Inside Wisconsin: “Expectations for Russian oil ban may be too high all around”

Posted on Tuesday, Mar 8, 2022

By Tom Still

MADISON, Wis. – A ban on U.S. imports of Russian oil has been urged by Republicans and Democrats alike in Washington, not to mention Ukrainian President Volodymyr Zelenskyy, but everyone involved should temper expectations of what it will mean.

Zelenskyy hopes President Biden’s move will help bring Vladimir Putin to his knees and end the assault on his country, but other nations are far more reliant on Russian oil than the United States, which imported about 8% of its oil and refined products from Russia last year. Crude oil imports alone were more like 4%. Some major oil firms were already scaling back imports on their own.

Contrast that to the European Union, which gets about 30% of its oil from Russia, and you’ll quickly see why those countries are more hesitant to cut the flow. Biden’s move will hurt Putin, but it won’t cripple him if Russian retains or finds other customers.

For congressional Republicans and some Democrats, the hope is that a Russian oil ban rekindles America’s domestic or North American “neighborhood” production of oil and natural gas. That may happen, but probably not as quickly as imagined.

It takes time to restart drilling and fracking operations once suspended. Exploration of existing land leases must be completed or even started. Rigs must be constructed or put in place. Regulations must be closely followed. One industry geologist told me that process is already under way, but mainly because oil prices had already climbed back to a level where independent producers felt they could once again afford to do so.

Not to disappoint Republicans who are howling for Biden to "open the Keystone XL pipeline" from Canada, but it's not built yet. In fact, it's not even close to done … about 8% and at a standstill. Scratch that off the near-term list. (Yes, Keystone wouldn't be stuck at 8% if not for past policies, but that time has come and gone.)

Also primed for disappointment are those Democrats who expect a clean energy surge and electric cars will replace oil overnight. We're not there yet, and Putin's tanks won't wait for us to get greener.

Wind and solar power, when it's not being opposed by NIMBYism, is still intermittent. Biofuel research is making great strides, especially in places such as Madison's Great Lakes Bioenergy Research Center, but large-scale production is still not a reality.

If you watched the ads during the Super Bowl football game in February, you might have concluded we'll all be driving electric vehicles by fall. The reality is that, other than dedicated EV producers such as Tesla, most manufacturers are still gearing up for a transformation that will occur over years, not weeks.

When Tesla founder Elon Musk said, “we need to increase oil and gas output immediately,” as he did in a recent tweet, you know EV alone isn’t saving the day just yet.

What about global warming, demand those who want to clamp down on domestic fossil fuel production? Try telling that to the civilians being shelled and killed in Ukraine. Their world is already plenty hot.

In the long run, release of strategic oil reserves and emergency production increases stemming from a ban on Russian oil may prod along the alt-energy movement.

Americans and others may recognize that petroleum-based fuels have been artificially cheap for a long time due to imports. Nothing like $5 or $6 gasoline to convince people to accept alternative fuels, EV and other smarter ways to get around.

Finally, if Putin wins this showdown with the West, don’t expect him to join Greenpeace. He will have Europe over an oil barrel… literally.

The ban on U.S. imports of Russian oil will likely hurt Americans more at the gas pumps than is already the case, and it may not stop tanks from rolling into Kyiv.

It’s also far better than watching Putin indiscriminately kill people in a once-free nation and get paid for doing it.

Still is president of the Wisconsin Technology Council. He can be reached at tstill@wisconsintechnologycouncil.com.