘Politics, security, theory’, *Security Dialogue*, 42(4-5), p. 465-480.

World Trade Organization. (2006) ‘Defining subsidies: world trade report 2006’. Available at: https://www.wto.org/english/res_e/booksp_e/anrep_e/wtr06-2b_e.pdf

Yergin, D. (2006) ‘Ensuring energy security’, *Foreign Affairs*, 85(2), p. 69-82.

About the author:

Kelsey Schober is a MA Candidate in Political Science at the University of Alberta. Her thesis research focuses on structural incentives for resource extraction in the Arctic through a lens of climate change and transition. A previous recipient of a Fulbright U.S. Student Research Grant and a Thomas J. Watson Fellowship, she has acted as the Youth Delegate to the Gender Equality in the Arctic initiative of the Arctic Council as well as a Youth Leader for the State of Alaska’s Climate Action Leadership Team. Her written work has appeared in *Practicing Anthropology*, *ArcticToday*, the Center for American Progress, and akfish.org. She has contributed to reports to the Canadian Federal Government and the Arctic Council CAFF Working Group.