



Secretary Abraham Outlines National Energy Policy Accomplishments One Year After Release

Remarks by Secretary of Energy Spencer Abraham to the Detroit Economic Club

In the last year I've had the opportunity to represent the President and the Department of Energy in Mexico City, Moscow, Vienna, and Paris. And in less than a month I'll head to Morocco to co-chair the 3rd US-African Energy Ministerial Conference.

These travels have taught me two things: First, how important international dialogue on energy issues has become. And second, how much I miss Michigan. So, it really is great to be back here today.

This past year has been a very turbulent one on the energy front. From our first week in office, we knew that the United States faced an energy crisis. We faced pressing, immediate challenges.

The California electricity crisis was obviously one – but, as you will recall, consumers faced unparalleled rises in natural gas and gasoline prices as well. And, just to make it interesting, OPEC was in the midst of a series of production cuts that aimed at higher prices for crude oil.

Now, we could have simply reacted to those immediate crises in an ad hoc manner. But we didn't do that.

Instead, President Bush recognized that to prevent those short-term problems from becoming a permanent, recurring feature of American life, we needed a long-term plan for energy security that would promote reliable, affordable and environmentally sound energy for the future.

One year ago, President Bush presented his solution, a national energy policy, to the American people.

The key to the comprehensive plan's approach was the recognition that over the next 20 years our country would demand large and rapid increases in energy in order to keep our economy growing and Americans working.

The numbers are staggering, and I'll just mention a few today. We face a 45 percent increase for electricity over the next 20 years... 50 percent for natural gas... and 33 percent for oil.

With those huge projections of energy demand as a backdrop, the national energy policy established six general goals to guarantee America's continued growth and prosperity:

- First, we would aggressively reduce demand by employing energy efficient technologies and encourage sound conservation measures as essential components of our energy policy.
- Second, we realized that even the most aggressive energy efficiency and conservation programs would not be enough by themselves to bring supply and demand into balance. And so, we would need to increase energy supply, with special emphasis on domestic supply.
- Third, to assure energy security, we would need to maintain a diversity of fuels from a multiplicity of sources.
- Fourth, we would need to dramatically upgrade our national energy infrastructure.
- We recognized that we would need more than supply to meet demand at affordable prices to consumers...We need efficient means to deliver energy from the source to the consumer, and our aging infrastructure is inadequate to the task.
- Fifth, we would need to accomplish our energy production, consumption and conservation goals while building on our successful record of environmental protection, and
- Sixth, we realized that our energy challenges would extend beyond 20 years. And so, we needed to provide a vision of the future in which solutions to these challenges have to transcend current thinking about sources and uses of energy.

Those were the goals, and the National Energy policy proposed 105 specific recommendations for action that would meet our short- and medium-term needs and prepare our nation for a leap into a transformed energy future.

The policy set in motion a change in the nature of the national debate over energy, over the place of markets and the place of technology, over energy and environmental policy, and over energy and foreign policy.

I'm happy to report to you today, just one year after the announcement of the national energy plan, that we have made very significant progress toward every one of our goals.

Let me give you a quick overview. Most of the 105 recommendations could be handled through administrative action, and on these we have either completed or are on our way to completing well over three-quarters of the recommendations.

The remaining recommendations require legislation, and Congress, at the President's urging, has also made progress. The House passed an energy bill last August and the Senate passed its bill a couple of weeks ago.

Given the attacks on our National Energy Policy and the distortions of the policies it actually proposed, one would not have thought that the plan would enjoy broad, widespread support.

But, in fact, out of the 22 specific proposals that required legislative action, 21 have either already been enacted into law, or are contained in either the House or the Senate energy bills that are headed to Conference.

And both the House and Senate passed their bills with huge bipartisan majorities. For that reason, we expect a comprehensive and balanced final bill will be headed to the President's desk for his signature this year.

This administration can be rightfully proud of that record of accomplishment. President Bush is famous for demanding more than fine words... he is famous for saying, "I expect results." He expects them of himself and of his team... and he got them with his energy policy.

But numbers alone don't tell the story, so let me put some flesh on the policy bones with some specific examples of progress toward our goal of energy security.

To achieve our Energy Efficiency and Conservation goals, we have among other actions:

- Conducted a comprehensive review of our existing energy efficiency and renewable energy programs. Energy efficiency helps us use less energy; and renewable energy is energy that is abundant and largely clean. As a result of this review, the Bush administration has asked Congress for over \$1.2 billion -- the largest budget request in over 20 years -- for these programs.
- Improved the way we fund Research and Development and focused on the cutting-edge technologies that will fuel the 21st century and beyond.
- Expanded several programs such as Energy Star, which promotes the purchase of energy efficient appliances and machines.
- Proposed tax credits for the purchase of hybrid and fuel cell vehicles... both the House and Senate included this proposal in their energy bills.
- Launched a plan to increase the use of energy efficient Combined Heat and Power generating facilities.
- And, finally, we recognized that many hard working Americans of modest means who would like to make a contribution by making their homes more energy efficient were unable to do so because of the costs.

To remedy that, President Bush has delivered on his \$2 billion commitment to assist one million working families to weatherize their homes over the next 10 years.

Now, many less affluent families that have to endure the bitter winters of northern climes like Michigan's, or the brutal summers of the sunbelt, and who too often have to sacrifice to pay their energy bills, will enjoy the benefits of a properly insulated home.

To increase and diversify supply, we have:

- Formed a fast track inter-agency task force that is clearing the way to get Alaska's abundant natural gas resources to the continental U.S. by speeding construction of an Alaskan Gas Pipeline.
- Proposed comprehensive electricity legislation to ensure all Americans have access to reliable and affordable electricity, and I'm pleased that this was included in the Senate bill.
- Proposed, and secured, legislation to improve the process for re-licensing hydropower plants. Hydropower is the oldest, most efficient and least expensive renewable energy source we have.
- We recognized that nuclear energy cannot continue to supply 20 percent of the nation's electricity needs if we can't decide what to do with the waste from nuclear plants. Just a few miles from this spot, waste has been piling up in temporary storage sites at the Fermi plant for years. The ratepayers of this area have been sending money to Washington for years in the expectation of a solution to the waste question... and nothing has happened. That same problem is duplicated in communities all over the country. Our energy plan demanded long-overdue action and last February I made the decision that more than 20 years of scientific research had proven that a central waste storage site at Yucca Mountain in Nevada should be built. I recommended it to the President. He endorsed the approach and I'm happy to say that last week over 300 members of the House of Representatives endorsed the President's decision. I'm hopeful the Senate will follow suit in the next few weeks... so that we can keep nuclear energy on line and our communities safer and cleaner
- We also proposed to increase domestic oil production and reduce our reliance on imported oil by developing oil resources in a small section of the remote Arctic National Wildlife Refuge. The House passed our ANWR proposal and we are hopeful that the energy bill that emerges from the House-Senate Conference will agree that at a time when Saddam Hussein threatens an oil embargo against America it makes sense to tap a source that could offset 35 years of Iraqi imports.
- Fully one-third of the National Energy Policy's recommendations deal with enhancing international relationships in order to achieve our objective of increasing diversity of supply.
- Let me briefly give you a flavor of just how much work is underway in this area pursuant to the President's plan:
 - We hosted, as I mentioned earlier, the G8 energy ministers' conference, the first opportunity in years the G8 energy ministers have had to share ideas on increased international cooperation and opportunities for energy development.
 - We have launched the North American Energy Working Group with Canada and Mexico to identify ways to improve energy opportunities in our countries to the benefit of each nation.
 - Through our Western Hemisphere Energy Initiative we have begun to work with our partners in the rest of the Americas to create opportunities for new investment and to develop new energy resources in our hemisphere.
 - We have worked to ensure the opening of the new Caspian Pipeline in Russia last fall, which we believe portends greater trade and increased investment in developing the vast energy resources of Russia and in the nations of the Caspian and Caucasus regions.

- Later this year, we will be hosting a US-Russia energy summit to bring companies from both countries together to identify ways to proceed on these and other opportunities.
- And finally, to increase our energy security, the President ordered that we fill the Strategic Petroleum Reserve to capacity to protect our nation from economic harm in the event of a disruption of our supply of imported oil.

As with anything else, a product is of no use if you can't deliver it to the consumer that wants it. Our current antiquated energy infrastructure is inadequate for today's and tomorrow's demands, and its failings are distorting market prices.

We have to build the equivalent of as many as 1,900 new electric power plants – about one a week – over the next 20 years to meet projected energy demand.

But just as challenging, we need to build the transmission lines to go with them. And we have to build tens of thousands of miles of new natural gas and oil pipelines, and processing plants and refineries, to meet increasing demand for natural gas and oil.

- America received a harsh lesson on the inadequacy of our energy delivery system – our infrastructure -- last year in California.
- To a large extent, California's blackouts occurred because of inadequate intrastate transmission infrastructure especially along a corridor called Path 15, a bottleneck that restricted power flows from energy-rich southern California to the energy starved north. Our department has stepped in and at the President's direction we have put together a consortium of private sector companies to fix Path 15 and make blackouts less likely for Californians.
- To break the bureaucratic logjam that prevents needed energy projects from going forward, we created an interagency task force to make sure that permits that should be granted are granted in a timely fashion.
- We proposed and Congress has included in its legislation new pipeline safety requirements.
- And, finally, we are creating a national framework for bringing our electricity transmission system into the new millennium. At the President's direction we completed last week a National Transmission Grid Study that identifies current and projected transmission bottlenecks that will cost consumers hundreds of millions of dollars a year. Our study identifies those steps necessary to resolve or avoid such bottlenecks and we will now seek to implement them.

On the environment, I'd like to talk about some important actions we have taken that demonstrate that a cleaner and healthier environment is always at the forefront of our work to ensure energy security.

- First, we proposed extending the tax credits for renewable energy production and creating a new consumer tax credit for residential solar installations, both of which are included in the House and Senate bills.
- In addition, we recognized that our 250 years of reserves of coal were important to our energy security, but we also recognized that we need to reduce the environmental impact of the production and use of coal:

- Thus, we doubled the budget for carbon sequestration research. Carbon is a significant source of greenhouse gases and limiting those emissions is a big step toward addressing climate concerns.
- And the President called for – and the Congress supports -- a \$2 billion increase in clean-coal technology research so we ensure significant reductions in other harmful coal plant emissions.
- Finally, we have announced the President's Clear Skies Initiative to dramatically reduce emissions of sulfur dioxide (SO₂), nitrogen oxides (NO_x), and mercury over the next 20 years.

That's just a partial list of the many things we have already done. Once Congress finishes its work and the president signs a comprehensive energy bill, we will be well on the way to dealing with the energy challenges of the next 20 years.

But the need to increase supply, improve energy efficiency, modernize and expand infrastructure and ensure a clean environment will not end in 20 years, and that brings me to an unappreciated aspect of our National Energy Policy.

Our plan does more than address today's challenges, or those of the next 20 years. . . . It is designed to transform how energy is produced and consumed for generations to come . . . by harnessing the genius of American science and technology.

Woven throughout the National Energy Policy is the recognition that we need to change the way we think about energy production and consumption.

We understand that a large part of the solution to our challenges will be found, not in government councils, but in the efforts of the private sector where innovation flourishes and risk takers push the envelope.

So, let me take a moment to describe a different world – a more optimistic world – in which energy is seen as the fuel of our survival and success.

Let me outline the kinds of exciting new developments we see.

We foresee a world of cleaner, smaller and more efficient units of power generation. We foresee more individual choice, more competition, and a closer approximation of a true market for energy in America. And we foresee increased reliability, increased supply, and lower prices.

How are we going to get from here to there?

Imagine a world of "distributed energy"... which means, in essence a move from our almost exclusive reliance on big power plants toward smaller sources of power . . . toward a day when consumers can respond to price signals . . . toward smarter factories, buildings and homes.

Imagine moving away from a transmission system in which power only flows one way – from a plant to your home – and, instead, flows two ways.

Imagine a world in which you could generate your own power with a micro-turbine at home, and reap the benefits of your own efficiency by conserving and selling excess power into the grid.

Imagine a pricing system that uses technology to go beyond today's "one size fits all" pricing to real-time pricing, letting consumers choose for themselves when and how they use energy.

Let's go further and imagine advanced a Generation IV nuclear reactor such as the one we are currently developing in cooperation with France, Japan and others.

A reactor with enhanced passive safety features and a simpler, more economical design that sits on an "energy farm" in an isolated area, producing power and speeding it to areas that need it on a super-efficient national transmission superhighway.

One that features new technologies such as high-temperature superconductivity that would allow us to transmit power more efficiently over longer distances.

We are imagining such things. In fact, we are working right now on a project with the private sector in which superconductivity increases the capacity of a transmission line – by 300 percent.

Let's go even further and imagine fusion as a realistic source of energy. We have significantly increased our research budgets for fusion energy and we are looking at the possibility of joining forces with other countries to conduct this work.

On a more modest level, imagine an increase of a mere seven percent in the efficiency of our 800 giga-watt installed power generating base, eliminating the need for about 186 power plants and reducing emissions at the same time.

This is precisely why we are promoting the expansion of the role of such things as combined heat and power systems -- systems we don't have to imagine... We know they can dramatically boost efficiency.

Now that we have our electric power system thoroughly imagined, let's turn to Detroit's specialty, transportation, and imagine not just a new kind of automobile but a new kind of economy.

For centuries we have lived and prospered in a carbon-based economy. Fossil fuels powered ships, warmed homes, drove automobiles, fired the revolution in flight ... and the revolution in information technology. Energy sources like coal and oil once overcame an economy based on horsepower.

Imagine a day, not too far off, when our carbon-based economy itself passes from the scene to be replaced, perhaps, by hydrogen.

The President's energy policy directs us to explore the possibility of such an economy and such a future.

The use of hydrogen – if realized -- offers the possibility of completely clean energy – its only byproduct is water. And, since hydrogen is the most common element in the universe, it offers an essentially limitless source of energy.

We have proposed a \$3 billion tax credit for the purchase of hybrid and fuel cell vehicles... and last January, right here in Detroit, I announced the Administration's FreedomCAR initiative, a public-private partnership between my department and the nation's auto manufacturers to promote the development of hydrogen as a primary fuel for cars and trucks.

And at the G8 Conference I announced an International Conference on Future Energy Technologies for Transportation, to be held here in Michigan later this year.

The conference will share information among G8 representatives and transportation and energy sector experts on virtually every alternative transportation fuel now in use or being researched and developed, including hydrogen.

We may be seeing the beginnings of a hydrogen economy not only for the United States but for the world.

More individual choice . . . Reliable and affordable electricity to power our homes and businesses . . . Cleaner sources of energy . . . Dramatic gains in energy efficiency . . . Less dependence on foreign energy sources... Eventual energy independence... That is the vision of the National Energy Policy... and it is the vision that we are driving ahead to realize.

This policy is doing two things at once: moving us forward while it prepares us for a great leap ahead.

Many of us here today have seen the amused and bewildered look in a child's eyes when we tell him that we used to have only black-and-white TV... with three channels ... that we remember a time before e-mail, cell phones, PCs... even keyless entry for automobiles!

In fact, just to make it hurt, we could probably have that conversation with young adults who are entering college this year.

That's how fast technology has changed the face of this country.

I believe my grandchildren will wear that same expression when my children someday tell them about the "old days"... you know, when we used to worry about environmental pollution, power outages and high prices for something called "gas."

Imagine that.

I hope you can now understand why I consider my fifteen months as Secretary of Energy to be among the most exciting and satisfying of my life.

America's energy challenges are bound up inextricably with domestic policy and foreign policy, and the way this Administration and the Department of Energy approach those challenges will affect this nation for decades to come.

I have the privilege of working for a President who demonstrates wonderful qualities of leadership; a demanding chief executive who expects results; a practical man who is also a visionary.

All those qualities are reflected in the National Energy Policy... a practical yet visionary policy that will lead the country and the world to energy security today, tomorrow and for the rest of this century.

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