INTRODUCTION

• Good morning, and welcome to the U.S. Chamber of Commerce. I'm Tom Donohue, president and CEO of the Chamber, and I'm delighted to kick off the Chamber's Energy Summit.

• I'd like to thank each of you for coming. I first want to acknowledge the staff of the National Chamber Foundation, the Chamber's think tank, and the Chamber's Environmental, Technology and Regulatory Affairs department for organizing this summit.

• Today, we have the opportunity to lay the foundation of a market-based national energy strategy that will meet our current and future energy needs, protect the environment, and promote economic growth.

• You may be wondering why the Chamber is hosting this event, and why this organization is a strong advocate for developing a national energy strategy.
It's quite simple. Every business, whether it is a manufacturing plant or the corner dry cleaner, needs an adequate supply of energy to produce the goods and services our country and the rest of the world demands.

Energy is the lifeblood of our economy, the substance that fuels the engines of economic growth. But it's even more fundamental than that.

Energy is the basis of our human existence, such a fundamental part of our everyday lives that we too often take it for granted. Okay, maybe Californians aren't as guilty of this as the rest of us.

We flip a switch and expect light, we expect our cars to start in the morning, and we assume our computers will flick on at the push of a button.

But do we ever stop to think of the tremendous amount of resources needed to perform these everyday, normal functions? Or how we can better conserve these resources and build a greater supply of them?

It's a shame that it takes rolling blackouts and high gasoline prices for the public and governments at every level to sit up and take notice of our failing energy infrastructure.
• When it comes to energy, America has been asleep at the switch. We have failed to take the necessary steps to meet our current and future needs.

• And let me tell you, this failure, unless corrected now, poses the single biggest threat to our economic prosperity in the first decade of this new century.

• Without action, the outlook looks grim. A high-tech economy and a rapidly growing population are fueling a demand for energy at a level never before seen.

• Conserve power and diversify our energy mix? Of course. But the bottom line is that it's still going to take a lot of "low tech" fossil fuels to grow our high tech economy.

• Today I'd like to talk about the challenges and opportunities before us as we attempt to develop a national energy strategy that will ensure adequate energy supplies for now — and the future — and does so in an environmentally friendly manner.

• But first, let's take a look at where we've been.

• Innovations by business over the past 20 years have greatly increased energy efficiency, cutting out waste in the system.
• New cars and trucks continue to run on less fuel than earlier models. In fact, a fleet of 20 fuel-efficient cars produces less air pollution today than a single car built in 1960. Now that’s progress.

• The amount of energy we use in our homes has decreased more than 25% because of more efficient appliances and construction methods and material. The same goes for our nation’s office buildings and manufacturing plants.

• Today’s best air conditioners use 30% to 50% less energy to produce the same amount of cooling as air conditioners made in the mid-1970s.

• In 1980, it cost $110 per year to run the average refrigerator. Today, it costs just $40 per year.

• As a result of these tremendous advances in energy efficiency, we’ve dramatically improved our environment.

• America has the cleanest environment of all of the world’s industrialized nations, in large part because of business’ willingness to invest in it.

• Business has voluntarily lowered U.S. greenhouse gas emissions by more than 200 million tons per year.
Air pollutants decreased 58% over a 20-year period ending in 1997.

Our water is cleaner because discharges of untreated organic wastes and toxic metals from industry has plunged 98% from 1970 levels.

Overall, business will have spent almost $3 trillion cleaning our environment in a forty-year span between 1970 and 2010. That kind of commitment shows that business is concerned about more than just the bottom line.

When it comes to the environment, business is doing more than just talking – it's writing the checks to back it up.

So, we've taken the right steps on energy conservation in the past few decades, and we've made tremendous progress in cleaning up the environment.

But these actions aren't enough to get us out of the jam we're in.

The challenges can be summed up in a few statistics.

In the next 20 years, total energy consumption will increase by 32% while domestic production of crude oil is expected to increase by just a fraction of that.
• Power demand is rising 10,000 megawatts a year, but only 7,000 to 8,000 megawatts of new power are coming on line each year. And this trend has been going on for five years!

• We're the most technologically advanced industrial nation in the world, yet we've reduced our crude oil production by 14% since its peak in 1970, and we've shut down one-half of all oil refineries since 1981.

• In fact, we haven't built a new major oil refinery in 25 years!

• We need to build 1,200 new power plants over the next 15 years to support the increasing demand for electric energy.

• Annual investments in new electricity transmission lines have declined by about $100 million a year for the past two decades, primarily because a few people in several communities say the lines are an eyesore.

• The energy content of the nation's coal supply is equal to all of the world's oil, yet our coal-based energy output last year tapped only four-tenths of one percent of coal's potential.

• And what about natural gas – the clean-burning fuel of choice for electricity generation?
• Demand will jump 30% in the next decade, and we’ll need to add 38,000 miles of new interstate natural gas pipelines to meet that demand.

• These statistics are a result of poor planning and an approval process that stretches on indefinitely.

• Some folks in California were scratching their heads wondering how they could be left without power.

• Certainly part of the reason is because that state has not brought a new major power plant on line in a decade.

• It took one California company about a year and $1 million to gather the 2,500 pages of data it needed just to apply for a new power plant.

• It will take another four years or longer to get that plant up and running. Natural gas suppliers around the country know all about long delays. Approval for major gas pipeline projects can take up to two years.

• Electricity is now being moved across state lines, and our inadequate network of transmission lines is causing an interstate electricity traffic jam, threatening the energy supply of millions of consumers around the country.
• Like oil refineries, electricity transmission is a low-margin business to begin with.

• When you tack on costly and unreasonable environmental regulations and lengthy approval procedures, there's absolutely zero incentive to build new energy facilities.

• The huge gap between our supply of energy—and the infrastructure that delivers it—and the demand for energy is a perfect example of what happens when we stifle free markets and overload the system with heavy-handed government regulations.

• It's not just the energy companies that suffer. Ask the millions of Californians who suffered through the blackouts and the millions of New Yorkers who will probably experience the same thing this summer, when energy use is at peak level.

• Ask the millions of motorists who have experienced sticker shock at the gas station.

• We have an opportunity to correct the situation so that none of our homes and businesses will ever go dark.

• It's going to take nothing less than a comprehensive national energy strategy that forces us to rethink how we use energy, and how we produce it.

Obtained and made public by the Natural Resources Defense Council, May 2002
Such a strategy can be boiled down to five points:

- Smart conservation;
- The development of feasible alternative sources of energy;
- A significant increase in domestic energy production;
- A dramatic expansion of our energy infrastructure; and,
- A changing of public attitudes about how we produce and deliver energy in this country.

First, we have to explore new ways of conserving our energy supply.

Business supports conservation – it makes good business sense. After all, we pay the monthly bill for the energy that keeps the factories running and the computers humming.

Any corporate executive worth his weight makes sure that the company is not wasting resources.

But we must have the right kind of conservation – the kind that is based on improved efficiency and less waste.
• We cannot afford conservation measures that impede the growth of our high-tech, 24/7 economy, mandating how or when businesses can or cannot operate.

• The free market rewards businesses that use fewer resources to produce their products, and punishes those that are wasteful.

• Let’s allow the free market to play its natural role and not let the government choose winners and losers.

• **Second**, we must develop feasible alternative and renewable sources of energy.

• In addition to increasing our production of fossil fuels, including coal, and nuclear energy, we have to fully investigate the opportunities presented by fuel cell technology, wind, water, solar radiation and biomass.

• Business has invested a lot of resources in these cost-effective and environmentally friendly forms of energy, and though some have not fully penetrated the market, they’re becoming more and more common.

• For instance, in 1999 there were more than 400,000 alternative-fueled vehicles on the roads, a 62% jump from 1992.
• Any smart investment banker will tell you that it's smart to diversify your portfolio. So we should encourage further development of alternative and renewable fuels so that we don't become too dependent on conventional energy sources.

• Third, the government must allow for more domestic exploration and extraction of crude oil and natural gas.

• The U.S. sits on a treasure chest of natural resources, yet we are the only major industrial nation that significantly limits access to our own resources.

• We have a 10-year supply of natural gas located on land owned by federal and state governments that is either closed or restricted from drilling.

• And what about the oil we need to heat our homes and operate our cars and trucks?

• It's estimated that between 3.5 and 16 billion barrels of oil exist in the coastal plain of the Alaska National Wildlife Refuge, or ANWR.

• Sixteen billion barrels could replace all the oil we import from Saudi Arabia for the next 30 years.

• Even by the lowest estimates, ANWR would still be the second-largest oil field ever discovered in North America.
• At the beginning of the century, our government established a national policy of multi-purpose federal land use.

• But in recent years, extreme environmentalists have gained the upper hand by convincing our leaders that non-park federal lands should not be used for anything under any circumstances.

• Too often, they've swayed government officials with an "either/or" proposition – we can either increase exploration and drilling OR we can have a clean environment.

• But the bottom line is, we don't have to choose between a clean environment and producing the energy we need to grow our economy. We can have both, if not always, then most of the time.

• Business has developed the technology to explore and produce sources of energy faster, safer, cleaner, and more efficiently than before — with little or no harm to fish, wildlife and natural habitat.

• We have to strike a balance between environmental concerns and our need for economic growth.

• We need a new regulatory process that carefully weighs the benefits of increased exploration and extraction against the costs.
• The prohibition of oil exploration in ANWR is the perfect example of an unreasonable environmental regulation whose costs outweigh its benefits.

• Only about 2,000 acres of coastal plain would be disturbed by development, leaving almost 19 million acres of the ANWR untouched.

• And those 2,000 acres of land are buried under a sheet of ice most of the year and are void of virtually any trees or plant life — not exactly a tourist destination.

• So what price do we pay for not opening up ANWR and other portions of our country to oil exploration?

• We become even more dependent on foreign oil, putting our national security at risk and becoming more susceptible to extreme fluctuations in gasoline prices.

• We already rely on the world for 55% of our oil supply, and at the rate we’re going, we will import 64% of our oil by 2020.

• Think about it. The most advanced, powerful nation in the world at the mercy of foreign dictators for its oil supply.
• Now I’m not saying that we would become completely self-sufficient if we drilled for more oil and gas in this country. Our nation is too large and our economy too big not to have to seek oil in overseas markets.

• But we can’t allow ourselves to become dependent on any one foreign supplier. We’ve put ourselves in a pretty bad position when a turn of events in the Middle East can cause gasoline prices in this country to shoot up over $2 per gallon.

• We need to increase the number of countries from which we buy oil. How do we do this?

• We eliminate U.S. unilateral sanctions, we foster the growth of open energy markets all over the world, and we encourage the development of reliable, affordable and market-based energy in developing countries.

• The U.S. imposes unilateral sanctions against more than 70 countries, and they’ve never achieved their stated goal in any instance.

• They close off markets to American companies that remain open to their foreign competitors while propping up corrupt and undemocratic foreign leaders.
By eliminating unilateral sanctions, we would allow American companies to purchase more oil from more countries, increasing our supply of affordable, reliable oil and strengthening our position in the world.

The fourth item on my five-point plan is to expand and upgrade our energy production and distribution capacity.

I've already mentioned some statistics that illustrate the growing gap between supply and demand.

We need an enormous capital investment in all forms of energy – fossil fuels, including coal, as well as nuclear, alternative, and renewable sources – because no single source can meet our energy needs.

Yet increasing our energy supplies serves no purpose if we can’t get it to the people and businesses that need it.

We must increase the mileage of natural gas and oil pipelines and electricity transmission lines by 30% at a cost of $150 billion.

Our energy infrastructure is no different or less important than our transportation infrastructure.
• Much like our society would become paralyzed without an adequate grid of roads, airports, waterways and rails, our economy runs the risk of failure if we don’t invest in a modern energy freeway system.

• Upgrading our infrastructure requires a streamlined approval process for the construction and citing of electricity plants and energy transmission and distribution systems that is not tipped in favor of local antigrowth advocates.

• We don’t need more experiences like California, where a never-ending approval process for power plant construction is a major reason why that state found itself in the dark.

• Government at every level must also allow free and competitive energy markets to flourish.

• When government tries to control an industry – or worse yet, regulate one sector of that industry while allowing for free market conditions in another – the result is less competition, higher costs, and greater inefficiency.
• Look at the airline industry. Before the government began deregulating the airlines in the late 1970s, token competition among carriers resulted in high fares, preventing everybody but the privileged class from flying commercially.

• Since then, new market entrances by many low-cost airlines have given consumers more choices at lower prices, making commercial travel affordable to the masses.

• In the same way, local governments should give consumers more energy choices.

• When consumers are allowed to have their choice of energy suppliers, competition heats up, prices go down, and new, more efficient discoveries are made.

• So let's streamline government regulations so that new players will be encouraged to enter the market and invest in the resources needed to maintain our economic growth.

• Finally, the last item on our five-point plan is to change public attitudes about the need for an improved energy infrastructure.

• Americans demand affordable energy and plenty of it — as long as the facilities needed to produce and transport it aren't located anywhere near their homes.
• Americans want it all, but reality demands that we make choices.

• We can either encourage smart investments in our energy infrastructure that will help bolster our economic strength and security, or we can do nothing and experience energy shortages that are commonplace in industrialized European countries.

• Local communities that hold energy construction and expansion projects hostage with unreasonable demands must realize that their "Not In My Backyard" attitudes have a major impact a long way from their homes.

• Just about every western state is feeling the pinch of California's decisions not to adequately invest in energy-producing facilities.

• If we don't change our attitude, it's only a matter of time before the ripple effect from California reaches every corner of the country.

CONCLUSION

• Ladies and gentlemen, energy is the juice that sustains the U.S. economy and American society.

• But we're letting our supply dry up by putting off critical investments in our energy infrastructure.
• We have the technology to explore, extract, produce and distribute energy in a way that will solidify our economic security while preserving our environment.

• It doesn’t have to be an either/or proposition as the extreme environmentalists and their anti-growth allies like to say it is.

• We can have it both ways — a strong energy system AND a clean environment.

• Smart environmentalists know that it is safer and much more prudent to have an orderly, well thought out plan to expand energy resources.

• Because if we don’t, and the real crisis hits — lights go out and gas tanks go empty — the American people will demand rapid, helter-skelter action, and damn the consequences.

• We have to put politicians, environmentalists and local communities on notice that they will be held accountable for their efforts to block improvements in our energy infrastructure.

• As big as this problem is, we have a great opportunity to solve it.
This is a unique moment. We have a new Congress, a new Administration that appears committed to developing a national energy strategy, and a new sense of national urgency brought on by the blackouts in California and predictions of more throughout the country this summer.

The time is ripe for action. But we can't expect instant results. After decades of neglect, we can't expect to build an adequate energy system overnight.

It's going to take time, but the longer we wait, the bigger hole we dig for ourselves. Let's get moving now before the lights go out on America's leadership in the global economy.

Thank you.

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