

President Discusses Energy Policy
Ronald Reagan Building and International Trade Center Washington, D.C.

THE PRESIDENT: Thank you all. Thanks for the warm welcome. John, thanks for the introduction. Thanks for the invitation to be here for the 16th annual Energy Efficiency Forum. It's an important forum. By advancing the national dialogue on the future of energy, you're helping us support the cause of energy efficiency. And that's critical for our economy and it's critical for the future of this nation.

You see, increasing energy efficiency will help consumers save money. Increasing energy efficiency will leave American businesses with more capital, will make American businesses more competitive. Increasing energy efficiency will help reduce our energy consumption, and to help us achieve a vital national goal, and that is making America less dependent on foreign sources of energy. And that's what I want to talk to you all about today -- a strategy to make us less dependent on foreign sources of energy.

I want to thank John. I want to thank Bob Catell, who is the event host. He's the Chairman of the United States Energy Association. I want to thank Betty Arndt. I want to thank Barry Worthington. Thank you both for setting this event up. I want to thank the Assistant Secretary, David Garman, of the Department of Energy, for being here. I appreciate Pat Wood, the FERC chairman -- where are you Pat? There he is, my fellow Texan. (Applause.) How many children you got now? (Laughter.) Three, one on the way? (Laughter.)

I want to thank your fellow commissioners -- Commissioner Brownell, Commissioner Kelliher, Commissioner Kelly -- for joining you all. Thank you all for coming; thanks for serving; appreciate what you do. (Applause.)

I'm optimistic about this country's future. And Americans have a reason to be optimistic, as well. Over the last two years we have added more than 3.5 million new jobs. More Americans are working today than ever before in our nation's history. Home ownership in America is at an all-time high, and that's good; we want more people owning something in America; we want more small business owners, we want more home owners. I, personally, think it would be good for the country if people had more control over their retirement accounts. (Applause.)

Small businesses are flourishing, factory output is growing, exports are at their highest level ever, families are taking home more of what they earn. Because of our policies, our economy is growing -- and creating more opportunity and increased prosperity for millions of our citizens, and that's good news.

And to build on this success and to keep this economy growing, we need an affordable, reliable supply of energy -- and that starts with pursuing policies to make prices reasonable at the pump. Today, millions of American families and small businesses are hurting because of higher gasoline prices. If you're trying to meet a payroll, or trying to

meet a family budget, even small increases at the pump have a big impact on your bottom line. For the sake of American families and American workers, this country must take action now to deal with the causes of rising gasoline prices.

The primary cause of rising gasoline prices is that the global demand for oil is growing faster than global supply. Here in America, we have become too dependent -- too dependent -- on the increasingly limited supply of foreign oil for our own energy needs. For many years, most of the crude oil refined into American -- into gasoline in America came from domestic oil fields. In 1985, 75 percent of the crude oil used in U.S. refineries came from American sources -- and only about 25 percent came from abroad. Today, that equation is nearly reversed. In a relatively quick period of time, only about 35 percent of the crude oil used in U.S. refineries is produced here at home -- think about that -- while about 65 percent comes from foreign countries like Saudi Arabia, Mexico, Venezuela and Canada. To compound the problem, countries with rapidly growing economies, like India and China, are competing for more of the world oil supply and that drives up the global price of oil -- and that makes prices of gasolin

Our dependence on foreign oil is like a foreign tax on the American Dream -- and that tax is growing every year. My administration is doing all we can to help ease the problem. We're encouraging oil-producing countries to maximize their production, so more crude oil is on the market to meet the demands of the world. And we're going to make sure that consumers here at home are treated fairly -- there's not going to be any price-gouging here in America.

But people got to understand our dependence on foreign oil didn't develop overnight, and it's not going to be fixed overnight. To solve the problem, our nation needs a comprehensive energy policy. (Applause.) That's why one of the first things I did when I came to office four years ago was to develop a new energy strategy for America. And in my first months in office, I sent Congress a plan to put our nation on the path to greater energy independence. For four years, that United States Congress has discussed and debated the plan -- with no result. So earlier this year, I sent a clear message to Congress: Get a good energy bill on my desk before the August recess. Now is the time for them to act.

The House has acted -- and I want to thank the leadership in the House. And the Senate's turn is now up. It's now their time to get something done. And they're beginning the debate on the energy bill this week. And my advice is they ought to keep this in mind: Summer is here, temperatures are rising, and tempers will really rise if Congress doesn't pass an energy bill. (Applause.)

The American people know that an energy bill will not change the price of gas immediately. But they're not going to tolerate inaction in Washington as they watch the underlying problems grow worse. We have a responsibility to confront problems. The American people expect us to act in good faith here in Washington. To address the root causes of high gas prices, we need to take four important steps toward one vital goal -- and that is making America less dependent on foreign sources of oil.

The first step toward making America less dependent on foreign oil is to improve conservation and efficiency. That's why this conference is an important conference, and I want to thank you for holding it. Hybrid vehicles are one of the most promising technologies immediately available to consumers. There are some interesting things taking place in the market place that will help achieve this part, this step of less dependency on foreign sources of oil. Hybrid automobiles are powered by a combination of gasoline and electricity. Some can travel twice as far on a gallon of fuel as gasoline-only vehicles. Hybrids produce lower emissions. To help consumers conserve gas and protect the environment, I propose that every American who purchases a hybrid vehicle receive a tax credit of up to \$4,000. We're trying to encourage people to make right choices in the market place that will make us less dependent on foreign sources of oil and to help improve our environment.

We are also encouraging automakers to produce a new generation of modern, clean-diesel cars and trucks. My administration has issued new rules that will remove more than 90 percent of the sulfur in diesel fuel by 2010. Clean diesel technology will allow consumers to travel much farther on each gallon of fuel -- without the smoke and pollution of past diesel engines. To encourage this promising technology, Congress should extend the tax incentives for the purchase of hybrid vehicles to clean diesel cars and trucks. You see, America leads the world in technology -- and we need to use that technology to lead the world in fuel efficiency.

The second step toward making America less dependent on foreign oil is to produce and refine more crude oil here at home in environmentally-sensitive ways. By far the most promising site for oil in America is the Arctic National Wildlife Refuge in Alaska. Technology now makes it possible to reach the oil reserves in ANWR by drilling on just 2,000 of the 19 million acres. Developing this tiny area could eventually yield up to a million barrels of oil every day -- and that million barrels of oil a day would be -- would make us less dependent on foreign sources of energy. Thanks to technology, we can reach ANWR's oil with almost no impact on the land or local wildlife. To make America less dependent, Congress needs to pass a pro-growth, pro-jobs, pro-environment development of ANWR. It makes sense. It is an important part of a comprehensive strategy.

We also need to improve our ability to refine crude oil into gasoline and other products. Do you realize this? There hasn't been a single new refinery built in America since 1976. To meet our growing demand for gasoline, America now imports about a million barrels of refined gasoline every day. That means about one out of every nine gallons of gas you get at the pump is refined in a foreign country. Not only are we dependent on foreign sources of oil, we're becoming more dependent on foreign sources of gasoline.

To help secure our gasoline supply and lower prices at the pump, we need to encourage existing refineries to expand their capacity. So the Environmental Protection Agency is working to simplify rules and regulations for refinery expansion, and I'm confident we can do so and maintain strict environmental safeguards. We also need to build new refineries. So I've directed federal agencies to work with states to encourage the

construction of new refineries on closed military facilities, and to simplify the permitting process for these new refineries. By promoting reasonable regulations, by being wise with policy we can refine more gasoline at home and that will make us less reliant on foreign sources of gasoline.

The third step toward making America less dependent on foreign oil is to develop new alternatives to gasoline and diesel. Two years ago, my administration launched an ambitious program called the Hydrogen Fuel Initiative. We've already dedicated \$1.2 billion over five years to this effort to develop hydrogen-powered fuel cell vehicles. Last month I visited a hydrogen fueling station right here in Washington. I saw cars and vans that run on hydrogen fuel cells instead of gasoline. And these cars and vans emit pure water instead of exhaust fumes. The energy bill will authorize additional funds for this vital initiative. With bold investments now, we can begin to replace a hydrocarbon economy with a hydrogen economy -- and make it possible for our children, today's children to take the driver's test in a completely pollution-free vehicle. (Applause.)

We've got to be aggressive about finding alternative sources of fuel. And one such source is ethanol. Ethanol comes from corn -- and we're pretty good about growing corn here in America, we've got a lot of good corn growers. Therefore, it makes sense to promote ethanol as an alternative to foreign sources of oil. Ethanol can be mixed with gasoline to produce a clean, efficient fuel. In low concentrations, ethanol can be used in any vehicle. And with minor modifications, vehicles can run on a fuel blend that includes about 85 percent ethanol and 15 percent gasoline. Ethanol helps our farmers find a new markets and helps us replace foreign crude oil. I mean, I like the idea of spending money on research to make ethanol more feasible, so that some day an American President says, show me the crop report. (Laughter.) As opposed to, how many barrels of crude oil are we importing?

By the way, we can get the same type of alternative fuel from soybeans. It's called biodiesel. And that's a promising source of energy. I went to a biodiesel refinery in Virginia that is making fuel from soybean oil. Other producers are making biodiesel, by the way, from waste products like recycled cooking grease. Biodiesel can be used in any vehicle that runs on regular diesel. So as you get more clean diesel engines in America, biodiesel becomes an alternative fuel for them. It burns more completely and produces less air pollution than gasoline or regular diesel.

It makes sense for the energy bill to encourage renewable sources of energy that are becoming much more practical and much more economic in today's world. To encourage greater use of ethanol and biodiesel, my administration supports a flexible, cost-effective renewable fuel standard as a part of the energy bill. This proposal would require fuel producers to include a certain percentage of ethanol and biodiesel in their fuel. I proposed \$84 million in the 2006 budget for ongoing research into advanced technologies that can produce ethanol from farms, forests, or even municipal waste dumps. We've got a chance here as we go forward to do something smart, and that is figure out ways to use that which we grow or that which we dispose of to replace foreign sources of oil.

The fourth step toward making America less dependent on foreign oil is to help other nations use technology to reduce their own demand for crude oil and gasoline. Much of the current and projected rise in gasoline prices is due to rising oil consumption in Asia. These are emerging economies that are consuming more natural resources - one of which is oil. As Asian economies grow, their demand for oil is growing -- much faster than the global supply is growing. And that drives up price. It's in our interest to help countries like India and China become more efficient users of hydrocarbons -- that will help take the pressure off global supply, it will take the pressure of gasoline prices here at home.

At the G8 meeting next month, I'll ask other world leaders to join America in helping developing countries find practical ways to use cleaner, more efficient energy technologies. When we lower the global demand for oil, Americans will be better off at the gas pump -- and future generations will breathe cleaner air, too.

As we make America less dependent on foreign oil, we are pursuing a comprehensive strategy to address other energy challenges facing our country. Along with high gas prices, many families and small businesses are confronting rising electricity bills. And summer air conditioning costs are going to make it even more expensive to power homes and office buildings.

To help our consumers save on their power bills, we must continue expanding our efforts to improve conservation and efficiency. The energy bill would extend the Energy Star program. This program encourages the sale and production of energy-efficient products -- like super-efficient refrigerators that use less energy than a 75-watt light bulb. Advances in efficiency are saving American consumers more money. In 2001, the average American family spent about half as much to heat its home as it did in 1978. One day, technologies like solar panels and high-efficiency appliances and advanced insulation could even allow us to build "zero-energy homes" that produce as much energy as they consume.

We must also harness the power of technology to help us deliver electricity more efficiently. For example, the Department of Energy is funding research and development of super-conducting power lines. It's important research because it will enable us to more efficiently move electricity. Really what we need to do is bring our electricity grid into the 21st century. Congress should make reliability standards for electric utilities mandatory -- not optional. We have modern interstate grids for our phone lines and highways. It's time for this country to build a modern electricity grid so we can protect American families and businesses from damaging power outages.

To power our growing economy, we also need to generate more electricity. Electricity comes from three principal sources: coal, natural gas and nuclear power. To ensure that electricity is affordable and reliable, America must improve our use of all three.

Coal is our nation's most abundant energy source, and America is blessed with enough coal to last for the next 250 years. Yet, coal also presents an environmental challenge. So when I ran for President in 2000, I pledged to invest \$2 billion over 10 years for research

into clean coal technologies to remove virtually all pollutants from coal-fired power plants. My budget for 2006 brings clean coal funding to \$1.6 billion over five years -- puts us on pace to exceed my pledge. And there's no doubt in my mind we can succeed. There's no doubt in my mind this great country can use technology to be able to burn coal in environmentally friendly ways. (Applause.) Congress needs to pass the Clear Skies Initiative, which is a reasonable -- (applause) -- it's a good piece of legislation. It's sound policy. They need to pass it. And by passing it, not only will we clean the environment, but it will result in tens of billions of dollars in clean coal investments by private companies. America must invest in cle

Improving our electricity supply also means making better use of natural gas. The United States has the sixth largest proven reserves of natural gas in the world. We need to increase environmentally-responsible production of natural gas from our federal lands. And to further increase our natural gas supply, Congress needs to make clear federal authority to choose sites for new receiving terminals for liquefied natural gas.

We need to expand our nation's use of nuclear power. America has not ordered a nuclear power plant since the 1970s. France, by contrast, has built 58 plants in the same period of time -- and today, France gets more than 78 percent of its electricity from safe, low-cost nuclear power. It's time for America to start building again. So I've directed the Department of Energy to work with Congress to help pass legislation that will reduce uncertainty in the nuclear plant licensing process. We're also working with Congress to provide other incentives -- such as federal insurance to protect the builders of the first four new plants against lawsuits, bureaucratic obstacles, and other delays beyond their control. To build a secure energy future for America, we need to expand production of safe, clean nuclear power. (Applause.)

So I appreciate you letting me come by today to talk about a comprehensive strategy, a comprehensive way forward to achieve one overriding goal -- and it's an important goal to achieve. And the goal is to address the root causes of higher energy costs by diversifying our energy supply and reducing our dependence of foreign sources of energy. (Applause.) For the past four years, Americans have been paying the price for delaying a national energy policy. They've been watching their power bills go up. They've seen blackouts. And they're watching the price of gasoline rise at the pump. The energy bill will help us make better use of the energy supplies we now have and will make our supply of energy more affordable and more secure for the future. To make this promise real tomorrow, we've got to act today. Now is the time. Now is the time to stop the debate and the partisan bickering and pass an energy bill.

I look forward to working with members of the Congress to come up with reasonable compromises on outstanding issues such as MTBE. But for the sake of national security and for the sake of economic security, the Congress needs to pass an energy bill now. (Applause.)

Now is the time to act. Now is the time to put a strategy -- we should have done this 10 to 15 years ago. Now is the time to move. And history shows that American innovation is

never in short supply -- that's the good news. We're going to harness our innovative spirit in this new century, and by doing so we will leave our children and grandchildren a cleaner, a healthier, and a more secure America.

May God bless you all. (Applause.)