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Remarks by Acting Deputy Secretary Jeffrey Kupfer, United States Department of Energy

C.D. Howe Institute Dinner, Calgary Alberta

Thank you very much. It's a pleasure to be here.

I want to congratulate the C. D. Howe Institute on its 50th anniversary-a half century of thoughtful public policy debates on the issues of greatest interest and concern to the Canadian people. In our increasingly interconnected world-the dialogue you foster also helps to inform the larger global debate on these issues.

It is my hope that we are able to spark such a dialogue with our event here today, and I very much look forward to your thoughts and questions. As I look around this room, it is very clear that there is a lot of wisdom and experience here. I will start off with some comments on US energy policy.

First of all, the fact is the United States-Canada relationship is the strongest in the world. At the Energy Department, we know how true that is. We purchase more oil, natural gas, uranium and electricity from Canada than from any other country-a key part of the huge, mutually beneficial trading relationship that our two nations share.

We are interconnected in many ways but our cross-border ties in energy are particularly striking. Energy flows in both directions between the United States and Canada. Our pipeline and transmission systems are highly integrated and our cross-border trade operates nearly seamlessly.

In many ways, we take this connectivity-and its benefits-for granted. In Europe, for example, it is not the case. On a recent trip to Brussels, I spent a lot of time discussing just how important seamless integration of transmission and pipelines is to global energy security. So this is certainly an aspect of the U.S.-Canadian relationship-among many-that we greatly value.

In Washington, we seem to talk a great deal about parts of the world where political conditions threaten our future access to energy supplies. We often don't say enough about the value of our most secure, stable and reliable energy partner-Canada.

So I am glad to be here today to tell you in person how much those of us in the United States value the very strong relationship we do have.

I had the opportunity to spend this morning with Alberta Energy Minister Knight to tour the oil sands- what an impressive achievement. When Secretary Bodman visited the oil sands back in 2006, he was the first U.S. Secretary of Energy to do so and to see the scope of what Canada had achieved. He noted, and I will reiterate here today, that the work going on there has the potential to do great things-both for the energy security of the United States and

for the economic security of Canada-provided of course that it is managed for the long-term in an economically efficient and environmentally sound way. I know that governments and companies here recognize this fact and are hard at work to accomplish this goal.

I will say more about the importance of the oil sands to U.S. energy security-and to North American security-but first I think it would be helpful to outline our broader U.S. energy strategy.

As you know, in spite of the recent economic situation, global energy demand is expected to continue to grow. The International Energy Agency's (IEA's) most recent World Energy Outlook estimates the world's primary energy needs will grow by 55 percent by 2030.

We all know that we share the challenge of meeting this increased global energy demand, while at the same time addressing the environmental impact of our growing energy use. This creates for the world a set of unique energy challenges.

As we think about how to meet these challenges, the most important word that we can use is "diversity." We need diversity of supply, of suppliers, and of supply routes. This is the foundation of U.S. energy policy.

Of course, the concept of energy diversity is not new-it has been a cornerstone of U.S. energy policy for a long time. Back in 2001, shortly after President George W. Bush took office, he introduced his National Energy Policy-and he spoke specifically and directly about diversifying and increasing the supply of energy. And Secretary Bodman has been talking about the need for energy diversity since he first arrived at the Energy Department in 2005.

In the past, when we have talked about diversity, people listened, nodded politely, and then seemed to file the concept along with other policy pronouncements that sounded reasonable --- but didn't seem to have applicability to every day life. But recent events have really driven home the point that the energy diversity we talk about, and that we've been taking aggressive action to achieve, is indeed critically important.

First, let's look at recent volatility in oil prices. As we saw this summer, when world oil consumption rises faster than production and spare capacity and inventories are drawn down, prices respond dramatically, with an enormous impact to countries around the globe. Prices have come down recently-but the lesson is clear: our reliance on oil-largely from a few producing countries-makes our economies vulnerable.

Second, recent events in the Caucasus have reminded us in very stark terms that energy is a strategic issue. Countries should recognize that diversification is a strategic priority-and that we absolutely must be able to count on abundant energy, produced by multiple providers, and delivered by diverse routes. All of us have an interest in transparent markets that truly work-and that means stable sources of supply, plus reliable transit lines that are not susceptible to manipulation.

So it is very clear that diversity-of supplies, suppliers, and supply routes-is absolutely essential to enhancing global energy security. Achieving this diversity is a significant challenge-and overcoming it will require substantial long-term commitments from all nations of the world.

According to the IEA, \$22 trillion of investment is required between now and 2030 if the world is to meet the expected demand for energy. This investment must be global, in developed and developing nations alike, and at all stages of the energy cycle. And it must take into account our environmental responsibilities.

To that end, in the U.S., we are focusing our investment in a number of key areas: energy efficiency; new and alternative energy technologies, including advanced nuclear power; and hydrocarbons.

First, energy efficiency. We often say that the biggest source of immediately available "new" energy is the energy that we waste every day.

And so all businesses-small and large and across all industries-must look for ways to use energy more efficiently. This applies not just to our most energy-intensive industries, but also to our offices, our construction industries, and our transportation sector as well.

We must also challenge governments around the world to promote energy efficiencies and provide a level playing field for the technologies to be transferred.

At the same time that we continue to bring about dramatic changes in how we use energy, our nation also must continue to pursue the development and widespread deployment of renewable energy technologies and alternative fuels, including solar and wind power, advanced hybrid vehicle technologies, hydrogen fuel cells, and advanced biofuels.

To this end, the U.S. Energy Department continues to partner closely with academia and the private sector-and we have made remarkable progress over the past few years in these areas and many others. In particular, I would highlight the Department's sizeable investments-totaling over \$1 billion since the start of 2007-to spur the growth of a robust, sustainable next-generation biofuels industry, and in particular, to tap the great potential of cellulosic biofuels derived from nonfood sources. Looking at ways to expand next-generation biofuels production markets across North America is also a key focus the United States shares with Canada and Mexico under our Leaders' Security and Prosperity Partnership.

These investments are critical. But the reality is that, for the foreseeable future, our world will continue to operate on fossil fuels: oil, natural gas and coal, as well as liquefied natural gas and nontraditional fuels like oil shale and oil sands.

One step we must take is to expand U.S. domestic oil production, including in the Outer Continental Shelf, as President Bush has called for, and do so in an environmentally sensitive manner.

But the U.S. cannot produce enough domestic oil to meet domestic demand. So also we must rely on stable partners-like Canada-with plentiful hydrocarbon resources.

As you know, Canada's proven oil reserves total 179 billion barrels, of which 173 billion barrels are in oil sands reserves, making Canada second only to Saudi Arabia in global oil reserves-a fact that is very exciting to us and I know to you for its implications for Canada's economy.

With current oil sands production at 1.2 million barrels per day-and with projections by the Canadian Association of Petroleum Producers that it will reach 2 million barrels per day in 2012, 3 million barrels per day in 2017, and 3.5 million barrels per day in 2020-this resource is extremely valuable to the United States. And increasingly so in this era of growing energy insecurity.

Of course, in order to take advantage of this resource, we have to have the right refining capacity. Frankly, the U.S. hasn't been as expeditious in developing this capacity as we need to be. We do, however, recognize the critical need.

In fact, when President Bush speaks about increasing domestic oil production, one of the key points he makes is that we need to upgrade and expand existing refining capacity, in particular to be able to refine the type of oil that comes from the oil sands.

We are heartened by the capital investments a number of U.S. refineries are making and, as a nation, we need to ensure an environment and policies that encourage these investments to continue.

As I mentioned earlier, of course the biggest challenge lies in making sure this vast resource is developed in an economically efficient and environmentally responsible way. There is good news here-the oil sands industry has made significant strides over the last decade to bring down the cost and greenhouse gas emissions involved in turning out each barrel of oil.

I understand that some oil sands projects have reduced their greenhouse gas intensity by 45 percent since 1990, and efforts are underway to continue to reduce greenhouse gas emissions through increasing energy efficiency and the use of carbon capture and sequestration and enhanced oil recovery.

We share Canadian interest in reducing the emissions from oil sand production and upgrading. So, we are working with University of Utah scientists to find ways to reduce the environmental impact-work that can benefit both our countries.

I also would like to commend the Alberta Government for its climate change action plan and initiatives, especially the recently announced \$2 billion allocation for carbon capture and storage.

The Weyburn carbon sequestration project, a joint effort of our two nations since 2002, has proven that carbon sequestration works and can be part of the solution. The latest data indicates that this project has already kept eleven million tons of carbon dioxide from being released into the atmosphere-the equivalent of taking 6.8 million cars off the road for a year-and should eventually help avoid the discharge of some 30 million tons of CO₂.

Other partnerships show great promise as well. For example, it was just announced last week that Alberta and General Electric will share the \$15 million cost of a research initiative aimed at reducing the use of water and energy in the oil sands.

Certainly our challenge is to continue to find ways to develop this resource more cleanly and efficiently, and we look forward to working together to do so.

And on that note, I want you to know that the United States Government is aware of Canada's concerns about Section 526 of the Energy Independence and Security Act of 2007 (EISA) that looks at the greenhouse gas emissions of U.S. government fuels purchases. I can tell you that the U.S. Government has made no decisions that would affect the use of oil sands feedstocks. Our experts continue to analyze the implementation of this provision.

The United States greatly values Canada as our most important, secure and reliable source of imported oil, and the Administration continues to encourage the development and use of secure energy resources.

Our nations have historically had a very strong and unique relationship-and I believe our future will be even brighter as we stand together to meet the energy needs of our two nations and work to ensure a more secure energy future for all nations of the world.

Thank you again for inviting me here today. I look forward to taking any questions and to a continued dialogue on these important issues.

Location:

Calgary, Alberta

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