

Energy Policy Speech- Senator Sam Brownback

Washington DC, May 22, 2007

1) Welcome/Thank you

Thank you for the invitation to be with you this afternoon. I've enjoyed working with the Set America Free Coalition during my time in the Senate and I'm happy to be with you today. I commend you for your *Primary Energy '08: Presidential Candidate Series* and I'm honored to be the first Presidential candidate to participate in this series.

Having a comprehensive energy policy is an absolute must for any future Administration. The costs, both in terms of our economy and our national security, are too high to simply accept the status quo moving forward. We must have a series dialogue about our energy policy and set real and achievable goals for our nation to meet.

Over time, our nation has become dependent on foreign sources of oil. We all know this. As our demand for oil has increased, our nation's domestic supply has decreased. We use 25% of the world's oil, yet we have just over 6% of the world's proven reserves.

2) Oil Dependency and Why It's a Problem

A few facts on our nation's oil consumption:

- In the United States, we burn 10,000 gallons of oil throughout our economy per second
- The US uses three times more oil than any other nation
- Relative to the economic output, the US consumes 7.5 gallons of oil per \$1,000 GDP
- In 2005, oil imports cost us \$16 billion/month as a nation.
- There is a \$7.4 billion increase in the US oil bill per year for each one dollar increase in the price of oil

- A \$1 increase in the price of oil costs US companies and consumers about \$828 million in trucking costs each year

In addition to these facts, we get a large amount of our oil from regions that are unstable at best and unfriendly at worst.

- 65.3% of the world proved oil reserves are in the Middle East
- We import 5.5 million barrels/day from OPEC states coupled with Venezuela and unstable African countries.
- The US imports 60% of its petroleum. That is over 10 million barrels per day. These oil imports cost more than \$240 billion annually. By 2025 experts expect us to import 68% of our oil.
- Non OPEC reserves are in decline and even if OPEC has vast reserves, the cartel itself may lack political stability and financial ability to exploit that crude as quickly as skyrocketing world demand will require.
- Further, every day 26 million barrels of oil flow through two points—the Straits of Hormuz in the Persian Gulf and the Straits of Malacca in Asia
- A few targeted strikes against one of these two Straits, or against oil facilities in Saudi Arabia, which hold's one-quarter of the world's oil reserves and essentially all spare capacity, could take several million barrels of oil off the global market every day for months and send oil prices soaring to more than \$100 per barrel
- These facts, coupled with the increasing demand for oil in places like China and India, do not bode well for our national and economic security.
- The exact date which oil production will peak is unknown, but many predict it could happen sometime within the next few decades.
- This will be disastrous for not only our economy, but the world economy, as well, if we do not take concrete steps to address this declining resource.

- When we talk about reducing our dependence on foreign oil, we are talking about transportation fuel. Right now, we are dependent upon oil for 97% of our transportation fuel needs. Our electricity needs are already met by domestic sources, whether its coal, nuclear power, wind energy or natural gas. Building another nuclear power plant or more wind turbines, both of which I heartily support, won't do a bit of good in reducing our dependence on foreign oil. It must be addressed in the transportation fuel market.

3) "The 15 year goal"

We must be energy self reliant in North America in the next fifteen years—at the same time we need to reduce our carbon dioxide emissions into the atmosphere. This is possible using our ingenuity, resources, and determination. For too long our foreign policy has been dictated, in part, by our need for foreign oil. It is in the interest of American's security for us to look at ways of lessening our dependence on foreign oil.

It will take at least 15 years for us to become energy independent within North America. In the meantime, we can not let terrorists disrupt the availability of oil to our country.

We are fighting terrorism in Iraq and elsewhere throughout the Middle East. Well, terrorism has many clever ways of attacking. Disrupting our economy can be done in the Middle East, not just inside our borders. An attack there can hurt in different ways but make no mistake about it; our economy and our way of life revolve around the steady, dependable, affordable flow of oil to the United States. Terrorism in Iraq and elsewhere threatens the equilibrium of the world and our country.

4) Increasing Domestic Fuel Supply

The first step in solving our nation's oil dependency needs to be finding ways to produce more oil here in North America. We should encourage optimal production on domestic land through incentives in the tax code and improving drilling technology through increasing research and development initiatives. Because of the current high prices for oil, it has become economical to re-tap wells that were formally abandoned. We should encourage domestic production as it will help reduce our dependency on foreign oil and create jobs for Americans.

Another possibility we need to pursue is the proposed drilling in ANWR:

ANWR

- Today's domestic oil production comes from more than 150,000 wells scattered throughout the country; they average 15 barrels a day. There have been no new major discoveries in the 48 contiguous states in thirty years. As the U.S. population increases, the nation must either produce more or import more. Alaska's Arctic is the most promising area for the largest supply with the smallest physical impact.
- The proposed drilling site in ANWR is 2,000 acres out of 19 million acres. That's less than 0.01%.
- This area is as large as the state of South Carolina. The size of the drilling site is as large as Dulles Airport.
- With enhanced recovery technology, ANWR oil could provide an additional 30 to 50 years of reliable supply.
- This area could contain between 6 and 16 billion barrels of recoverable oil.
- We are drilling in other areas on the northern slope (Prudhoe Bay) and doing so responsibly.
- Petroleum development at Prudhoe Bay has not negatively affected wildlife. For instance, the Central Arctic caribou herd is at home with pipeline facilities and has grown from 3,000 to as high as 27,100 in the last 20 years. Drilling activity in ANWR would be limited to winter months when wildlife does not frequent the coastal plain.
- Had we opened up ANWR ten years ago, we would have an extra 2 million barrels of American oil on the global market each year.

CANADIAN OIL SANDS

Another site in North America that we need to be utilizing for its oil reserves are the Canadian Oil Sands in northern Alberta.

- The oil sands in Alberta and throughout Canada are second only to the Saudi Arabia in terms of proven oil resources.
- There are over 174 billion barrels waiting to be produced. This accounts for 15% of the world reserves.
- Output of marketable oil sands production increased to 966,000 barrels per day in 2005. With anticipated growth, this level of production could reach 3 million barrels per day by 2020 and possibly even 5 million barrels per day by 2030.
- Canada is our top trading partner overall and also our number one source of foreign oil. Our friendship with the Canadian people is stable. I would prefer we import our oil from countries that are allies, like Canada, rather than countries that are less than friendly to us, like Venezuela.

RENEWABLE FUELS

Ethanol and renewable fuels must play a role in this fight. They are home grown and produced, therefore keeping money in rural communities. We've ventured down this road before, but we've never fully committed as a nation to renewable fuels. Now is the time to do so.

I'm encouraged by the fact that so many people are buying into, literally buying into, ethanol and biodiesel. Bill Gates has invested over \$100 million of his own money into ethanol and Richard Branson of the Virgin Empire, famous for his success in venture capitalism, investing in ethanol. Also, Goldman Sachs has invested \$30 million dollars in cellulosic ethanol.

These are great signs for renewable fuels' future.

As a government and as a people, we need to fully commit to making renewable fuels a viable alternative to petroleum-based fuel. As long as oil remains around \$70 per barrel, the economics of renewable fuels make sense and it makes sense for us to continue to push its development.

I would hope that car manufacturers would continue to increase their production of flex-fuel vehicles, which are vehicles that can run on ethanol, methanol, gasoline, or any combination thereof. This is a feature that costs less than \$100 per vehicle. Numerous times the "the Big 3", Ford, GM and Chrysler, have indicated they are

willing to make 50% of their vehicles flex-fuel compliant by 2012. I hope they make good on this promise.

Our nation's ethanol production continues to set records each month. The goals we placed for production of ethanol in the Energy Policy Act of 2005 will be easily met and exceeded. We currently have nearly 120 ethanol plants in the U.S. and over 70 plants under construction. This is a tremendous success.

But we need to continue striving for more production of ethanol. Experts tell me that we can meet up to 10% of our fuel needs from corn based ethanol. However, we can do more.

Cellulosic ethanol, or as I like to call it: grass to gas, is ethanol made from a variety of sources like switchgrass, corn stover, wheat straw and even wood chips.

Recently, the Department of Energy announced a series of grants for companies to build the first commercialized-sized cellulosic ethanol plants in the nation. I'm proud that one of these plants will be built in my home state of Kansas. If this technology proves to be economically viable, we could produce an additional 30 percent of our nation's fuel needs from grass and other agricultural waste products.

This could drastically change the dynamics of our nation's fuel supply. Instead of sending our money overseas, often times to people who are not our friends, we can revitalize the rural communities of our nation that have been economically depressed for so long.

Biodiesel is another renewable fuel and is an American soybean farmer success story. After Operation Desert Storm in the early 1990's, soybean farmers struggled to maintain profitability because of high energy prices and low commodity prices. Investment in the development of a biodiesel industry was a priority to farmers eager to contribute to our energy supply, while finding ways to add value to their crops. Farmers invested more than \$50 million of their checkoff dollars throughout the 1990's to conduct research and development on biodiesel.

As a result, the biodiesel industry has shown slow but steady success since the early 90's, however, in the past two years, it has grown exponentially. In 2004 there was approximately 25 million gallons of biodiesel sales. That increased to 90 million gallons in 2005. We are currently on track to exceed 150 million gallons in 2006. Likewise, we went from 22 biodiesel plants in 2004 to more than 60

biodiesel plants currently. There are over 40 more plants currently under construction.

Congress has and continues to put in place policies that enhance our nation's energy security. Renewable fuels are playing a significant role in helping achieve this objective while providing economic benefits to farmers and rural communities.

We can, and should, be dependent on the Midwest for more of our fuel and not the Middle East.

COAL-TO-LIQUID FUEL

Yet another domestic fuel that should be promoted and pursued is coal-to-liquid fuel.

I believe coal needs to be at the foundation of our national energy policy for the foreseeable future. We have over ¼ of the world's coal supplies, well over 250 years worth. Our unrivalled coal reserves—the world's largest—will allow us to continue growing our economy and providing an opportunity for millions of Americans to share in our prosperity.

Not only will coal continue to provide electricity to our homes and businesses, but coal can provide significant new supplies of coal-to-liquid (CTL) fuels for transportation, as well as play an integral role in enhancing other forms of domestic energy like oil exploration, the recovery of coal bed methane and to produce methanol.

I am encouraged by the early results from our exploring of coal-to-liquid technology. As you are all aware, we are at war with a militant, fundamental wing of Islam. One of their secondary goals, behind their primary goal of killing as many Americans as possible, is doing untold damage to our economy and our energy supplies, particularly the oil we import from the Middle East.

We need to find reliable and economically viable sources of domestic fuel. Obviously ethanol and bio-diesel, made from corn, soybeans, and now, grass, fits this model. But I don't think we should stop there. We need to aggressively pursue coal-to-liquid fuel. This will give us another product, a domestic product at that, to compete in the transportation fuel market.

Our oil dependence is a big problem and we certainly need to increase the domestic supply of our fuel through increased drilling and more domestic fuels like ethanol, cellulosic ethanol, biodiesel and coal-to-liquid fuel.

But this will only partially address the problem. We must also look to reduce the demand for oil throughout our economy.

Let me be clear here: I am not and will not advocate for raising taxes to reduce demand. I am a proud fiscal conservative and realize that raising taxes is not the correct approach in addressing this issue.

Instead, I argue we should introduce competition into the transportation fuel market. As I stated earlier, the transportation fuel market is 97% dependent upon petroleum based products.

A fundamental principle of the free market is competition. Through competition, consumers are delivered numerous quality products, often times at a lower cost.

I'm a huge promoter of choices elsewhere. For instance, I believe we should have a choice between an alternative flat tax and our current tax code. This will promote growth and allow Americans to keep more of their money. Also, I believe Americans should have a choice between the current social security system and the option to opt into a privatized social security system.

When consumers have a choice, the consumer wins and our economy wins.

Consumers need a choice in the transportation fuel market. They need another option beyond petroleum. That choice should be electricity.

5) Decreasing Demand

Awhile ago, I and many of my colleagues in the House and Senate test drove plug-in hybrid vehicles on Capitol Hill. These cars drive exclusively on electricity for the first 30 miles of every trip. After 30 miles, these cars switch to a normal combustion engine.

Over 50% of all Americans drive less than 30 miles each day. That means we could have over half of all drivers in America driving exclusively on electricity and not using any oil.

The good news is that our electricity generation is produced here in America, whether its coal, natural gas, nuclear, or renewable sources like wind. We would be fueling a majority of our transportation sector with American sources of energy, as opposed to foreign oil.

Plugging in your car during off peak hours –when power is in surplus and cheaper – would soon just become part of the modern daily routine, like plugging in your cell phone before you go to bed. And off-peak electricity can be the equivalent of 50 cent a gallon gasoline.

So, not only will we no longer be sending out money to countries that dislike us, but we will be buying American made power-at a tremendous discount to the American consumer!

Another great bit of news is that we already have the infrastructure in place to introduce electricity as a transportation fuel. All you will need is an extension cord and a normal wall outlet.

As President, I would put forth a series of tax credits and incentives to encourage the production and purchase of these plug-in hybrid vehicles.

We can't drill enough domestic oil to break our dependence on foreign oil, nor can we conserve enough oil by carpooling to work. However, I believe we can grow and innovate our way to diversifying our fuel sources. That will not only help our farmers, rural communities and overall economy, but it will also keep Americans safer each and everyday.

6) Petroleum and Its Role in the Global Fight for Human Rights

In addition to ensuring our nation's safety, reducing our dependence on foreign oil would ensure others' safety across the globe.

Many Americans instinctively understand why freeing ourselves from our dependence on foreign oil will have positive repercussions on our national and economic security. The facts I stated earlier bear that out irrefutably.

However, many people don't realize how freeing ourselves from foreign oil will help others across the globe.

Thomas Friedman wrote an article for the April 2006 edition of Foreign Policy magazine titled, "The First Law of Petropolitics."

In this article, Friedman points out that there is an inverse relationship between the price of oil and the march of democracy and human rights. In other words, as the price of oil goes up, the march of freedom and the advancement of human rights slow to a halt.

Recently we've seen increasingly erratic and dangerous behavior from the president of Iran, Mahmoud Ahmadinejad and Hugo Chavez, the president of Venezuela. I ask you this: would we see this same behavior if the price of oil was \$25 a barrel, as opposed to over \$65 a barrel?

Would Ahmadinejad claim loudly and publicly that the Holocaust was a "myth" and that Israel must be "wiped off the map" if they were not receiving a record price for their main export?

Would Chavez act so brazen if Venezuela's economy depended on empowering his people and engaging in free trade, instead of simply pumping more oil from the ground?

Friedman goes on to make the point that Bahrain was the first Arab Gulf country to hold a free and fair election, in which women could run and vote, and the first Arab Gulf state to undertake a total overhaul of its labor laws to make its own people more employable and less dependent on imported labor. Bahrain also happens to be the first Arab Gulf state predicted to run out of oil. Bahrain is also the first state to sign a free trade agreement with the United States.

A few years ago we watched the Cedar Revolution, where freedom loving activists in Lebanon pushed Syrian troops out of their country. Is it a coincidence that the first true democracy in the Arab world happens to not have a drop of oil beneath their land?

No, it's not a coincidence, as Friedman effectively points out. In 1997, when the price of oil was below \$20 a barrel, Iran was calling for a "Dialogue of Civilizations." Now, with oil near \$70 a barrel, Iran is calling for the elimination of sovereign state and is making a mockery of global concerns over its desire for a nuclear bomb.

7) Conclusion

We will achieve these goals, not through government action, but by tapping into our innate goodness as a society and working together. This is how America has always achieved great goals.

Ronald Reagan often referred to “American exceptionalism,” and there is truly something exceptional about our country and our American people. We must strengthen and hold up our true values as a standard to which the good can resort. We are and can be both good and great. It is our goodness that leads to greatness.

God Bless you, and God Bless this nation we love so dearly.