

Statement before the Senate Bipartisan Energy Summit

***“A MORE SECURE, RELIABLE, SUSTAINABLE,
AND AFFORDABLE ENERGY FUTURE”***

A Statement by

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September 12, 2008

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Mr. Chairman, Senator Domenici, Members of the Committee – I very much appreciate the opportunity to join you today for a broad discussion of how we ensure a more secure, reliable, sustainable and affordable energy future.

Let me begin with a bit of an orientation, as the solutions and options we discuss this morning will obviously be set against the backdrop of today's market realities – those of higher prices, uneven but increasing demand, limited excess capacity, heightened geopolitical and investment risks, and increased concern over climate change.

To complicate matters further, I would argue, we are simultaneously facing the challenges of energy security, energy equity (the haves and have nots) and climate change - and doing so in a changing global landscape characterized by new players (with different agendas, business practices and leverage), new alignments, new rules and outmoded institutions which may not be entirely up to the task.

The energy system we have today is truly global and is immense – and projections are that it will only grow larger, as a function of population, GDP growth and improvements in standards of living.

Total energy demand is projected to rise by over 50% between now and 2030 – and the bulk of that will be in the developing and emerging economies – rather than the OECD nations – so the landscape is changing.

Today, some 85% of our energy demand globally is met with fossil fuels and while oil accounts for the majority of fuel use in the OECD, coal is king in the non-OECD, where fossil fuels make up over 90% of energy consumption.

Overlaying a carbon constraint on an 85% fossil fuel dependent world is an enormous task – reducing that figure to 75% is a huge lift; eliminating those fuels anytime soon is impossible.

Having said that, given both the forecast for new demand growth and the present trends for investment, access and climate considerations – what we refer to as the “above ground” issues - the track we are on globally is clearly unsustainable.

Consequently, a transformation is both necessary and, in many ways, already underway. But that transformation is one that will take decades, not months or years and requires a thoughtful and careful balancing of economic, security and environmental priorities – and one that in the interim requires the continued use of conventional fuels and infrastructure as well as the development of new technologies, alternative fuels, conservation and efficiency. So we need to distinguish between the truly visionary and strategic and the tactical, interim steps that will move us from the current system to a more sustainable energy future.

Let me make a final point on the issue of energy independence. While I understand the political attraction of slogans in this election year as well as how this term resonates in

public opinion polls, energy independence should not be confused with enhancing our energy security. There are 190-odd countries in the world and none is completely energy independent and for good reason – one only need to be reminded of our reliance on the global market to replace lost (refined) products in the aftermath of hurricanes Katrina and Rita.

Further as a national policy, such independence is, in many ways, incompatible with our trade agreements, treaty obligations and foreign policy objectives (we will undoubtedly remain engaged in the Middle East and really don't want to cede lower cost Middle Eastern energy to competitor nations).

Having said that, Energy Security can and must be enhanced - and we can accomplish this in 5 steps, by:

- Improving energy efficiency across the board - in transport as well as in the industrial, commercial and residential sectors;
- Diversifying our fuel choices and fuels suppliers – and this includes the sustaining of domestic conventional fuels production (we are the world's 3rd largest oil producer, losing our production base inevitably leads to greater imports, so we do need to continue to drill for domestic oil – and can do so in an environmentally sound manner); we also have to find a way to preserve the role of coal (which comprises 50% of our electric power); and look for ways to promote domestic gas development even as we pursue the accelerated development of alternative fuels, including nuclear, biofuels and renewables;

From a security standpoint, it is also worth noting that we have significant resources of non-conventional energy (oil sands and shale) in this hemisphere, but need to work to minimize their carbon footprint;

- Third is the issue of capacity and capability – we need a renewed commitment to research and technology development and deployment and to expanding and enhancing our infrastructure, including human capabilities and skills;
- Fourth, we need to find more creative and better ways to manage global geopolitics; and finally
- If we are truly serious about pursuing climate goals, we will need to set an economy wide price for carbon.

I have specific suggestions with respect to many of these points, but in the interest of time, will save those for the question/answer discussion.

Thank you.