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2016 State of American Energy  
January 5, 2016

As prepared for delivery

Good afternoon and welcome to the American Petroleum Institute's 2016 State of American Energy event. Before I begin, I want to acknowledge a few of the distinguished guests with us today.

{Acknowledge guests}

And I want to thank the almost two dozen veterans – part of the Vets for Energy group – who continue to serve our nation by educating policymakers on the importance of forward-looking energy policy to our national security, as well as all of the nation's women and men who serve in America's armed services.

At your seats, you have a copy of this year's report, which captures America's current energy reality and potential through the lens of seven U.S. regions – East, Southeast, Gulf Coast, Pacific, Arctic, Mountain West and Central. This year the report emphasizes the national scope of the oil and natural gas industry and identifies the common challenges we face, and the important leadership role played by the states in the transition of our nation away from decades of energy scarcity and uncertainty and toward an era of energy abundance and security.

The report is a snapshot of energy policy as it is today and as it could and should be in the future.

In broad terms, the state of American energy is strong even during this time of realignment. The United States is more energy self-sufficient and has transitioned from an era of energy scarcity and dependence into a global energy leader.

Today, the global energy world is realigning with the United States poised to remain a dominant global player; something unforeseen just a decade ago. The energy policy decisions we make today will determine whether this nation remains a positive and stabilizing force in the world's energy market and whether consumers can continue to count on reliable, affordable and abundant domestically produced energy for generations.

Domestically the 21st century American energy renaissance, which has created an unprecedented surplus of energy, has significantly lowered energy costs for American consumers and delivered a sizable lift to the U.S. economy. For example, the Energy Information Administration estimates that the American consumer saved, on average, \$700 in 2015 on transportation fuel costs as a result of abundant energy. And IHS estimated that average U.S. household income was \$1200 higher in 2012 given lower home energy costs brought about by unconventional development. IHS estimated that that figure could reach \$3500 a year in 2025.

And even during this period of realignment the oil and natural gas industry remains an important source of well-paying jobs for millions of American families. America's oil and natural gas industry supports approximately \$1.2 trillion in U.S. gross domestic product. For perspective, that is nearly as large as the economy of Mexico, according to the World Bank.

Fortunately, we know how to bring about America's brighter energy future, which means lower costs for American consumers, a cleaner environment and American energy leadership, because it is today's reality. We call it the U.S. model. Simultaneously, the United States is leading the world in energy production, we have one of the strongest western economies and are leading the world in reducing greenhouse gas emissions, a trifecta of success unmatched by any other nation.

Our nation's success as a global energy production and carbon reduction leader is rooted in the United States' unique federal system, which allows the states to be an active and semi-autonomous actor when it comes to how its energy resources are developed. Our system of government working in combination with our long tradition of entrepreneurship and distinct innovative spirit has led to world-leading reductions in carbon emissions, now at near 20-year lows.

As the State of American Energy report details, the states demonstrate time and again that the best way forward on energy policy is not through legislative mandate, overreaching regulatory oversight or executive branch decree but by using the facts, including what's worked and what's best for our energy future, the economy, consumers and the environment as the guiding principle.

The states demonstrate how bipartisan compromise, consensus building and collaboration with industry can lead to significant increases in energy production and environmental protection.

Nationally, according to the latest Environmental Protection Agency data, in 2013 greenhouse-gas emissions were 9 percent below 2005 levels even as population, energy use and gross domestic product have increased; proof that the U.S. model is the most effective way to better protect the environment, while growing the economy and increasing energy production.

Our nation's emissions are lower as a result of greater use of clean-burning natural gas. And according to a study by T2 Associates, the oil and natural gas industry itself reduced its own GHG emissions by the equivalent of 55.5 million metric tons of CO<sub>2</sub> in 2014. Further, we have invested \$90 billion in zero- and low-carbon emitting technologies from 2000 through 2014, almost as much as the federal government's investment of \$110.3 billion.

We also know what the difference between pro-energy development and anti-energy development will mean to our nation's economy, businesses, families, consumers and for our environment.

Last year a study by Wood Mackenzie found that with the right energy policies, America's oil and natural gas industry could support as many as an additional 1 million American jobs in 2025 and as many as 2.3 million by 2035.

The study also looked at the real-world economic difference between pro-development energy policies and anti-development energy policies espoused by some. Specifically, over the next 20 years pro-development policies could cumulatively increase local, state and federal government revenue by more than \$1 trillion and boost household discretionary income by as much as \$508 billion; further, average annual household energy expenses could be lowered by approximately \$360 per year.

Conversely, national energy policies that discourage energy development and constrain U.S. refiners could lead to a cumulative decrease of \$500 billion in government revenue from 2016 to 2035 and increase by \$242 the cost of energy

annually for the average household.

Because, according the EIA, fossil fuels will account for 80 percent of U.S. energy consumption through 2040 and the agency estimates that even under the best-case scenario for alternative fuel use, fossil fuels will still account for 78 percent of our energy needs.

This is just another data point in support of a long-standing tenet of energy policy held by most economists, academics and government analysts: fossil fuels will remain the foundation upon which our modern society rests for decades to come.

Encouragingly, there is growing support within Congress for U.S model-style energy policies.

Just last month, as Congress was finishing the people's business before recess, we witnessed a rare glimpse of bipartisanship and forward-looking energy policy on the national level with the lifting of the 40-year ban on crude exports. Lifting the ban is a win for America's consumers and economy according to a study by ICF International, which found that it could save consumers as much as \$5.8 billion per year on fuel costs.

Congress' action was a victory of long-term vision and fact-based policymaking over political ideology and ideological dogma.

Still and in spite of all of these facts and a wealth of other evidence to the contrary, there are an ardent few who continue to believe that keeping our nation's abundant energy resources in the ground is a credible and viable national energy strategy. There are some in government who will advance their favored forms of energy to that dubious and untested end, heedless of the potential harm it could cause to our economy or how much it could cost the American consumer or how it could impede continued environmental improvement.

For example, ignoring clear consumer preference and in spite of the current record levels of domestic crude oil production, EPA continues to push the Renewable Fuel Standard, a relic of our nation's era of energy scarcity and uncertainty.

A 2014 Congressional Budget Office study projected that the RFS could raise the cost of fuel prices because "Given the design of the RFS, the cost of encouraging additional sales of high-ethanol fuel falls on the producers and consumers of gasoline and diesel."

What's more, there is very little consumer demand for high ethanol fuels. According to the EIA, the annual amount of E85 sold in 2014 is less than one percent of annual gasoline demand. The reason is simple: ethanol is less energy dense than gasoline and, as a result, provides fewer miles per gallon. The laudable goals of the RFS – less dependence on imported fuel, lower gasoline prices and reduced emissions – have largely been achieved through industry innovation and market forces.

It is well past time that we end or significantly amend the RFS. It is relic of our nation's era of energy dependency that poses a direct threat to our nation's economy, risks reversal of important environmental improvements and could raise energy costs for American consumers.

Another example is the Clean Power Plan, which under the guise of environmental protection, does in fact, seek to pick winners and losers in the energy market, not based on market conditions, consumer preference or economic reality.

The reality is that the approach of the rule is to propose a regulation-based solution for a problem that is already being successfully addressed in the marketplace. And the treatment of natural gas is a good example.

The administration routinely acknowledges that greater use of natural gas in power generation has not only led to greater GHG emission reductions than any other nation, but that it has been a “game changer” in reducing air pollution. And the president rightly highlights that we have more than 100 years’ worth of natural gas abundance. Yet in releasing the Clean Power Plan last summer, the White House talking points bragged, “the rush to natural gas is eliminated” -- presumably a means to spur more renewable energy.

In 2015 there were several months in which natural gas produced more electricity than any other fuel for the first time in U.S. history. By no coincidence, that period also saw the lowest carbon emissions from the power sector. And far from reducing opportunity for wind and solar power, natural gas provides the reliable base load power necessary to integrate those intermittent sources.

States and electric utilities are required to provide clean, reliable and affordable energy. Natural gas will continue to provide all three, with or without the Clean Power Plan.

More broadly, however, the Clean Power Plan could further drive up costs for consumers who live in regions of the country who pay more than they should for the energy they need because of the growing strain on our energy infrastructure.

The EIA estimated that New England residents paid up to 69 percent more for their electricity than the national average last winter, and that the industrial sector paid up to 90 percent more for its electricity than the national average – in part because of infrastructure limitations.

Much of these limitations are the result of a dangerous combination of outdated policies and anti-fossil fuel political ideology that discourages American companies from investing in tomorrow’s pipelines, marine terminals and other energy infrastructure projects.

Emboldened by their ability to stop the Keystone XL pipeline, anti-fossil fuel advocates have set their sights on all energy infrastructure projects. Their arguments against this energy infrastructure project were not based on its economic merits or true environmental impact.

And the decision to reject the pipeline simply ignores the pipeline’s many benefits, including strengthened ties to one of our closest allies, Canada, the creation of thousands of well-paying jobs, the generation of millions in local, state and federal tax revenues and the reductions in greenhouse gas emissions in developing Canadian oil sands that have been achieved to date.

Keystone is a good example of how facts can be stubborn things that take little heed of political ideology or preconceived notions. In this case the stated reason for denying the pipeline – environmental protection –was contradicted by the State Department that concluded, after seven long years and five comprehensive reports, that denial of the pipeline would increase carbon emissions by some 42 percent due to an increase in truck, rail and barge traffic needed to transport the oil sands to Gulf Coast oil refiners.

The demonization of the Keystone XL pipeline remains a powerful cautionary tale of the dangers of energy policy driven by ideology rather than economic reality and has a chilling effect on expansion efforts for our nation’s energy infrastructure. That’s not just bad national energy policy. It is also bad news for our nation’s economy.

According to an IHS study, the amount of energy sector infrastructure needed through the middle of the next decade could

spur \$1.15 trillion in private capital investment. IHS also projects that infrastructure investment could support more than 1.1 million jobs nationally, contribute \$120 billion to U.S. gross domestic product and increase revenues to government by more than \$27 billion through 2025.

And finally, another example of why policy matters when it comes to energy is the glaring difference between energy production on state-controlled land and federally controlled land.

Federal data show crude oil production remained flat between 2009 and 2014 on federally controlled land while natural gas production declined 35 percent. By contrast, on private and state lands, where development does not need permission from the federal government, production increased 88 percent for crude and 43 percent for natural gas. These dramatically different trend lines are a function of political ideology, not geology.

All three examples underscore not only how energy policy affects energy production, but also how changes in energy production affect the lives and livelihoods of us all. And that highlights a central fact that is often lost in the energy policy debate – that energy from fossil fuels is and for decades to come will be fundamental to our society – and as a result, the policies we put into place in that area will have repercussions beyond the wellhead, pumping station or refinery. They have real-world impacts on American families, small businesses, our environment and communities.

As the president's last full year in office begins, we hope that he will take note of and help foster the U.S. model. We hope that he'll note that the already heavy regulatory burden – almost 100 pending regulations and counting – upon the oil and natural gas industry could hinder, rather than advance what he hopes to be one of his administration's defining legacies, environmental improvement.

And while the outcome of November's elections is far from clear, it is certain that no matter who becomes the 45th president of the United States, he or she will lead a nation that is first in oil and natural gas production, first in refining ever-cleaner fuel and first in reducing greenhouse gas emissions.

They will also have a choice: to continue the United States' positive role of energy abundance, global leadership, domestic economic opportunity and environmental improvement or to dismantle the progress we've made by implementing policies borne from political ideology and unmoored to science or to fact.

And if the past is indeed prologue, as the November elections approach, our nation's civil discourse on our most pressing national issues will likely include energy. Our Vote for Energy voter education campaign will keep the national energy discussion above the hyper partisanship of a presidential election year.

Vote for Energy focuses on what unites us as a nation and seeks to drive national energy discussion that's focused on the fact that smart, responsible pro-energy policies mean more American jobs, a stronger U.S. economy, a better environment and continued global energy leadership.

And it will focus on the facts, the future and empower voters with the information they will need to understand where those who seek to lead us stand on America's energy future.

Vote for Energy and our industry's central message is straightforward: Energy is fundamental to our society, and thanks to American innovation and entrepreneurial spirit, the United States stands among the world's leaders in energy production and environmental improvement and will remain a global energy leader only if we get our nation's energy policy right today.

There will be those whose rhetoric and contributions to the national energy policy conversation consist only of personal attacks, misinformation and political polemics that attempt to reduce the discussion to a set of false choices. We will instead work toward proven realistic solutions.

In this New Year let us all resolve to work together toward a shared vision of a world where everyone -- without regard to zip code, state, nation, continent or hemisphere -- has access to reliable, safe and affordable energy.

And it will keep the energy conversation focused on what's most important: Energy's role in increasing, American prosperity, long-term job creation and economic opportunity, environmental improvement and enhanced national security.

Our goal is to keep the positive momentum of the last few years and to end the politicization of energy for petty partisan ends. We want to foster a national energy policy discussion that remains above the partisan fray, and immune from the misinformation campaign deployed by fervid critics of fossil fuels.

Because the reality is that, no single source of energy will alone solve our problems or is the source of all of our woes. Moreover, no group holds all of the answers or the solution to the challenges we face. What history has taught us is that America prospers most when we work together for the common good.

I continue to believe and hope that all of us ultimately have the same goal: to leave our community, our nation and our world better than we found it for the next generation. They deserve nothing less than our collective best efforts to that end and they are counting on us to put into place realistic energy policies that enhance our nation's energy security and national security, promote job creation and responsible environmental stewardship, economic growth, and status as a global energy leader.

Thank you for your time.

*Economy   Energy Policy   Greenhouse Gases*

*State of American Energy*