

Risk Sharing for Energy Emergency Preparedness

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Abstract

This article discusses the need for proper planning and preparedness for local, regional or even national emergencies resulting from energy disruptions. It describes a spectrum of natural and man-made phenomena which can disrupt our energy supply and questions whether we as a nation are properly prepared for such events. It discusses the current fragmented approach to energy emergency risk sharing by industry, state and local governments, and the federal government. It argues that these agents could do a better job, possibly with fewer total resources, if they adopted a risk sharing approach and coordinated their combined activities.

(Editor note: The author is a long-time contingency planner with 15 years in the Department of Energy's (DOE) Office of Emergency Planning and Operations. He can be reached in Washington at DOE headquarters at (202) 586-1311).

Introduction

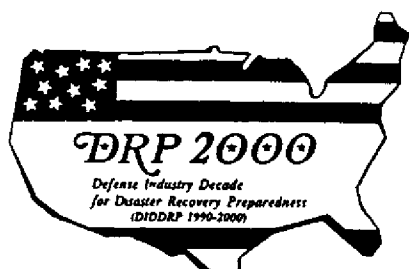
From the Arab oil embargo in 1973, to the oil price shocks in 1979; from the Iranian revolution, to the unfounded fears of oil market disruptions during the Persian Gulf War, the United States has weathered and learned from emergencies brought about by sudden and unexpected reductions in the supply of energy to the market. Large or extended reductions generally result in higher energy prices and poorer economic performance due to the higher costs of energy as a factor of production.

The extent of economic impact

is influenced by the severity and duration of the energy disruption and the particular policies chosen for response. Examples of such emergencies range as widely as the petroleum embargoes of the mid-seventies and the Northeast electricity blackout of 1964.

Steps can be taken before an energy emergency to reduce its likelihood or blunt its impact. Such actions fall under the rubric of energy emergency preparedness.

This article argues that it is possible, even likely, that



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