Unconventional Energy and U.S. National Security

Opening Remarks and Introductions

Speaker:
The Honorable Robert O. Work,
Chief Executive Officer, Center for a New American Security

A Conversation on Energy and Security

Speaker:
Thomas E. Donilon, Distinguished Fellow, Council on Foreign Relations

Moderator:
Richard Fontaine, President, Center for a New American Security

Discussion on Key Findings of the Center for a New American Security Task Force on Unconventional Energy and National Security

Speakers:
Ambassador Paula Dobriansky, Senior Fellow, Belfer Center for Science and International Affairs, John F. Kennedy School of Government, Harvard University

Governor Bill Richardson, Founder, Richardson Center for Global Engagement

Senator John Warner, Advisor and Fellow, Pew Charitable Trusts

Moderator:
Elizabeth Rosenberg, Senior Fellow and Director, Energy, Environment and Security Program, Center for a New American Security

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6:00-7:30 p.m.
ROBERT WORK: Good evening, everyone. I’m Bob Work. I have the great honor and good fortune to be the chief executive officer of the Center for a New American Security. And we welcome you tonight to discuss a task force that just talked about “Energy Rush” – hopefully you all got a copy of the report – about shale production and what it means for the United States and its national security implications over a long period of time.

I know you have a lot of different things you could be doing tonight. The fact that you would come out and join us tonight – this many people indicates how many people are really interested in this and how important a subject it is.

There will be formal introductions of all of our guests during the program, but it’s very, very fortunate for us to have a former national security advisor, Tom Donilon; a former undersecretary of state for global affairs, Ambassador Paula Dobriansky; a two-term governor, a 15-year congressman, a secretary of energy, and ambassador to the United Nations, Bill Richardson; and also Senator John Warner, who for 30 years served on the Senate Armed Services Committee and probably nobody is a wiser, stronger voice in terms of national security implications in all areas, but he has a particular interest in energy.

So the fact that we can have that level of interest in this subject just kind of hopefully proves to you just how important a subject it is. And I’d like to thank – I’d like to all join me – you’re all going to be – they’re all going to be introduced formally, but please join me in a round of applause and thanking them for coming here tonight.

(Applause.)

I’d just like to say a little bit about Liz Rosenberg. She is the program director for Energy and Environmental Security. We give our program directors great latitude. We used to call this program Natural Security. And Liz came to me, after being on the job for a week and said, I have to explain what natural security is every time I say it. I’d like to change the title of my program and I’d really like to focus in on two things. I’d like to focus in on the national security implications of energy and how these things are changing on a global scale, and also the national security implications of climate change. And I’d like to call my program Energy and Environmental Security.

She’s hit the ground running. This is her first kind of big event. Liz, we’re so happy to have you. And if this is an indication of how the program is going to proceed under her leadership, I couldn’t be more proud and couldn’t be more happy. Thank you again for coming. I’m going to turn it over to the president, Richard Fontaine. And he will introduce our first speaker, Tom Donilon. And I would hope that you all have a very, very enjoyable evening. Take care.

(Applause.)
RICHARD FONTAINE: All right. Well, thank you all for being here this evening and thank you, Tom, for joining this presentation tonight. As Bob Work said, we are releasing this report entitled “Energy Rush,” which is the product of months of work and a task force that the Center for a New American Security put together to look at the geopolitical and national security implications of the unconventional energy boom in the United States. And this takes place against this backdrop of some really amazing changes in the energy profile of the United States. And others will fill in, but I’ll just cite just a couple of very quick figures. American natural gas production, for example, has increased by 20 percent just in the last five years. Two thousand twelve saw the largest annual increase in oil production in U.S. history. And estimates for U.S. energy reserves in the ground have grown in the past five years by 41 percent for oil and 37 percent for gas. And the U.S. is projected to surpass Saudi Arabia as the world biggest oil producer in 2015.

So these are some of the facts that we have to wrestle with. And we want to dive into what this means for the United States, for our foreign policy, and for our national security. We’re going to do this in two segments. We’re very happy to have former national security adviser Tom Donilon with us to discuss this for – with me and then we’ll turn to the audience for questions. And then – and for the second segment, we’ll have the co-chairs of our task force, along with Liz Rosenberg, up here for a separate discussion.

So I won’t go into Tom’s extensive background in foreign policy and national security because I know that he’s well known to many of you in this room, but I will just point out that during his time as national security adviser for President Obama, he delivered an important speech in New York on energy security and climate change, which was really the authoritative statement of the Obama administration on these issues. And he followed this by an article in Foreign Affairs with a title that I like a lot, “Energy and American Power: Farewell to Declinism.” So Tom is very much the right person to talk to about these issues.

So let me turn without any further ado, Tom, and ask you sort of to take a broad view of this and how do you see the top kind of geopolitical implications of this boom that incorporates some of the numbers and figures that I’ve said.

THOMAS DONILON: Yeah, thank you. Thank for – and it’s terrific to be here. The – you know, I gave that speech last year. And in it I said that I thought that we were at the very front end, really, of appreciating the geopolitical aspects and implications of the changes – the dramatic changes in our energy situation, and I think that was the case. And this report’s a real contribution. And I think Liz and the team have really done a very good job on this because we really are at the front end of understanding this. That’s the first thing.

Second is that we need to be careful of predictions here. When we came into office – the Obama administration came into office in 2008, the current state of analysis was that in fact that we would need twice as much natural gas imported five years from then than we had at that point. And of course, now we’re the largest producer of natural gas in the world. So we need to beware of predictions here and be a little – and be a little humble about our ability to predict with great precision here.
But I do think that given a dramatic change – so there are a few geopolitical points that can be made, I think, with some degree of certainty. One is, obviously, there’s a direct economic impact of the changes in our energy and our energy future. There really is a direct strengthening of the U.S. economic situation across a number of dimensions. And there’s some disagreement in the literature on this and the analysis among different people on exactly what the scope of the impact is, but everybody agrees it’s a positive impact on the American economic situation. Greater investment, lower energy cost for Americans. Today, the price of natural gas in America today is substantially less than any place else in the world. It’s three times more expensive in Europe and maybe five to seven times more expensive in Asia at this point.

We’ll see an increase in GDP, particularly; I think everybody agrees, in mostly analysis, over the next decade or so directly as a result of our energy – our energy future.

It’ll have macroeconomic effects that I mentioned. As I said, most especially lower energy cost for Americans. Second, there really will be – I think we can confidently say – a real strengthening of the American competitive situation – competitiveness situation.

Gas intensive industries here, obviously, will benefit directly from lower prices of gas in the United States, and they already are. One of the discussion points that was prominent at Davos last week was the differential, at this point, between the cost of manufacturing, particularly in these industries – gas intensive industries – in Europe and here, and a real differential, and you see dollars coming towards United States in terms of investment in these industries.

Third, and I think it’s very important, this really does send a powerful message, I think to the world that the United States has the resources and the resolve to be the preeminent power going forward in the world. And if you look at it from the different perspectives from around the world, the United States sits here today with the dimensions that you described in terms of about to become the largest producer of oil in the world, already the largest producer of natural gas in the world, seeing impacts already on its economy, on its employment, and on its manufacturing future. And if you’re in Europe, you see increasing – increasing reliance on imports and higher prices. If you’re in Asia or in China, you see a huge demand – a necessity into the future for energy. And here, of course, really a situation we’re approaching self-reliance with respect to energy supplies. So I think it really does send a very powerful message to the world.

Next, I think it allows us to engage the world really in a very strong way with respect to our national security priorities. Let me give you a couple of examples on this.

When we were considering putting in place the next level of sanctions on Iran, in the middle of the first term of the Obama administration, of course we came into – and our analysis is, OK, we can go ahead and do this. We can dramatically reduce the sale of Iran crude oil into the marketplace. What’s the impact going to be, though, on the global economy? What’s the impact going to be on the United States economy as a result of taking maybe 1 million barrels a day – is what we ultimately did in these sanctions – off the market?
And we had a lot – you can imagine starting in this situation from having this debate. You have the security folks saying we need to put pressure on the Iranians, right? And by the way, we did so successfully. I think there’s a direct link between those sanctions and their being at the table right now negotiating the nuclear program. And our economic partners saying, but we need to be very careful about the impact. We were able to do this, right, even at a moment of tight supply and not have a material impact on price. And why was that? Because the American production had gone up to such a degree that it actually substituted for the Iranian production that has been taken off the market. That really did in that case – it’s a very good example of giving a strategic maneuver, greater maneuvering ability to pursue our national security priorities. That’s a very important example.

Next is that I think that already it’s acting to benefit our allies around the world. The increase in natural gas that the United States is undertaking here, our reduction in reliance on imports has allowed what’s called displacement – and the report goes into this to some extent – which is, in Europe for example and around the world, gas that Qatar and others would have sold to the United States is now being sold to our allies and partners around the world, including Europe, which diversifies the supply, increases the supply, and actually allows for different options in terms of contracts, which can lower costs for our partners around the world. That’s already taken place.

And as we go through the process of exporting gas to the world, that will provide additional support for our allies and friends and partners around the world, for additional and diverse supplies, and in a place like Europe for example, to have a diverse supply coming in at the prices that we can provide really does provide an alternative to kind of Russian efforts, for example, to continue to have contracts tied to oil contracts and oil prices – very important, I think, for our allies going forward.

So I think we can go on – we can go on about this, but those are some of the – I think some of the top – kind of the wave top points I think in terms of the impact here, which I think are quite positive for the U.S. strategic position going forward.

MR. FONTAINE: Great. You – I think you used the term self reliance. You didn’t use the term energy independence, which has become something of a charged term. But there’s a fairly robust debate now about what the energy boom means for American engagement in the Middle East in particular, some arguing that with us importing less oil from the Middle East, we’ll be less sensitive to geopolitical events in the Middle East, and therefore we can scale back either our presence or our posture or something. Others saying well, there’s a world price of oil and these are integrated markets and we’re still acutely sensitive to geopolitical events there. Where do you come down on that question?

MR. DONILON: Well, with respect to the terminology, I used the phrase advisedly, you know, we can become self-reliant in terms of producing all that we need, right, and for our needs, but that does not mean that the United States, particularly in the oil markets – and we should differentiate between the gas market and the oil markets, particularly oil market, it’s a global market. So that we would, in all circumstances, still be subject to disruptions around the world that could affect prices in the United States going forward.
But the more important point, I think, and that is that the United States certainly has interests in terms of a reliable and affordable supply of energy. That has been an interest that we pursued in the Middle East, but we have broader interests in the Middle East as well. And those interests won’t go away.

So if you combine the fact that it’s a global market, that the United States will continue to have to be sensitive to disruptions and instability in a place like the Middle East, which still is going to be producing a lot of oil, will affect prices and the stability of the market in the United States, we have an interest in not seeing instability there. But secondly, we have broader interests in the Middle East.

You know, when I would sit down, for example, with King Abdullah of Saudi Arabia and others, certainly we would discuss oil and the joint interest we have in a robust supply of oil into the markets, but we had a long list of other interests that we would discuss as well. And those interests would be persistent: nonproliferation. This is the reason the United States is leading the effort to prevent Iran from acquiring a nuclear weapon. We have a deep interesting in counterterrorism in the Middle East and we'll continue to work with our partners and allies in the region.

We have an important alliance, obviously an unshakable alliance with Israel. We have a general interest in seeing a robust global economy. We have a broader set of interests, I think, that will mean the following: that the United States will continue to have a direct interest in seeing a stable Middle East and in pursuing those particular topics with our partners. So energy self-sufficiency, our energy future, which will give us all the positive things I outlined in terms of our economy and in terms of our competitiveness, and in terms of our strategic ability around the world. That does not lead, however, to a conclusion that you disengage from the Middle East.

I think that’s a – it’s an important – it’s an important, flawed analysis, frankly.

MR. FONTAINE: And sticking with the Middle East for a minute, the Congress now is contemplating additional sanctions on Iran.

MR. DONILON: Yeah.

MR. FONTAINE: Some would like to put a mechanism in place where the United States can effectively turn off Iranian oil exports in the anticipation that if the negotiations with Iran over its nuclear program fail, then there’s something that would compel greater acquiescence on the part of the Iranians.

How do you sort of see the wisest course of action in terms of the oil sanctions and the course of measures that we would apply to Iran, given these negotiations going on?

MR. DONILON: That’s an important question, obviously, because, as I said, there’s a direct line between the U.S.-led sanctions efforts to put pressure on Iran, to force a choice. That was the
purpose of the sanctions. It’s to force a choice with respect to their nuclear program. We began to ramp this up intensively in 2009, after, by the way, we gave the Iranians a bona fide offer to engage with the United States directly with respect to its nuclear program, and they wouldn’t take the United States up on it or were unable to do so.

We then went to our allies and partners in the world, including the Chinese and the Russians and said, we’ve tried to engage. The Iranians have refused to engage with the United States here. Now, the deal has to be that you’re going to work with us on the pressure campaign, and they have. The pressure campaign resulted in tremendous pressure on the Iranian economy, as you know, Richard, you know, with dramatic reductions on their ability to sell oil, the real pressure on their currency, high inflation, high unemployment, the inability to do any real financing in the legitimate marketplace.

And that led directly, I think, to the election of Rouhani, last spring. And that led directly to the fact that we’re at the table now talking about the nuclear program, at least we’re in initial stages of negotiations.

I think that the – as I said, the sanctions have been important, and I think the proper structure here would be for the Iranians to understand that if in fact they don’t engage in a bone fide negotiations or we are unable to reach a comprehensive negotiation – or settlement with the Iranians with respect to their nuclear program, that in fact additional sanctions and substantial additional sanctions will be put in place. And I think that’s very important for them to see quite clearly.

I don’t think it’s the right way to go to do it now, which would just give the Iranians an excuse to try to grab some high ground, saying that in fact that during the pendency of the negotiations, we have changed the game, that we’ve – don’t have an intention to try to kind of in a bone fide way reach a settlement. I think that would give them an advantage. It may undermine the diplomacy. And here’s the point, of course, it’s not necessary because if, in fact, the Iranians don’t – if they don’t engage in bona fide negotiations or we can’t do a comprehensive deal with them, it would take about – I don’t know – we have Governor Richardson, Senator Warner – it would take about a half hour in Congress, right, to pass additional sets of sanctions on Iran.

MR. FONTAINE: All right.

(Laughter.)

MR. DONILON: And the Iranians should understand that.

By the way, it’s also important that during the pendency of these negotiations and while we have this interim deal, the sanctions remain in place, I think it’s a very important message for the United States and other countries around the world to send to companies that in fact that’s what’s going to happen and the people should not prematurely engage with the Iranians here. It’s important to understand and to very aggressively enforce the current sanctions regime. I think the United States is going to do that.
MR. FONTAINE: Do you worry about other countries jumping the gun and, you know, sending trade missions and getting on a plane to Tehran thinking that the end is nigh here –

MR. DONILON: I think a couple of things on that. I think it’s important to understand that the United States intends to enforce these sanctions, the current sanctions, and indeed, will enforce additional sanctions if the Iranians don’t come to an understanding with the international community.

But second, another thing is happening. It also puts – this also puts pressure on the Iranian government. You know, Zarif, the foreign minister, came home after the agreement to the interim deal, and was given a very good reception. That’s about the Iranians wanting to see a way forward. That raises expectations very high, I think, and puts a lot of pressure on the Iranian regime to come to some sort of understanding here. And I also think the promise of having a more normal interaction with the world economy also puts additional pressure on them.

So I think both things. I think, one, that governments should be very clear with companies that if you violate the sanction regimes that are in place, you’re going to be penalized and we intend to enforce aggressively, but it also puts pressure on the Iranians, I think, in terms of expectations.

MR. FONTAINE: And when it comes – you mentioned King Abdullah earlier – when it comes to relations with Saudi Arabia, you know, we’ve been in an unusual patch over the past few months, everything from the Saudis declining the U.N. Security Council seat and complaints about Iranian policy and everything else. How do we maintain ties with Saudi Arabia that will essentially protect our interests in their role as a swing oil producer while dealing with all of these other kinds of issues they have –

MR. DONILON: Not just as a swing oil producer, though, but there’s a broader relation that I mentioned that we have with Saudi Arabia in terms of stability in the Persian Gulf and then the – and in the region. You know, we share a range of other issues, from counterterrorism, proliferation, to peace efforts in the region. So it’s certainly that we do have a shared interest in energy, but we have broader interests as well.

It needs an intense engagement. The president, as you know, intends to do that directly with King Abdullah.

The region has seen tremendous change, right? If you look at the pace, the scale of change since the beginning of 2011, it’s been extraordinary. And I think a number of countries, including Saudi Arabia, are wrestling with that change. And we have had, obviously, deep engagement with the Saudis on the situation in Egypt. Indeed, I went out to see the king after the fall of Mubarak to talk about that directly with respect to our perspectives on what happened in Egypt.

Obviously, they are deeply interesting in and have a deep security interest in the outcome of the Iranian negotiations. So there’s going to be some anxiety over that.
And King Abdullah, I think, has a deep personal interest in and real revulsion towards, frankly, the slaughter in Syria. And this, of course, has caused – you know – have caused deep concern in Saudi Arabia.

So lots of change in the region and – but still, I think, important shared interests, and what it requires, I think, is really deep engagement between the United States and Saudi Arabia to really look at the fundamentals of the relationship and kind of reinvigorate those.

MR. FONTAINE: Great. Well, I could continue to ask questions here, but we want to turn to the audience. So as you’re thinking of your question, raise your hand. Please, wait for the microphone to come to you. Please state your name and affiliation. And end your comment with a question mark, which means that it’s a question. So –

MR. DONILON: Or not.

MR. FONTAINE: Right here in the aisle.

Q: Thank you. Denver Nicks, Time Magazine. Amid the enthusiasm over the U.S. shale boom and boom in oil production and in shale gas, do you think it’s possible that we are becoming, in effect, over-reliant on gas – that we are losing sight of the importance of diversity in our energy mix and kind of squeezing out nuclear power, coal, as other sources of energy while we’re sort of turning toward natural gas?

MR. DONILON: Yeah, well now, I think we need to do – I think we need to do all those things, but it was – with specific reference to natural gas. You know, as the president has said and I said in the speech that I gave a year ago, it is an important bridge fuel, and the fact is that with respect to the production of electricity, for example, natural gas produces half of the emissions, carbon emissions of coal. So that that transition and displacement of coal-fired electrical generation with natural gas fired electrical generation has a substantial decrease in carbon emissions, right? And it’s been one of the reasons – there’s been a lot of other reasons, but it’s been one of the reasons that we’ve seen a reduction in carbon emissions since the – you know, over the last few years, although it’s leveled off of the last year or so.

So it is, I think, an important bridge fuel, but it needs to be done in conjunction with – in conjunction with all the other elements of our energy policy, including, by the way, the almost of our climate policy, which include greater efficiency in our transportation system, in our homebuilding system, and all the rest that we’ve been working on.

So I think it has to be a combination of things, but I think it is an important bridge fuel in those places where you’re going to have fossil fuel as the principal fuel, particularly in electrical generation.

MR. FONTAINE: All right, yes, ma’am, right here.
Q: Thank you. Genie Nguyen with Voice of Vietnamese Americans. I would like to ask our former national security advisor, regarding the rebalance to Asia, how would this change in the supply and demand of gas and for fuel of the U.S. (given ?) the leverage regarding the tensions in Asia, especially Southeast Asia, Southeast China Sea, and the East China Sea. And given you admit it very clear that China and India would be the two significant players in the future regarding energy, how does that play into the role of Iran and the Middle East regarding the reverse role of the U.S.? Thank you.

MR. DONILON: You know, there’re a lot of questions here. (Laughter.)

MR. FONTAINE: Pick your favorite one and –

MR. DONILON: Yeah, I can pick my favorite one, yeah, you know. I do think that, you know, the United States has made a decision to allow permits for the export of some amount of natural gas. I think that can be an important source of natural gas for countries in East Asia that don’t currently have free trade agreements with the United States, most particularly Japan. And it’s in the United States’ interest, I think to provide a more diverse and a lower price – a lower price supply of natural gas to a country like Japan. I mean, a robust Japanese economy is in the U.S. interest. And they have gone through – Japan’s gone through a very difficult time in the post-Fukushima period here. So that’s, I think, a piece of it.

But you raise another set of issues with respect to energy-related diplomacy and the role of the United States. And I think that’s an important and a profound question and really is at the root of the rebalance. The roots of our rebalance are a reassertion of the historical role in Asia of the United States as the platform, security platform for the last 50 or 60 years on which Asia’s economic and social development has been built. And our effort in the last two years to reassert that role and to put the resources behind that, the mindshare, the diplomacy, the economic efforts as well as the security efforts, is really important in terms of reducing rivalries generally, and providing, again, a platform on which you can have peaceful rise of China and a continued – and continued kind of a peaceful social and economic development in Asia.

So that’s what the rebalance is at its core. With respect to disputes in the Southeast – in the East China Sea and the South China Sea, the United States has obviously encouraged and has been involved in encouraging peaceful resolution of those disputes, trying to put in place multilateral mechanisms in the case of the South China Sea for the resolution of those issues. So it’s a direct interest of the United States and one that we’re pretty squarely involved in.

And the president, obviously, has a very important trip coming up in April to Asia, where he’ll go to the countries where he wasn’t able to go when he cancelled the trip as a result of the government shutdown in November, which was unnecessary and was costly to the United States, frankly. But he’ll be able, I think, to kind of engage in a number of these issues while he’s there in April.

MR. FONTAINE: All right. Yes, sir, right here.
Q: Thank you. Francois Begin, Catalyst Partners. Two questions, kind of the reverse side of the coin, if you will.

MR. DONILON: OK.

Q: One is Nigeria and other countries that produce oil and where the oil is probably their primary export. If we’re no longer buying oil from them, they’re going to sell it to China or somewhere else, and which will tighten the relationships with those countries. That’s number one. Number two, as we become potentially more self-sufficient and our dollar becomes stronger, it also – there is another side to this coin which makes it – makes our export more expensive because there’s more, you know, more self-sufficiency here and hence less – hence that the rest of the – some of the other countries’ money – currency goes down in comparison to the U.S. dollar. So those are my two other-sides-of-the-coin questions.

MR. DONILON: Yeah.

Q: Thank you.

MR. DONILON: Yeah. There’s no doubt and as it’s described I think very, very well in the report that there are going to be adjustments in trading relationships, which you actually point out, where there’s already because of the huge increase, obviously, in U.S. production of oil and natural gas, particularly oil in this case, there’s a reduction in those, in the supply from a number of countries around the world. And those supplies will migrate to the areas of greatest demand. And the area of greatest demand – I think the demand story going forward is Asia and China. And there, by the way, the demand story really is about cars, I think, in China. And there will be trading relationships that will be established there.

But again, as I said, you know, I think that the overall story, though, is overwhelmingly positive for the United States. And we have, in addition to relationships with respect – in this one commodities area, we have broader relationships with these countries, including with Nigeria, and will be – which will be important to pursue. But you’re right. There will be the development of new trading relationships around the world. And indeed, you know, perhaps most dramatically will be that, you know, the – as the United States’ reliance on imports is going like this, China reliance on imports and their needs, right, are going to be going like this, right. And so it’s an interesting set of questions with respect to security around the world, given that China is going to have a – obviously a really increased reliance on energy from places like the Middle East.

Again, as the United States is going down, have a very small reliance on any imports from the Middle East, the Chinese are going to be going like this. And there’s a lot of issues here. But I don’t think it’s fair to say that the only element of a relationship between United States and important countries like Nigeria is just solely based on the oil relationship. But there will be trading patterns that will change.
I think with respect to your second question, I think it’s just net-net that the increase in economic activity in the United States, which could be, you know – again, I don’t want to overstate it, but would be substantial, particularly in the next decade, is really net-net just a benefit for the United States and kind of in all those dimensions.

**MR. FONTAINE:** Great. Let’s see. Yes, sir, right here.

**Q:** Thank you. Jamie Webster with IHS. Richard pointed out that the U.S. has been growing at enormous rates. In fact, the last time when we got even close to this sort of level was in the post-World War II era, where at the time we were also showing strong oil demand within this country. We’re now at an oil demand that is flat or even declining in the last couple of years. And so this has started to bring up the question of, you know, of actually reversing those flows and actually starting to export oil.

In terms of the national security framework, do you see this as – you know, what is kind of your view on that and how does that improve or not the kind of U.S. fortunes on a global scale?

**MR. DONILON:** Specifically about export of crude oil or natural gas or both?

**Q:** Crude.

**MR. DONILON:** Crude oil, OK. You know, that’s obviously an issue that’s began – there’s a reason – it wasn’t – that issue wasn’t on the table really for a lot of years. And I guess that the ban on crude oil exports originates in 1975 or so and would require president’s permission to do so. And we just didn’t have a circumstance where U.S. – where the United States was in a position to export. Now, we may be in a position to export. And that’s an issue now that’s arisen.

You know, my general bias on this is towards the free flow of energy trade. And I have a bias towards increased U.S. economic activity. And I think that export of crude oil obviously would result in, by some estimates that I’ve seen – I saw an estimate in Trevor Houser’s new book of $17 billion maybe in the next – by 2017. You know, that would be a substantial amount of economic activity. It would allow us to get – to solve some bottleneck issues that exist right now with respect to crude oil.

And the purposes of the ban, as I understand – and again, I’m not an expert on this, maybe Liz and others can address this – the purpose, as I understand it, was to reduce imports and to protect the United States from price volatility. Those policy goals haven’t been achieved by the ban on crude oil. And I don’t know that I see a lot of protection for American consumers in it.

That said, we – detect my bias, right, on this – and I do think it’s something that, you know, going forward, that we should look very carefully at. And it might be, I think, again, useful in terms of our overall activity and useful as another source of oil in the world for partners and allies around the world. But I do think it needs to be studied because issue – you know, there have been question
arise – Senator Wyden at a hearing, I think, just the other day, you know, raised questions about the impact of crude oil exports on the cost of gasoline and other oil products to America.

So this should be studied, like we did in the natural gas context. Before the president made the decision to agree – whatever the number is – four or five now permits with respect to natural gas, they did – he did – he had the Energy Department do a very careful study with respect to the impact on domestic prices in the United States, came to the conclusion that in fact, that that was manageable and it wouldn’t undercut the competitiveness advantage the United States had, and went ahead and approved four or five of these permits.

I think that, you know, you detect my national security bias in my economic analysis, but I do think it would have to be something – before you made these decisions, you’d have to really go through the questions that have been raised and do a similar kind of analysis.

Does that answer your question?

MR. FONTAINE: Great. We have time for one more question, so it’ll have to be a good one. Marisa Lino.

Q: Thanks, Marisa Lino from Northrop Grumman. You mentioned the important relationship with Saudi Arabia.

MR. DONILON: Yeah.

Q: And in addition to other travel, the president is going in March to Saudi Arabia. Besides the obvious differences of approach on Iran and Syria, what positive messages would the White House like to see come out of this visit?

MR. DONILON: Yeah. That – I think, Marisa, that – a couple – again, I don’t speak for the White House these days, right?

(Laughter.)

So I’ll give you my – I’m relieved of that burden right now. But I – but a couple of ideas I think are important. As I said to Richard, I think it is important to engage on the fundamentals of the relationship which I think really do – really are rooted in our joint interest in not seeing a single group or country dominate the Persian Gulf; our joint interest in nonproliferation, not seeing Iran acquire a nuclear weapon. I think reinforcing the fact that the United States and Iran share the same goal with respect to Iran and that the United States is committed to achieving that goal through the negotiations and an ultimate settlement, if it’s achievable with Iran.

So I think the kind of getting to the fundamentals of the relationship and really I think talking to the Saudi leadership about the fact that we share a lot of – we share the same goals with respect to these
fundamentals. And I think reasserting that and engaging at the president-to-King Abdullah level, I think is important there.

You know, I’ve spent a lot of time, as you know, on this relationship and a lot of time in Riyadh engaged with the Saudis on this. And I really do believe there’s a powerful case to be made that the fundamentals of the relationship remain solid. And that I think it is important for us to have deep – you know, deeper conversations about the path forward here on a couple of these areas where we’ve had scratchiness and some disagreement, but really no real disagreement with respect to the ultimate outcome. And they include the three areas where we’ve had the most – kind of the most tension – Egypt, Syria, and Iran.

I think the trip is a very good idea and it’s well timed. Thanks for your questions. Good to see you.

MR. FONTAINE: Well, as you saw, there were many more questions than we had time to get to. And we want to have the co-chairs of the task force come on the stage. But before they do, can you all please join me in thanking Tom Donilon for his remarks.

(Applause.)

(Break.)

ELIZABETH ROSENBERG: My name is Liz Rosenberg and I’m the director of the Energy, Environment and Security Program at CNAS. And I’m joined here with the co-chairs of our Task Force on Unconventional Energy and U.S. National Security that CNAS convened a year ago to look at some of the more pressing geopolitical considerations associated with the unconventional or shale energy boom in the United States.

And thank you to Richard and to Tom Donilon for framing this topic for us so well in the first session.

So our task force co-chairs are distinguished by many more honors than I have time to enumerate right now, but I’ll introduce them briefly.

Senator John Warner, who is an adviser and fellow at the Pew Charitable Trusts, and senior adviser at Hogan Lovells: He served for 30 years, as we heard, in the United States Senate as the chair and the ranking member of the Armed Services Committee, and also, of course, as the secretary of the Navy.

Governor Bill Richardson, who is a two-term governor from New Mexico, U.S. ambassador to the United Nations, secretary of energy, and a 15-year congressman from New Mexico; he is also the founder of the Richardson Center for Global Engagement.

And Ambassador Paula Dobriansky, who is a former undersecretary of state for global affairs, and, for eight years was head of delegation for climate change. She is the chair of the World Affairs
Councils of America, and senior fellow at the Harvard University JFK School of Government, Belfer Center for Science and International Affairs.

So in this session, we’ll start with some brief remarks from our co-chairs. I’ll offer a couple of the key policy recommendations from the report itself, and then we’ll move to the question and answer session with the audience. So we’ll start first with Ambassador Dobriansky.

AMBASSADOR PAULA DOBRIANSKY: OK. Well, good evening, everyone. And, first, I’d like to thank the Center for National – CNAS, the Center for National Security Affairs, and its president, Richard Fontaine, for your vision. Also, Liz Rosenberg, for her penmanship – her superb penmanship, and also the privilege of being able to serve with such a distinguished twosome of co-chairs here, the governor and the senator.

Also, I’d like to underscore the fact that we had really a terrific task force itself that was quite diverse. We had energy experts, environmental experts, academics, former government officials, business types, and also representatives of the military. And I think that the debates and discussions that we had going into this report were really just stellar and very, very timely.

I’d like to, in my time, highlight three core points relevant to energy diplomacy that were underscored in the report and that I think we all embrace, and then take a few minutes and maybe underscore some of the points that the former National Security Adviser Tom Donilon had said because this whole issue is quite important for national security. And he mentioned some areas and I’d like to add a bit to why it’s important.

But let me mention the three key areas. First, the CNAS report on this, you know, energy boom – I think an energy rush – and alert to policymakers and also truly a call to action in dealing with what really constitutes a very changed energy landscape.

And what I think was significant in the report, for policymakers, it details quite readily the opportunities and the challenges. It also underscores that despite this energy windfall for the United States, that the fact that our global economies are interconnected and that we are inextricably linked to the global oil trading system and energy trading system and its price fluctuations, that the fact is that despite this changed landscape for us, we’re not going to be immune. In other words, for those that think that we are protected and immune from these developments abroad, I think we are kidding ourselves. And this report certainly goes into that.

And, in turn, I think it basically also underscores the core point, which falls therefrom, that we cannot disengage politically from our energy partners. And we can best promote, in fact, well supplied or – promote energy security by advocating for a stable, well-supplied energy market. Here, leadership matters, engagement matters, and the area of free trade and free trade agreements matter.
Let me mention the third. So the first was the alert. The second was the importance of engagement and our interconnectedness. And then the third, I think, core point that came out in this report was also truly the importance of the delineation of a new global energy order.

The rise of the demand in Asia – Tom Donilon spoke about the different types of trading patterns that are taking place. And, in this sense, I think the report calls for the importance of strategizing – of stepping back and looking at these confluence of developments and what ramifications it has for our overall diplomatic architecture and statecraft and how we strategize.

Let me mention a few broad points about why all of this matters. The first is something that, again, I think Tom Donilon, his first point was, which I have to agree completely with, is truly the importance of the economy and how, here, these developments are essential for a strong economy, which is the foundation, as we know, of a strong defense and also an engaged foreign policy. I’m very much reminded of the former chairman of the Joint Chiefs of Staff Mike Mullen, when he was asked, what, in your opinion, is the number one strategic threat, he pointed out the economy and how crucial the economy – economic developments matter greatly for our national security.

The second point here is, as the U.S. becomes a major energy supplier, I think that as was pointed out, we will consequently acquire tremendous political leverage. And we’re already witnessing that vis-à-vis our allies and also our foes.

I’ll give a different example from the case of Iran, one that comes readily to my mind and actually is referenced in the report, and that is the issue of Russia’s supplies to Europe and looking at the prospect of U.S. engagement in that arena and what the ramifications are. Certainly, it does undercut Russian leverage. It also can have a positive impact by also bringing down their prices. But also, I think as we see the developments in Ukraine playing afoot, and where this is used as a leverage and an instrument to impact developments there, that’s something that we will be I think more and more – we will see part of. So this issue of political leverage is key.

A third point is that, diplomatically, these developments also afford us some new opportunities of engagement and collaboration, a look into the context of our own neighborhood, Mexico and Canada. Just in recent days, the developments in Mexico are rather significant. In terms of Mexican legislators liberalizing – coming forward and liberalizing foreign direct investment in oil and gas. That’s a groundbreaking development. It has great consequences for the United States and for our region.

And then, let me also mention – there was a question from the audience about diversity. I think one of the points that’s been very much underscored in this report is the importance of diversity and having a sense of perspective that with this windfall, it has benefits to us but also we need to be cognizant of the importance of a diversified energy approach, of looking at all of the different tracks, from renewables, energy efficiency, coal, nuclear and so forth.
And then, finally, let me just say that here I think one of the diplomatic points that I think really came through this report and was referred a bit by Richard in his comments, and that is, how do we deal with political perceptions or apprehensions by countries in different parts of the world?

I happened to be at a young political organization’s leader that happened to be in Turkey. And I had a Saudi businessman come up to me and say, what does this mean in terms of energy independence in the United States? Does this mean that you’re cutting off from us? Well, the words that you heard from our former national security adviser I think is one that we embrace in this report; and that is, you know, there are a variety of strategic interests that we have, taking just the region of the Middle East, looking at other areas diplomatically, and you can’t divorce them. And, in that sense, I think this report also brings out in a diplomatic sense the need for maybe revisiting our terminology and looking at how we advance, but, at the same time we balance our approach.

Let me leave it there and just thank again CNAS. I’ll just go for the acronym instead of stumbling over the whole phrase, but CNAS for really having the vision for looking at this issue and its consequences. I’m very pleased to be here.

GOVERNOR BILL RICHARDSON: Well, thank you and I, too, with Paula Dobriansky and Senator Warner and CNAS doing this great work, my hope is that the United States government at this very moment is doing a study like this because the change in energy perspective and energy policy demands an assessment – a reassessment of our national security policy with respect to energy, which I believe has put a lot of new issues on the table.

Shale gas – Liz and Richard have wanted me to talk a little bit about shale gas. I’m a governor of an oil and gas state, although we’ve had a lot of renewable energy. But, at the same time, let me just be very clear about what I think has happened.

When I was energy secretary 12 years ago – and, thankfully, we had Senator Warner as chairman of the Armed Services Committee, who cared about energy and he bailed me out of a lot of problems – I used to go around the world to OPEC countries saying, please, please increase production so the price goes down. I used to get criticized for that. At the time, the price of oil, when I became energy secretary, was $10 a barrel. The oil patch – the oil patch was in terrible trouble – Texas, Oklahoma, New Mexico. We had no energy policy. You know, renewables was people were thinking about it. And over the next few years, the big cry political, let’s have a comprehensive energy policy, which never really happened.

But what did happen? American technology. A guy named Mitchell in Texas developed hydraulic fracturing and horizontal drilling, maybe not him alone, but the shale gas boom started; more production of oil and natural gas.

And what did that cause? In my judgment, shale gas has been good for this country because, one, it reduces greenhouse gas emissions. It does. The statistics vary, but it significantly does. Number two, it creates jobs. I’ve seen a study of up to 2.1 million jobs. It helps our economy, exports. I
think you could see a number of countries around the world very interested in what this shale gas explosion means for us and for them.

But what I think is essential is that we look at what is the downside? The downside is what is the effect going to be on climate change? There is an effect. And so we have to balance our energy policy and recognize that while we develop shale gas, let us not forget the other advances that happened in American energy in the last few years – a lot of its citizens, counties, cities, states, not necessarily just the government, but the fuel standards of the president helped enormously. The development of renewable energy, solar and wind especially right now – they’re moving in a very positive direction. The energy efficiency that communities, schools do, all of that combined with shale gas has possibly made us the major producer of oil and natural gas, and may be on the path to energy self-sufficiency – everybody says 2020, 2035, whatever, but it’s put us in a very comfortable position on energy. And a good part of this has been shale gas.

So what do we do with all this? Number one, I think it’s important that, as Paula mentioned, we be smart in our diplomacy about our energy relationships. Immediately it’s going to mean I think transfer of technology to countries with shale gas reserves like Argentina, Mexico and China. I think there’s enormous potential there.

Number two, Paula also mentioned this, with Russia – you go to Ukraine, you go to the former Soviet republics, they all are very unhappy with Russia playing political games with natural gas. So they want to get less dependent. They want to develop LNG terminals. You go to Asia, Japan and countries like Korea, desperate to find alternatives, shale gas, Fukushima and Japan having problems.

You move into parts of the Middle East. And this is where I think we have to be careful. The Gulf Cooperation – or the GCC states, Saudi Arabia – these are very important to us. You know, one of the good things of this shale gas boom is OPEC’s influence has diminished. It has diminished. And that’s good to a certain point. I mean, let’s stop like thumping our chest, and say, hey, Saudis, OPEC, Nigeria, Venezuela, Algeria, all these OPEC countries, we don’t need you anymore. We’ve got to be careful. We shouldn’t do that. I think we have to be smart, especially with the Saudis. This is a very valuable ally. And they’re jumpy because of what we’re doing with Iran. They’re jumpy because of the oil, the shale gas issue, the Middle East. So we’ve got to – you know, these relationships are very important. I’m glad the president is going there.

The only good side there that I see is Israel, by the way, is developing some real new natural gas reserves. You’re going to see Israel become a player in natural gas, and the issue there is, who wants to work with Israel? I hope American technology plays a part in these new developments.

Let me close with this statement. The big debate in the United States on shale gas is hydraulic fracturing, is fracking. And I spoke about six months ago in New York and some of the fracking people, they didn’t like what I said, which I said, I think shale gas can happen and we should develop it but we should be careful and environmentally sensible about fracking. You would have thought I’d come out, you know, in favor of Judas. They were so unhappy. They wanted me to say, you
know, that you were the greenest governor when you were – I was, by the way. Anyway. But I didn’t say that.

So I think it’s important that American technology and the oil and gas companies, they realize, look, this shale gas could be a real strategic opportunity for America, for you. Do the science on hydraulic fracturing. Listen to what EPA is saying about disclosing chemicals and water and methane. Let’s do this right. Let’s not say, oh, you know, no regulations because we don’t need that, you just – government is getting in the way. Let’s do it right. States are doing it right, Colorado, others – EPA, let’s do the science right on shale gas because I think it’s a real opportunity for us.

The last point I will make – I’ve made several last points – but my last point, because I want to hear Senator Warner. This is a national treasure and I want to hear him.

Mexico – something really important is happening there. You know, everybody, oh, you know, Mexico, violence, the cartels, immigration, never is going to move. This new president there has gotten significant education, fiscal reforms, a pact of all the parties working together, but most significantly energy reforms, which means partnerships. And not just oil and gas, but offshore drilling, renewable energy, biofuels, biodiesel. And this is our neighbor and it’s happening. And, you know, the Mexicans are having – they just make a deal with LUKOIL, with the Russians. They’re going to be significant players. And I think it’s important that in politics, the first thing you do is don’t forget your base.

Your base, the United States base is Latin America. We forget about Latin America. You know, every president – I love President Obama, but, you know, I want a little more Latin America. I want him to go there like he’s going to the Middle East, because I think what’s happening in Mexico, what’s happening in Brazil, what’s happening in Argentina, and I think, conversely, what’s happening in Venezuela requires that attention.

Canada, my last point, this is an important country that we always forget. We forget the Canadians. They’re our biggest producer, energy producer. They’re our biggest partner. We never mention them; all kinds of any energy.

Anyway, shale gas is good, but let’s do it right. Let’s do it with environmental sensitivity on fracking. I think it’s important that the president get fast-track authority so that we can have these shale technology relationships with Europe, with Asia. It will be a lot easier with free trade and fast track, but if that doesn’t happen, you know, this whole boom is going to slow down.

**SENATOR JOHN WARNER:** I’m up?

**MS. ROSENBERG:** It’s up to you.

**SENATOR WARNER:** Are you finished?

(Laughter.)
I thoroughly enjoyed my days in the Congress because we had a lot of fun together. And when you were secretary, I did grind on you pretty hard, but you’ve weathered the storm beautifully. Your long suit is modesty, my dear fellow, modesty.

(Laughter.)

May I say to our distinguished ambassador here, who was sort of the leavening in as we debated on this, but I want to thank the senior members of CNAS for originating this report and having us participate. And I want to thank each of you for coming.

But as I sat here tonight, as I have in this very room many, many times for forums, I’ve reflected on the growth in the nation’s capital of organizations like CNAS. When I first started was in the Navy Department and we had two or three organizations. We relied on them a great deal because they were able to formulate policies without having to clear their draft here and there and do it and do it in a very forthright manner. So I want to thank many of you in the audience who are now engaged, as we are at CNAS, as I am at Pew, and Bill and others at other organizations, but the growth here in our nation’s capital of this type of nonprofit organization to come forward with valued policy decisions is helpful to the president, it’s helpful to the Congress and it’s a growing, rapid industry.

Now to our report. You and I remember – it was I think in’79, ’80 – the oil embargoes. And the halls of the Congress – I’d only been there 18 months. The halls of the Congress were jammed with people taking their frustration out on us because the gas lines at the gas pump. And I learned a lesson early on. That gas pump and the prices and the impact on our economy and the families that rely on that gas pump is essential.

Now we’ve come along to this shale boom. I don’t associate myself with the “boom” word. I like to think that we should – as we were taught in the Navy when I was a 17-year-old sailor, steady as she goes; firm hand on the tiller; the wind is going to shift on you, but trim those sails as you go.

So we should accept this wonderful advancement and technology, as all three of us have joined here, with a degree of modesty and don’t practice in-your-face politics in the international community, and particularly as it relates to the national security. The sea lanes of the world are the arteries by which our energy flows; the air lanes, the trade. And it’s up to the armed forces of the United States working together in partnership with the other nations to keep the measure of safety that’s vital to the success of the transfer of goods, the transfer of energy and trade and commerce and our own personal safety.

And a number of those countries that are full partners in maintaining that safety are ones that we purchased our energy from for years. And so now let’s, in a more graceful way, cut back, strive for greater energy strength, maintain our diversity of sources. We haven’t talked much about the bio industry and so forth. The Pentagon has been in the forefront of innovation in developing the biofuels to show they can work in our aircraft, and in our ships, and other ground vehicles if necessary.
So as a country, we ought to approach the magnificent technical achievements of fracking and do it with a sense of modesty and moderation but firmness in establishing, not necessarily using the word “independence.” I think the ambassador was correct. We ought to drop that. I remember in my closing days in the Congress, it was – you could go down and get the local political meetings and drumbeat, we’re going to be independent of everybody, and it fired them up. But I think now we’d better reflect with a little sense of moderation because those people and those countries that we depended on to achieve this new strength of energy are going to be there, and they need our assistance as they shift – as Tom Donilon said, shift the marketplace and absorb what we don’t require now for our domestic needs into their energy base.

So let’s proceed with caution, steady as she goes, and at the same time further strengthen our diversity of energy sources in this country and move forward because, in times of crisis – and this is a troubled world – whether it’s cybersecurity now or the overhead surveillance and all kinds of things are coming together to make life have a degree of uncertainty – we should rely on them, and perhaps not to purchase their energy in the quantities we once did, but to assist them as they adapt in continuing their level of economy, which many of these nations are just so strongly dependent on the export of energy. Work with them, as each of us has said here tonight, and I think that message is in this report.

But, lastly, let us do so in a way that we strengthen the whole global community, the whole global economy because we’re all in it as partners. And in this security battle, I want to make sure that our ships can still make a port call, our ships can refuel, if necessary, lacking their own internal fuel system; our aircraft can do emergency landing; we can go with these nations jointly to help other nations in a time of severe weather disasters and other things.

We’re all in this thing together in this world now, so let’s be a little modest about the largesse that we’re going to gain and are gaining, will gain from the boom, as you love it, but I think we ought to (approach ?) with a little more modern – (inaudible) – and a little more, we’re there with you and (here we’re ?) still with you. So with that, let’s close out and let them have at us.

(Laughter.)

MS. ROSENBERG: Very good. Well, thank you for your remarks. You’ve eloquently covered a number of the findings that are in this report.

I’m going to pause for just a few more minutes and summarize five of the key policy recommendations that are covered in the report, and some of these will sound familiar because we’ve already heard them in the context of the comments we had so far in both of our sessions.

So the first policy recommendation I want to highlight is one to support well-supplied international energy markets. And policymakers, of course, can accomplish this domestically – which is an imperative, of course, by maintaining strong environmental regulations and supporting industry best practices in order to protect ground water resources and control emissions at the wellhead and
also through the production process. And it’s also something supporting unconventional energy development that policymakers can and should do abroad with international allies as well also in an environmentally responsible manner.

So the second recommendation I want to highlight is, first, strategic view of energy market threats, and the administration should conduct such a strategic review of current threats to physical oil supplies as well as to U.S. – a review of U.S. strategic and military commitments to guarantee oil transit through key maritime chokepoints and conflict-prone areas.

Third, expand international coordination for energy security. The administration should expand collaboration with energy partners abroad to guard against threats to energy infrastructure and supply routes posed by physical and cyber attack and also by conflict and weather related supply disruptions. And the administration should revise the criteria and the coordinating mechanisms for strategic oil reserves use to better manage supply disruption and price spikes when they do occur. And, in particular, this means improved coordination with major energy consuming countries that are not currently part of the IEA system.

Fourth, use less and diversify more. We’ve heard a bunch about that so far but, essentially this means greater energy efficiency and diversification of energy supply sources, particularly for the transport fleet sector, which is so heavily dependent on petroleum-based fuels, which will make our nation’s economy more resilient, reduce the exposure to oil disruptions when they occur, and, of course, reduce carbon emissions into the environment.

And fifth and finally, export energy. And I think Congress and the administration, of course, both have a role in encouraging the facilitation of exports of natural gas and of crude oil, which can stimulate U.S. energy production, contribute to less distorted and better supplied energy markets.

So that’s the summary of the report, the task force findings, some of the key policy recommendations. We’ll move now to the question and answers – question session. And I’ll ask a first question of our speakers here.

So the environmental and climate change implications of massive new shale energy production capacity are national security considerations for the United States and issues that have animated public discussion, political conversation for the last several years.

Now, you’ve all served in positions of top political and national security positions in the U.S. government. If you were advising President Obama today, what are some of the key national security considerations associated with the massive new shale energy resource development that you would highlight for him and suggest that he focus on in particular through the remainder of his administration? We’ll start with you.

AMBASSADOR DOBRIANSKY: I will broaden your question if you don’t mind. But during our presentations, this point was hit upon, and that is TTIP and also the Trans-Pacific Partnership Agreement. I would recommend that the president and our Congress, from their respective
positions, move forward in that area because it has direct ramifications for energy barriers, opportunities. So I would start with that one.

The second one – I have a second and a third, if I can. The second you referred to – but I would broaden it. In the report, it called for a strategic review. I do think that with the changed energy landscape that it’s absolutely essential for the interagency to come together, to step back and to not only look at the threats – that was the point highlighted in the report – but actually really to do an assessment of what are the opportunities and what are going to be the core challenges and bring in the entire interagency community to do it. I don’t know if we have a national security decision directive on this. Maybe we do. But it seems to me it’s worth stepping back and looking.

And then, my last would be one that’s also in the report and that is about expanding the energy exports. Again, there’s opportunity here. I know there’s a debate about this, about how far, how fast, et cetera, what are the ramifications. But I think that that’s one that I would also put forward. Those would be my top three.

GOVERNOR RICHARDSON: I would say technology. I think that is what we have an edge, and we should use that technology. I mentioned the shale gas potential producers, Mexico, Argentina, China, transfer of technology – of this shale gas technology, number one.

Number two, again, emphasizing the importance of strong standards in this country, environmental standards on water, on methane, on emissions as part of the fracking debate. You know, the reality is in Europe, you’ve got countries like Germany, France, Netherlands that said, we don’t want any fracking, period. So don’t even talk to us. There’s this glimmer of activity in Britain, but I think there has to be more dialogue and understanding. And science should be part of the key. This is why I think it’s important that the more scientists join this debate, not just on the climate change but on issues like fracking is important.

The last point – and, you know, the president didn’t get much credit. He spent quite a bit of time in the state of the union on energy and he talked about the importance of climate change. You know, it’s going to be divisive, but I would proceed with these executive orders on climate change, try to get as much done that way. But more than anything, I think the dysfunction in our Congress – this is why, you know, we need people like John Warner back –

SENATOR WARNER: I’ve been there, done that. You go.

(Laughter.)

GOVERNOR RICHARDSON: But, you know, we need – we need these debates. I worry about this fast track authority. I remember during NAFTA, I was one of the only Democrats at first to support it, but now I worry with this opportunity in Europe and Japan and Asia that we’re – because of domestic politics, we’re not going to get this done, these far reaching economic agreements that are important for the global economy. So those are all the things that I would say to the president, but he’s not going to listen to me anyway.
SENATOR WARNER: Well, I certainly do. I would simply say, first, I commend the president for launching very quietly through executive order this study within the executive branch of the energy policy. That’s going to I think be very fruitful. We suggested that he invite outside commentary on how we perceive the government is operating in that area, and also would stress that the biggest element of our energy security is energy savings and efficiency. We had all this country all revved up four years ago where everybody was really concentrated on, how can we conserve what we have and use it more efficiently? And I don’t want to lose the impetus of every street corner, every village, every town trying to be conscious of their usage of energy.

I want to say the armed forces of the United States really snapped to under the leadership of Secretary Gates and others who said to each of the commanders, show me your plans on your base, your ship to conserve energy, with simple things like turning off the lights and perhaps not running all the air conditioning when everybody is out of the building. All kinds of things came together to put the Pentagon in an energy saving posture because they are the largest single user of energy in the United States or the world for that matter – the consumption of energy by the overall Department of Defense. So don’t look conscience of the gains we made in energy by savings and efficiencies. Emphasize that in his report and call on others to comment.

MS. ROSENBERG: Great. Thank you. So now we have time for some questions from the audience. I see some hands up. Remember, please just identify yourself and your affiliation. Here in the front.

Q: Hi. Eric Clark (sp). I’m a graduate student at Ohio State University. Now, due to the decreased price of a barrel of oil and with the potential destabilizing effect of that and energy – or in oil dependent nations, how would you recommend combating potential effects in regards to security, terrorism, and crime in these regions?

SENATOR WARNER: Well, I’ll lean forward here quickly. First, we’ve seen an increase of cybersecurity trying to impact the grid system, and that’s dangerous because as we hopefully are moving more and more towards utilization of the extraordinary, complex grid systems we have and the need to have redundancies, that should be emphasized. So that’s my quick response. We’re upbeat on trying to be aware on that.

Your major companies engaged in providing electricity all over this country, you’d be surprised how much concentration they’re doing now on the question of having security of the transmission lines in the grid system.

GOVERNOR RICHARDSON: Well, you know, I will also focus on the grid because your answer – I think your question relates to the whole grid system. I remember when I was energy secretary, I made all the utilities mad. I said, America has a third-world grid and we’ve got to modernize it. It’s a lot better now but I still think it needs improvements to make the grid more efficient, to stop some of these – you know, we still have these shortages. It has to be more efficient in the production of transmission, renewable energy. I just think that we haven’t done enough there.
John mentioned cybersecurity. I mean, the worst nightmare is for hacking on our grid. I mean, imagine if something like that happens and some kind of terrorist connection with our grid system. You know, I would also – I would also say that I think it’s important that we allow investments in the grid, that some kind of – I’ve always felt that – this is not the time to talk about more spending, but infrastructure spending and modernizing the grid and green technologies and transportation and upgrading our overall infrastructure is a worthy investment.

**AMBASSADOR DOBRIANSKY:** I’ll just add two points starting with the comment about a cyberattack, as the senator mentioned. I think there’s one silver lining here that more of our states are now focused on how they adapt their utilities and the grid to the potential and not only the potential of an attack but what happens right after an attack – its capability and capacity to spring back. More and more at least I’ve been exposed to on a state-by-state basis. Many governors, other state legislators are focusing on this crucial issue.

But I interpreted your question actually more broadly or internationally and in that sense, I’ll just say I think this point was underscored by something that Tom Donilon said in the question about Nigeria over here. You know, we look at every individual country. There are a variety of relationships that we have and in which they’re founded. And you mentioned a number of areas, which, in the Middle East, in terms of dealing with terrorism and counterterrorism issue, regional stability. Regional stability matters greatly because of disruption there – has consequences for those countries who are getting their energy supplies from the Middle East and a shakeup affects all of us in terms of our global economic interconnectedness.

So I think that one has to be much focused, again, that our relationships are multi-faceted and we have to be thinking about literally how we bolster them in all these tracks, not just one single track.

**MS. ROSENBERG:** OK. In the back here.

**Q:** Thank you. Ben Dozier (sp) with CSIS. The question I have for you – and I thank you very much for tracing out the geopolitical implications of successful exploitation of our shale gas resources, but it seems that there are some – there are some conditions that must first be met. We need to create the correct technology to, A, exploit the natural gas in a cost-effective manner. We also need to find the correct technology to make sure that oil production doesn’t tail off the way that the report describes it currently does after the first year.

Could you discuss, A, what needs to be done domestically to make sure that those technologies come online so the shale gas boom continues and that we’re actually able to take advantage of the potential gas resources that we have? And, second, could you discuss maybe the geopolitical implications of what might happen if those potential resources can’t be exploited if we don’t come up with the right technologies? Thank you.

**MS. ROSENBERG:** So maybe I’ll just start. So essentially price, right? So a sufficiently attractive price that will enable E&P companies to get out there and develop the technology and get the
resources out of the ground is what it’s going to take to keep the technology innovation going. And, similarly, if the prices fall off, there’s not the incentive for them to keep doing that. That’s the brief answer.

Does anyone else want to address that?

GOVERNOR RICHARDSON: Well, you know, I mentioned the whole technology issue relating to fracking. I mentioned technologies relating to developing these new technologies for extraction.

Look, I think the beginning was the hydraulic fracturing and horizontal drilling, but a lot of new technologies are being developed across the board. Now, one thing that we talked about, I think Tom mentioned it. Natural gas is a bridge fuel, OK, but it’s a bridge to what? No one’s answered this. I’m going to answer it because – and I might – you may not agree. I think it’s a bridge fuel to what will be the dominant source of energy around the world and that’s renewable energy.

Now, you know, it’s had its problems, renewable energy, but if you look at the United Nations, the 196 countries, whatever they’re registered, and there’s a list – what is your energy future, country X? – a large percentage, 70, 75 are saying renewable energy, maybe even higher.

Now, you know, we haven’t talked about the nasty things that you don’t want to really bring out. Everyone talks all of the above. And I think the president’s basically right. But, you know, there’s fuels that aren’t doing well. I don’t know if they’re going to recover.

One is nuclear. You know, Fukushima dealt a huge blow to nuclear. The good thing about nuclear is that it doesn’t emit greenhouse gas emissions. The bad thing is, you know, there are security concerns. The public is worried about it. We haven’t resolved the waste issue. John Warner tried to resolve it years ago with a sensible proposal but we haven’t done it.

So my point is that, you know, you’ve got to – I think we need to continue the support of nuclear but I think the coal guys also. I’m not encouraged by the development of new coal clean technology. I think it has to be faster. And I think our coal companies need to realize that this is serious – climate change – and they can’t continue with the old, you know, I’m glad I’m not running for office anymore, but, you know, they haven’t adapted.

So if there are two fuels out there that need revitalizing, refurbishing, you know, get on with the program, it’s nuclear and coal. All of the above, the rest I think are moving forward – gas, oil, renewable, biofuels, biodiesel, all of that is positive.

Q: Ben Taggart (sp), State Department. I just have to ask, especially following up after that, cognizant of indirect impacts of climate change and the potential for this to work as a bridge fuel to renewables, as you described, should we be doing that pursuit to the exclusion of following up on revitalizing coal, revitalizing nuclear, even things such as the Keystone pipeline, should we really be trying to push those through or is that counterproductive at this stage in the game?
SENATOR WARNER: On Keystone – and we did not directly take that as one of our issues, I think the president is working through this the proper way, listening to all departments and agencies. And defense hadn’t made their commentary, EPA hadn’t made theirs. Let’s wait until the whole dossier is in on this, in my judgment, before, and then I think the president will consider the full range of opinions across the spectrum of executive branch and listen to what the states and others have to say.

It’s a tough question. It’s not easy. And, as the governor pointed out, the environmental concerns have to be weighed very carefully in this instance. Canada is going to go ahead with their market. They’re going to find the markets and a way to move it out. But at the same time we ought to be highly conscious of the viewpoints of many others before we try and jump to a decision on the – on that pipeline. That’s my view.

GOVERNOR RICHARDSON: You know, I think the question you asked is, should we be picking favorites? The answer is we shouldn’t, but we always do. I mean, I was on the renewable side here saying, hey, treat renewable the same way we treat oil and gas on tax and other things. I think it’s gotten more – I won’t say fairer, but, you know, we do that.

My worry is like we shouldn’t go out and say, OK, nuclear, you’re going to get more subsidies, but you’ve got to do this. I think nuclear needs to basically look around the world and see – you know, Fukushima was not good. It wasn’t good in Asia. It’s not good in Europe. In India, there’s an agreement we have with India that looks that nuclear will happen and will be viable. But I think it’s up to the new technologies in nuclear and new cost saving measures. And I don’t know how you deal with the public and the perception.

You know, I come from a state that has nuclear waste and I won’t say I’m pro nuclear. I think it should be part of the mix, but I wouldn’t pick it as a favorite but I think nuclear and coal need to do more to get on the program of these new cleaner technologies. That’s what I’m saying.

AMBASSADOR DOBRIANSKY: May I just give my response to that? I think something that was underscored in this report is the whole concept of diversity and a diversified approach. Maybe I wouldn’t say, you know, I’m picking favorites here, but I think when you also look at the concept of energy security, there are also two other elements that go hand in hand.

And take Secretary Moniz, I think he’s really underscored this, you know, in many of his statements and not just in his statements but in terms of the programs that are going forward over at DOE. And that is you look at energy security but you also have to look at environmental stewardship and, at the same time, the importance of also economic growth and economic factors. And a lot of times these issues may knock up against one another and they’re not always perfect and clear cut solutions here or paths. But I think that – and that’s where you end up getting maybe a little bit more emphasis in one area and maybe a little bit and less in another area, but I’ll take one.

You mentioned the nuclear. Let me take the flipside. The DOE just marked the – I believe is the 10th anniversary of the Carbon Sequestration Leadership Forum. And Secretary Moniz was talking about
how any, you know, coal-fired plant, there are a number in this country and in which they are applying gasification and EOR, enhanced oil recovery. And looking at ways forward that, you know, it’s a big investment, but, you know, that’s part of the panoply of paths.

So my own personal vote is, going back to the whole question of natural security and where we are, I think you do have to look at these three factors. And I think that, you know, one path it’s not going to be a panacea. You have to look at all of these.

SENATOR WARNER: Let me say a word on this nuclear thing. That’s been an important contribution, about 20 percent of our overall energy. The United States Navy is highly dependent on safe operation of reactors in our carrier fleets, in our submarine fleets. And men and women now are operating those platforms. And the safety record is extraordinarily positive. And they’re looking at perhaps miniaturizing – I use that in a small sense – smaller nuclear plants that could be moved in safely to remote communities and give them a bit of freedom from their energy requirements of bringing it in. So let’s not bury it.

It is sad tragedy what the Japanese went through, but, gracious, how they figured out to put those plants right on the edge of the water is a question that remains unanswered. So it started way back when there and we would not hopefully ever make that mistake in our country.

MS. ROSENBERG: Well, I’m conscious of the time and I don’t want to keep you all here longer than we’ve committed to for the agenda today. So I think I will say that I’m grateful to our panelists here and to all – indeed, all of our speakers tonight for their insights on shale energy and national security. And I would ask you to help me in closing in this event by thanking all of our speakers with a round of applause.

(Applause.)

SENATOR WARNER: Thank you. I really enjoyed this. You are wonderful.

(END)