

Securing Our Energy Future

**A Resources for the Future Policy Leadership Forum with Senator Barack Obama
September 14, 2005 - Washington, DC**

Remarks Of Senator Obama As Prepared For Delivery

As the flood waters recede in New Orleans and the survivors of Katrina begin to rebuild their lives, one truth has become achingly clear over the past few weeks:

Our government wasn't ready to save its own citizens from a catastrophe of biblical proportions. It wasn't even close.

Despite years of planning, preparing, and warnings from countless scientists, experts, and government officials – that the levees would break, that our first responders didn't have the best tools for communication, that FEMA was under-funded and undervalued – despite all of this, Katrina caught the government off-guard, flat-footed, and dangerously disorganized.

The most tragic consequence of this slow response was the incalculable loss of human life.

But miles off the Gulf Coast, as the deadly storm first raged towards shore, another frightening consequence emerged from our government's failure to prepare.

In the moments before the hurricane hit, Gulf refineries that made up one-eighth of our country's total capacity were evacuated and shut down. 95% of oil production was immediately suspended in a region where we find over a quarter of America's oil. And gas prices that were already at record highs shot up even further all over the country – reaching \$6 a gallon in some places. Today, they're hovering over \$3 – a price that experts say will remain for the rest of the year. And what we don't see on television is how in a few months, the price of home heating oil and natural gas will reach new heights as well.

It would be one thing if this storm struck at a time of stability. But over the last few years, limited supplies and an unprecedented growth in demand have sent the global oil market itself teetering towards the edge of disaster. With our own Energy Department telling us that U.S. demand for oil will jump 40% over the next twenty years and countries like China and India adding millions of cars to their roads, the price of oil is reaching levels we just can't handle anymore.

A few years ago, we paid just \$25 for a barrel of oil. Today, we're paying around \$63. Since this affects the price of everything from gas to airfare to groceries, analysts at Global Insight, an economic consulting firm, say that if we hit \$100 a barrel, the U.S. economy could very well tumble into recession.

Which brings me to one of the central lessons of Katrina, one that goes far beyond the gas hikes and the price gouging we're facing today:

The days of running a 21st century economy on a 20th century fossil fuel are numbered – and we need to realize that before it's too late.

Our persistent dependence on oil is a danger our government has known about for years. And despite constant warnings by researchers and scientists, major corporations and our own government officials, it's a danger they have failed to prepare for, listen to, or seriously try to guard against.

It's a danger we can no longer afford to ignore. Katrina, after all, was a natural disaster that affected only our domestic oil supply. But just imagine the threat to our national security from a geopolitical disaster – a war or an embargo – that cut off our supply from the rest of the world, where we get most of our oil.

Right now, we depend on some of the most politically volatile countries in the Middle East and elsewhere to fuel our energy needs. It doesn't matter if they're budding democracies, despotic regimes with nuclear intentions, or havens for the madrassas that plant the seeds of terror in young minds – they get our money because we need their oil.

What's worse – it's oil that's not very well protected. Over the last few years, we know that terrorists have stepped up their attempts to launch attacks on the poorly defended oil tankers and pipelines of the Middle East. And a former CIA agent tells us that if a terrorist hijacked a plane in Kuwait and crashed it into an oil complex in Saudi Arabia, it could take enough oil off the market to cause more economic damage than a direct attack on the United States.

At that point, \$6 a gallon would look like a steal.

Hopefully, this short-term, hurricane-induced oil crisis will subside. But the clear and present danger to our economy and our security from America's long-term dependency on oil will not subside – unless we act now. In fact, it will only get worse.

As usual, the American people are already way ahead of Washington. Whether it's Galesburg farmers growing the corn that can fuel our cars or the Chicago factory workers making the microchip that let's us plug them in, people across the country have been taking America's energy future into their own hands with the same sense of innovation and optimism that sent the Wright brothers into the sky, led Dr. Salk to a cure for polio, and fueled Henry Ford's confidence that his workers could afford the cars they made.

But for too long now, this can-do spirit has been stifled by a can't-do government that seems to think it has no role in solving great national challenges or rallying a country to a cause. One that's content with simply giving more tax breaks to energy industries without asking for anything in return. Content with sending \$650 million a day to

countries like Saudi Arabia to pay for our fuel. And content with energy legislation that takes on only the easiest parts of the problem.

Now, I voted for the last energy bill. Because it took some baby steps in the right direction. It invests in the renewable, homegrown biofuels that could turn out to be some of the most promising alternatives to oil. It contains some provisions that would help us use alternative energy sources, increase our refinery capacity, and invest in clean coal technology. And recently, the administration made some executive policy changes that make it more difficult to classify cars as “light trucks,” which would increase the production of more fuel-efficient cars.

None of these provisions do any harm – and a few do some good. But the energy bill and the administration’s reforms don’t suffer from sins of commission. Instead, they suffer from sins of omission. The solutions are too timid – the reforms too small. A bill that reduces our dependency on foreign oil by just 3% when our demand is about to jump 40% is not a serious energy policy. We need to do more.

The truth is, an oil future is not a secure future for America. Indeed, the rest of the world is already moving away from oil, and the longer we wait, the more difficult and painful it will be for our companies and our workers to catch up. Countries like China and Japan are creating jobs and slowing oil consumption by churning out and buying millions of fuel-efficient cars. Brazil, a nation that once relied on foreign countries to import 80% of its crude oil, will now be entirely self-sufficient in a few years thanks to its investment in biofuels. By getting more ethanol on the market and equipping their cars with the flexible-fuel engines that allow them to run on this fuel, Brazil has succeeded secured its energy supply while still giving consumers a break at the pump.

So why can’t we do this? Why can’t this be one of the great American projects of the 21st century?

The answer is, it can. We can do this with technology we have on the shelves right now; we can do it by saving, not crippling, our ailing auto companies; and we can do it by using the kind of clean, renewable sources of energy that we can literally grow right here in America.

There’s no silver bullet. A solution to our energy dilemma won’t come overnight. But we don’t have to accept the wait-and-see attitude anymore. It flies in the face of our history and our founding principles. Katrina has shown us what could happen if we don’t move away from an oil economy, but it has also provided us with a moment to challenge that kind of a future. Now is the time to seize that moment.

In the short-term, this probably means that we’ll need to build even more refinery capacity and create not just a Strategic Petroleum Reserve, but also a Strategic Gasoline Reserve so that we can deal with the type of shortages we saw from Katrina. It means that we’ll need to invest more in the clean technology that will allow us to burn more coal, our country’s most abundant fossil fuel. And it means that we should continue to

encourage the use of renewable fuels – by insisting that they make up 20% of our energy use and making sure that every new car in America has a flexible-fuel engine by 2010.

But we need to take even greater steps than these short-term measures. We need solutions that strike at the very heart of our dependence on oil.

Right now, the largest consumers of oil in this country are the cars we drive. And right now, we also have the technology to build cars that travel much further on a gallon of gas. We already have thousands of gas-electric hybrid cars driving around that can get 50 miles per gallon. Soon, plug-in hybrids will be able to get 75 miles per gallon. And experts believe that if we pump biofuels like E85 into a plug-in hybrid car, we can actually get up to 500 miles per gallon of gasoline.

So the technology is on the shelf. It's ready and available for our car companies to use. If we made sure that all passenger vehicles built in the U.S. got 40 miles per gallon, we would save consumers up to \$5,000 at the pump over the life of their cars.

If we do this alone, we could reduce our dependence on foreign oil by over 1 billion barrels a year by 2020.

For years, we've hesitated to raise fuel economy standards as a nation in part because of a very legitimate concern – the impact it would have on Detroit. The auto industry is right when they argue that transitioning to more hybrid and fuel-efficient cars would require massive investment at a time when they're struggling under the weight of rising health care costs, sagging profits, and stiff competition from Europe and Japan.

But it's precisely because of that competition that they don't have a choice. As the demand and waiting lists for hybrid cars skyrocket, demand for SUVs – American car companies' biggest source of profit – is expected to plummet. The market is telling the auto industry to move away from oil – but so far only foreign companies are listening.

China now has a higher fuel economy standard than we do, and it's got 200,000 hybrids on its roads. Japan's Toyota is doubling production of the popular Prius to sell 100,000 in the U.S. this year, and it's getting ready to open a brand new production plant in China.

These companies are running circles around their American counterparts. Ford is only making 20,000 Escape Hybrids this year, and GM's brand won't be on the market until 2007. This isn't just costing us energy efficiency – it's decimating American businesses and costing American workers their jobs.

There is now no doubt that fuel-efficient cars represent the future of the auto industry. These cars will be built and bought and mass quantities. The only question is where and by who?

If American car companies hope to be a part of that future, if they hope to compete – if they hope to survive – they must make the necessary adjustments so that they can start building these cars. And we must help them do it.

There are many ways to do this and many good conversations that already taking place. One option is to provide direct subsidies to the auto industries so that it can transition its production to more fuel-efficient vehicles. Others have suggested providing tax credits for consumers to buy these cars.

Today I'd like to give you another example of a deal that Washington could make with Detroit. We'd start by raising the fuel economy standards in this country by 3% a year over the next fifteen years. But to help our auto industry make the transition – to give them the competitive edge they need against their foreign counterparts – we'd pay for part of the biggest costs they face today: retiree health care. Right now, health care costs represent \$1,500 of the price of every GM car that's made. By picking up part of the tab for the health care costs of their retirees, we'd be lifting a huge burden off the auto industry so that they'll invest in the technology that will finally reduce America's dependence on foreign oil.

These solutions – investing in more hybrids and renewable energy sources; raising CAFÉ standards and helping our auto industry transition to a fuel-efficient future – represent a road to energy independence that will require some tough decisions and difficult politics, but as we look toward the future, it's the road we must travel as a nation. We could open up every square inch of America to drilling and we still wouldn't even make a dent in our oil dependency. We could open up ANWR today, and at its peak, which would be more than a decade from now, it would give us enough oil to take care of our transportation needs for about a month. Clearly, this is not a solution.

At the dawn of the Internet Age, Andy Grove of Intel famously said that there are two kinds of businesses: those that use email and those that will. Today, there are two kinds of car companies: those who make fuel-efficient cars and those that will. We can't follow the world anymore. We must lead. And if we don't act now, the economic and societal benefits that have always been the hallmark of American innovation will find a home somewhere else.

There are few issues in American politics that have such a far-reaching effect on almost every aspect of our well-being as a nation, yet remain so absent from public interest and action. But as we cut through all the talk and the politics in the energy debate, we can see what the debate is really about.

We see the family that thinks twice about what they'll spend at the grocery store this week, because they've been paying \$40 to fill up the tank for the last month. We see the grandmother who isn't sure how she'll make her Social Security check cover January's heating bill. The autoworker who isn't sure what the future at Ford holds for him. And the mother who sees turmoil in the Middle East and worries that someday her son might have to fight to secure our oil supply.

Ultimately, we see a nation that cannot control its future as long as it cannot control the source of energy that keeps it running.

Recently, I returned from a trip to Ukraine, where I had the opportunity to meet the nation's third president, Viktor Yushchenko. Since the country first broke away from the Soviet Union more than a decade earlier, Ukraine has been trying to forge its own identity and assert its own independence from Russia. This culminated earlier this year in the Orange Revolution, a mass demonstration from thousands of protestors who stood by Yushchenko and his promise to move his country further from the sphere of Russian influence.

President Yushchenko finally won. But today, Ukraine remains almost entirely dependent on – guess who -- Russia. And it is widely expected that in anticipation of next year's parliamentary elections, Russia will triple the prices of both. Despite all the soaring rhetoric, the demonstrations and the courage, Ukraine still finds itself at the mercy of its former patron – a nation that can now influence every political and economic decision they make – all because of oil.

This will not be America's future – but this is the stranglehold that fossil fuels can have on a nation's freedom. Ukraine may have little choice in the matter. The most powerful and wealthy nation on earth, teeming with brilliant minds and cutting-edge technology, surely does. The genius of the American people has already shown us the path towards energy independence, now they're just waiting for their government to take them there. Let's finally get it done. Thank you.