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4 ``THE AMERICAN INITIATIVE: A FOCUS ON THE OUTLOOK FOR
5 ACHIEVING NORTH AMERICAN ENERGY INDEPENDENCE WITHIN THE
6 DECADE''
7 THURSDAY, SEPTEMBER 13, 2012
8 House of Representatives,
9 Subcommittee on Energy and Power
10 Committee on Energy and Commerce
11 Washington, D.C.

12 The Subcommittee met, pursuant to call, at 10:06 a.m.,
13 in Room 2322 of the Rayburn House Office Building, Hon. Ed
14 Whitfield [Chairman of the Subcommittee] presiding.

15 Members present: Representatives Whitfield, Sullivan,
16 Burgess, Scalise, McMorris Rodgers, Olson, McKinley, Pompeo,
17 Griffith, Barton, Upton (ex officio), Rush, Markey, Green,
18 Capps, Castor, Sarbanes and Waxman (ex officio).

19 Staff present: Charlotte Baker, Press Secretary; Sean
20 Bonyun, Communications Director; Anita Bradley, Senior Policy
21 Advisor to Chairman Emeritus, Maryam Brown, Chief Counsel,
22 Energy and Power; Allison Busbee, Legislative Clerk; Cory
23 Hicks, Policy Coordinator, Energy and Power; Heidi King,
24 Chief Economist; Jason Knox, Counsel, Energy and Power; Ben
25 Lieberman, Counsel, Energy and Power; Andrew Powaleny, Deputy
26 Press Secretary; Michael Aylward, Democratic Professional
27 Staff Member; Greg Dotson, Democratic Energy and Environment
28 Staff Director; Kristina Friedman, EPA Detailee; Caitlin
29 Haberman, Democratic Policy Analyst; and Alexandra Teitz,
30 Democrat Senior Counsel, Energy and Environment.

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31 Mr. {Whitfield.} I would like to call the hearing to
32 order this morning. The topic of our hearing, and today we
33 continue our hearings on the American Energy Initiative.
34 This is actually the 28th day, and today we are going to talk
35 about what I consider some very good news, and that is the
36 achievability of North American energy independence and
37 particularly oil independence within the span of a mere
38 decade.

39 As a matter of fact, one of our witnesses today made the
40 comment in a study, a comprehensive study, that by the end of
41 the decade, they estimate that new U.S. oil and gas
42 production could add at least \$200 to \$300 billion in
43 revenue, which in turn could stimulate many hundreds of
44 billions more in economic activity, investment and
45 consumption, creating at least 2 million and as high as 3-1/2
46 million new jobs.

47 So after many decades of hearing that the United States
48 basically reached the end of its reserve, as a matter of
49 fact, as recently as 2010 President Obama stated in a
50 national address that we are running out of places to drill,
51 and he still cites the outdated and misleading claim that we
52 possess only 2 percent of the world's oil reserves. But this
53 pessimistic view is being blown away by reality. Increased

54 domestic oil production is already cutting into the amount we
55 need to import from oil-exporting nations, and many experts
56 believe that this production growth can continue for years to
57 come. And when you add the equally impressive growth from
58 our ally Canada, the goal of North American oil independence
59 could be reached in as little as a decade.

60 The global implications are tremendous because the one
61 thing that has not changed is the instability in the Middle
62 East and the hostility of several major oil-producing nations
63 towards the United States. However, the more oil that is
64 produced in the United States and Canada, the less leverage
65 OPEC or any of its individual member nations can exert over
66 us. And now we have the chance to reduce that leverage
67 virtually to zero with North American oil independence.

68 The geopolitical benefits alone are enough to make this
69 goal worthwhile, and the economic benefits are simply icing
70 on the cake. North American energy independence would bring
71 with it hundreds of thousands, if not millions, of new jobs
72 in a rejuvenated energy industry. Indeed, it would succeed
73 where unfortunately our stimulus package failed, and rather
74 than cost over \$800 billion, it would actually add revenues
75 to the federal treasury. And when you compare the real oil-
76 industry jobs already being created in States like North
77 Dakota, and as you know, in North Dakota right now, the

78 unemployment rate is less than 3 percent, and all the experts
79 agree that that primarily comes from the fact of the new oil
80 fields that have been hit there, the jobs that are being
81 created. And not only can we talk about oil but we also
82 could talk about independence in natural gas because of the
83 tremendous finds that we are finding in that area.

84 President Obama has not really been helpful to us in
85 this effort, in my view. As you know, he rejected the
86 Keystone pipeline that would allow 700,000 barrels per day of
87 additional Canadian oil to come into the country. And
88 without that, Canada's growing surplus of oil may go to China
89 and other willing buyers abroad.

90 One of the areas that we certainly want to get into
91 today as well is because we hear constantly from some
92 individuals that even though the United States may increase
93 its oil production, it is not going to have any impact on the
94 price of oil, and I would like to have an additional
95 discussion about that today because there was a law of supply
96 and demand that has been with us for many years that if you
97 have more supply, you can decrease prices, or if you reduce
98 demand, you can decrease prices. So we want to get into a
99 discussion on that today as well.

100 We have a panel of expert witnesses today, all who have
101 practical experience and academic experience and are quite

102 knowledgeable in this area, so we look forward to all of your
103 testimony.

104 So I am delighted that you are here today. We look
105 forward to the testimony of all of you.

106 [The prepared statement of Mr. Whitfield follows:]

107 ***** COMMITTEE INSERT *****

|
108 Mr. {Whitfield.} At this time I would like to introduce
109 and recognize the gentleman from Illinois, Mr. Rush, for his
110 opening statement.

111 Mr. {Rush.} I want to thank you, Mr. Chairman.

112 We are here today examining the issue of how we may
113 reach North American energy independence within the next
114 decade. This hearing, Mr. Chairman, gives us an opportunity
115 to discuss the many different initiatives that President
116 Obama has put in place to help us come closer to reaching
117 this goal.

118 Mr. Chairman, unlike the simplistic Sarah Palin ``Drill,
119 baby, drill'' Romney-Ryan energy plan, President Obama has
120 put forward a comprehensive energy policy that encompasses
121 concrete proposals to not only make us less reliant on
122 imported oil from overseas but which also takes into account
123 the serious issue of climate change. While my Republican
124 colleagues are loathe to even mention the words ``climate
125 change'' and have claimed it to be a hoax, I can assure you,
126 Mr. Chairman, that most of the farmers across this Nation
127 will disagree with that position as we have witnessed the
128 worst year of record temperatures, drought and crop loss in
129 modern American history.

130 Mr. Chairman, in 2011, the Obama Administration

131 introduced and released the Obama Administration's energy
132 plan titled ``New Plan for Secure Energy Future.'' This
133 comprehensive energy proposal would build ``21st century
134 clean-energy economy by reducing our dependence on oil
135 focusing on expanding clean-energy sources of electricity and
136 achieving additional energy efficiency through a combination
137 of an all-of-the-above energy policy.'' I would add, the
138 Obama strategy strongly promotes the creation of jobs by
139 developing renewable-energy sources such as wind, solar,
140 biomass and hydropower while also investing in clean-coal
141 technology, increasing production of natural gas and
142 expanding nuclear power. However, unlike the Romney plan,
143 the Obama energy proposal endorses safe and responsible
144 production of domestic energy sources which allows input from
145 community members and stakeholders who are directly impacted
146 by oil and gas drilling.

147 Any credible expert would have to give credit to the
148 Obama Administration for the advances that they have put in
149 place to put us on track for achieving energy independence
150 which includes increased domestic production, a move towards
151 cleaner and renewable-energy sources of the future as well as
152 additional conservation and energy efficiency measures.

153 U.S. oil consumption, which peaked in 2005, dropped by
154 more than 1.5 million barrels per day, or about 9 percent, by

155 2011. While some of this recent decline in demand was
156 related to the economic recession, improvements in fuel
157 efficiency and broader economic trends put forth by the Obama
158 Administration are also responsible for these developments.
159 One instance, the Obama Administration's vehicle greenhouse
160 gas and fuel economy standards for model years 2012 through
161 2025 are projected to save more than 2.2 million barrels of
162 oil per day by the year 2025 and will help us become less
163 reliant on both oil imports and oil in general.

164 Mr. Chairman, I look forward to this hearing and I
165 expect to have robust interaction among the witnesses today
166 and the members of both sides, and Mr. Chairman, I sincerely
167 hope that we can have a balanced and honest debate on these
168 and all the ancillary issues.

169 I thank you, and I yield back the balance of my time.

170 [The prepared statement of Mr. Rush follows:]

171 ***** COMMITTEE INSERT *****

|
172 Mr. {Whitfield.} Thank you, Mr. Rush.

173 At this time I would like to recognize the gentleman
174 from Michigan, Mr. Upton, chairman of the full committee, for
175 an opening statement.

176 The {Chairman.} Well, thank you.

177 No administration has talked more about technological
178 breakthroughs in the energy sector or spent more tax dollars
179 on failed attempts to achieve them than the current one. Yet
180 a genuinely transformative energy revolution has emerged, and
181 it has happened in spite of those policies.

182 The advances in drilling technology that we will hear
183 about today have accomplished more for the American people
184 than all of the Solyndras and the other federal stimulus
185 giveaways combined. They have already rewritten the
186 conventional wisdom that America's natural gas production is
187 declining, and we are now doing the same for domestic oil
188 production. In fact, predictions of dwindling North American
189 oil supplies have been replaced with very realistic
190 predictions of North American oil independence within a
191 decade.

192 Indeed, while the President was trying to convince
193 Americans that Solyndra's new solar panels would take the
194 world by storm and create green jobs, these game-changing

195 energy breakthroughs have quietly continued to unfold in
196 places like the Bakken formation in North Dakota and other
197 State and private lands where the federal government has
198 little or no role. And unlike Solyndra and other Title 17
199 loan guarantees that have been a sponge for taxpayer dollars,
200 achieving North American oil independence won't cost the
201 American people a single dime. All it requires is the
202 federal government to get out of the way.

203 But getting out of the way is something this
204 Administration refuses to do. It continues its go-slow
205 approach to oil leasing on federal lands and offshore. For
206 example, its most recent 5-year plan for offshore leasing
207 offers fewer lease sales than under any president, Democrat
208 or Republican, going all the way back to Jimmy Carter. And,
209 the Administration's pace of onshore leasing is below that of
210 his predecessors. Even those federal areas already under
211 lease are now being subjected to unprecedented permitting
212 delays. In fact, nearly all the increase in domestic oil
213 supplies is coming from State and private lands, but on
214 federal lands, production has actually dropped 100 billion
215 barrels this last year. The dramatic improvements in
216 drilling technology that are responsible for increased oil
217 production on non-federal lands have not yet been given the
218 chance to do so on federal lands.

219 The same is true of vital oil infrastructure. The
220 Administration continues to reject the Keystone XL pipeline
221 expansion project, without which Canada's growing oil
222 production cannot reach the United States. The pipeline
223 would also provide an outlet for the growing oil production
224 from North Dakota.

225 The potential benefits of North American energy
226 independence seem almost too good to be true. But they are
227 real and they can be achieved. Between increased domestic
228 oil production and growing supplies from Canada--a million
229 barrels a day already, by the way--we have the opportunity to
230 liberate ourselves from OPEC's influence, create many new
231 energy-industry jobs, and ensure greater supplies and lower
232 prices at the pump in the years ahead.

233 This committee has initiated legislation to remove the
234 Administration's obstacles to North American energy
235 independence. We will continue to fight for increased
236 leasing on federal lands and a streamlined permitting
237 process, and we will not give up on Keystone XL. The goal of
238 North American energy independence is within our grasp and it
239 is much too valuable an opportunity to squander.

240 And I would yield back to Mr. Barton.

241 [The prepared statement of Mr. Upton follows:]

242 ***** COMMITTEE INSERT *****

|
243 Mr. {Barton.} I just want to say very quickly, Mr.
244 Chairman, that back in 2005, this committee initiated what
245 came to be known as the Energy Policy Act of 2005. Most
246 members of the committee still serving supported that bill in
247 the committee and on the Floor, and today is the law of the
248 land.

249 We incentivized in that Act every feasible form of
250 energy we thought could be produced in American, whether it
251 was conventional or unconventional. If you could produce it
252 in any shape, form or fashion, we incentivized it from our
253 conventional sources, oil and gas, to unconventional wind,
254 solar, biomass, saw grass, you name it. The underlying
255 premise was, though, except for the newer technologies, it
256 would be a market-based energy policy. Because of that,
257 today if you read this North American energy initiative
258 inventory, we have a possibility to be energy independent
259 almost at any time we want to be in the next 10 to 15 years.
260 That is an amazing story, Mr. Chairman, and this committee
261 can take pride in the fact that the base bill that has
262 allowed that to happen came out of this committee.

263 So I am very proud of that bill. It is now the law. I
264 am proud of the committee, and I am looking forward to this
265 hearing.

266 With that, I yield back, Mr. Chairman.

267 [The prepared statement of Mr. Barton follows:]

268 ***** COMMITTEE INSERT *****

|
269 Mr. {Whitfield.} Thank you. At this time I recognize
270 the gentleman from California, Mr. Waxman, for 5 minutes.

271 Mr. {Waxman.} Mr. Chairman, today's hearing presents
272 two different visions of an energy policy for America. One
273 vision doubles down on the energy policies of the past. Its
274 mantras are ``drill, baby, drill'' and tax breaks for the oil
275 industry. The other vision recognizes that energy is key to
276 America's economy, national security and environment. It
277 supports a mix of energy sources to provide American
278 consumers with affordable, clean energy. The choice is all
279 of the above or oil above all, and the answer will affect the
280 lives of every American.

281 Not so long ago, we actually implemented an energy plan
282 written by and for the oil industry. In 2001, President Bush
283 and Vice President Cheney unveiled the Bush Administration's
284 energy plan, written in secret with oil, coal and other
285 energy-industry interests. So in 2005, I examined what had
286 happened to energy prices and dependence on foreign oil under
287 the Bush energy policy since 2001, using data and analysis
288 from the EIA. Under the Bush-Cheney oil industry energy
289 plan, gasoline prices more than doubled. Crude oil prices
290 more than doubled. The average American family spent \$2,000
291 more each year on energy costs. And the oil companies reaped

292 record profits. This energy plan did not benefit America's
293 families. It did not boost our economy or improve our
294 national security, and it certainly did not clean up
295 pollution or address the threat of climate change.

296 Today we are discussing another Republican energy plan
297 that was drafted with industry, especially the oil industry.
298 And it is a backwards-looking plan that resurrects the Bush-
299 Cheney policies. It calls for more tax breaks for oil
300 companies, opening new areas to drilling, and putting the
301 States in charge of issuing drilling permits on federal
302 lands.

303 The Obama Administration's energy policy is
304 fundamentally different. President Obama hasn't just
305 promised to reduce our dependence on foreign oil; he has
306 actually done it. For the first time in decades, we are
307 importing less than half the oil we consume. His
308 Administration's new motor vehicle standards will save more
309 than 2 million barrels of oil per day. And U.S. domestic oil
310 and natural gas production has reached record highs. Perhaps
311 most important, the Obama Administration has also made
312 investing in clean energy technologies a national priority.

313 This Committee can write our Nation's energy laws, but
314 we can't amend the laws of nature. Climate change is a
315 reality. The nations with the strongest economies will be

316 those that recognize this fact and build the clean energy
317 technologies of the future.

318 Unlike many members of this body, the Obama
319 Administration faces facts, listens to scientists, and has a
320 forward-looking vision for America, and that is why the
321 President has invested in wind, solar, and other renewable
322 energy sources, energy efficiency, and cleaner use of
323 traditional energy sources.

324 Mr. Chairman, at this point I want to yield the balance
325 of my time to Mr. Green.

326 [The prepared statement of Mr. Waxman follows:]

327 ***** COMMITTEE INSERT *****

|
328 Mr. {Green.} I thank my ranking member, Mr. Chairman,
329 for allowing me.

330 I strongly support increasing our domestic production of
331 oil and natural gas, and I fought this battle for years.
332 That said, I think it is misleading to debate our energy
333 independence based on geology, technological or economically
334 achievable in the absence of other constraints. There is
335 always to be external factors that affect the level of
336 production.

337 I want to point out that according to the Energy
338 Information Administration, under existing policies, the
339 United States is on pace to eliminate all natural-gas imports
340 by 2020 and shrink its net oil imports down to 38 percent.
341 We are now at 42 percent, from what I understand, with two-
342 thirds of those imports coming from friends in Canada in
343 Mexico. The number is expected to drop even further thanks
344 to the CAFE standards by the President's Administration. We
345 are still fairly close to the North American energy
346 independence in 2020 regardless of what we do.

347 I share our panelists' concerns about the potential
348 regulation on things like fracking, and I will continue to
349 watch the Administration. I support a broad Outer
350 Continental Shelf drilling and I disagree with the

351 President's 5-year plan. Likewise, I disagree with not
352 approving the TransCanada pipeline but I also know this is
353 the first President that I have served under in 20 years who
354 actually stood at the State of the Union and last week at the
355 Democratic convention and talk about the success of natural-
356 gas production in our country, at least the first Democratic
357 President, and I think that is where we are going, and I want
358 to complement my former chair of the committee. The energy
359 bill of 2005 did expand it. My frustration, we are going to
360 have a bill on the Floor tomorrow that will take some of that
361 expansion away from us including oil and gas alternatives and
362 other alternatives.

363 So that is our problem we have with this Congress. We
364 are passing a lot of messages but not actually legislation,
365 and I yield back my time.

366 [The prepared statement of Mr. Green follows:]

367 ***** COMMITTEE INSERT *****

|
368 Mr. {Whitfield.} The gentleman's time is expired.

369 At this time I will call on each witness, and you will
370 be given 5 minutes for an opening statement. Before I call
371 on you individually, I am just going to introduce the entire
372 panel.

373 First of all, we have with us today Mr. Harold Hamm, who
374 is the Chairman and CEO of Continental Resources. It has
375 played a vital role in the development of the Bakken field.
376 We have Dr. Daniel Ahn, who is the Chief Commodity Economist
377 at Citigroup. We have Mr. John Freeman, who is the Managing
378 Director of E&P Equity Research at Raymond James and
379 Associates. We have Mr. Daniel Weiss, who is the Senior
380 Fellow for the Center for American Progress Action Fund. We
381 have Mr. John Purcell, who is the Vice President for Wind
382 Energy at Leeco Steel Company. We have Mr. Mark Mills, who
383 is the Senior Fellow at the Manhattan Institute, and we have
384 Mr. Peter Howard, who is the President and CEO of Canadian
385 Energy Research Institute.

386 So we have a broad spectrum of interests here to testify
387 this morning on this important subject matter, and Mr. Hamm,
388 I will call on you first for a 5-minute opening statement.

|
389 ^STATEMENTS OF HAROLD HAMM, CHAIRMAN AND CEO, CONTINENTAL
390 RESOURCES; DANIEL AHN, CHIEF COMMODITY ECONOMIST, CITIGROUP;
391 JOHN FREEMAN, MANAGING DIRECTOR, RAYMOND JAMES AND
392 ASSOCIATES; DANIEL WEISS, SENIOR FELLOW AND DIRECTOR OF
393 CLIMATE STRATEGY, CENTER FOR AMERICAN PROGRESS; JOHN PURCELL,
394 VICE PRESIDENT FOR WIND ENERGY, LEECO STEEL, LLC; MARK P.
395 MILLS, SENIOR FELLOW, MANHATTAN INSTITUTE; AND PETER HOWARD,
396 PRESIDENT AND CEO, CANADIAN ENERGY RESEARCH INSTITUTE

|
397 ^STATEMENT OF HAROLD HAMM

398 } Mr. {Hamm.} Thank you, Chairman Whitfield and members
399 of the committee. I am very glad to be here, very honored to
400 be speaking this morning. As you said, we are a leading
401 expert in the Bakken formation, have been there from the
402 beginning. Continental is the largest producer of the Bakken
403 resource in Montana and North Dakota and also the entire
404 Wilson Basin. Our production is about 70 percent oil and,
405 you know, we are known as an oil company.

406 I also serve as an energy advisor currently to Governor
407 Romney but I am not here representing any campaign, any
408 political party. I am just here as an American, an American
409 patriot, someone that started with nothing, a one-truck

410 operation, you know, the son of a sharecropper that had 13
411 kids, the last of 13, built a small, one-truck operation into
412 a large leading energy company in America.

413 Very exciting day to talk about the great American
414 promise of energy independence within this decade. For far
415 too long, we stood under OPEC dominance as producers some 40
416 years. People lost the will to look for oil in this country.
417 They couldn't do it. Every time we got to work, you know,
418 OPEC would turn the taps on and drown us, put us out of
419 business. It finally got down to where nobody was looking
420 for oil. Everybody was looking for natural gas in this
421 country. Finally, the day came that they didn't have excess
422 capacity any longer that they could drown us like that so we
423 could go back to work, and we did.

424 And we came out with some great things, the great
425 technology of today, and that one technology that has been
426 developed, primarily by our company and others, independent
427 companies over the past 15 years, primarily, has been one
428 thing, and that is horizontal drilling. And as an
429 explorationist and a geologist, I can tell you that this was
430 a wonderful breakthrough. It drowns out all the
431 breakthroughs of the past, you know, 2D seismic, for
432 instance, that saw a bump in production in the United States
433 and the world, 3D seismic that came out that everybody was so

434 excited about in the early 1990s, and here we are today
435 talking about something that dwarfs all of those, and that is
436 horizontal drilling: the ability to drill down 2 miles, turn
437 right, drill 2 to 3 miles further and hit your lapel pin if
438 we want to. So it is that technology, that precision that
439 has been adopted out there. And what that allows us to do,
440 it allows us to enter another world, the world of immobile
441 oil. We have been producing mobile oil, the stuff that would
442 move to you, trapped in different reservoirs all over, and
443 that is what we have been chasing all this time. Today we
444 can go after the source rocks themselves where the oil is
445 stored, tight rocks, heavy oil, tar sands, all those things
446 that we couldn't get to before. So it is an entire new world
447 of geology that is out there waiting us and we are able to do
448 that successfully repeatedly across the Nation, and we have
449 been doing that for the past 15 years and the result is
450 tremendous as to what has happened.

451 So we look at what that result is. In 2005, we thought
452 we were running out of natural gas. Everybody thought we was
453 going to be about out. And we had about 7 years' supply at
454 that time, current production that would sustain us,
455 reserves. Now we are at about 125 years, a lot of these
456 shale resource plays that we are able to tap into, natural
457 gas across the country. But then we have a few that is oil

458 and what do we got there? Well, we have seen great, great
459 fields come on. The Bakken is certainly a good example of
460 that. You know, with the technology that we have today, we
461 can get into that tight rock, you know, where the Bakken oil
462 was generated and stored over time, and it is a tremendous
463 resource.

464 So today we are the number one natural-gas producer in
465 the world, and today we are the number two crude-oil producer
466 in the world. A lot of people don't realize that statistic.
467 We just passed Russia in oil production. We are just
468 slightly behind Saudi Arabia in oil production. So we get
469 back to that old thing, supply and demand. You know, we are
470 bringing on a lot of new supply. You will hear people talk
471 today about the 3 to 5 million barrels a day that we are
472 going to increase production before 2020, and you ask if this
473 new energy renaissance is achievable. Hardly any of the
474 scientists that know what the drill is today will say that
475 that is not achievable because it certainly is achievable,
476 and it is a great promise for our country. We are finally
477 out from under OPEC dominance, and it means so much, the
478 stability of our Nation, national security, you know, the
479 jobs. You mentioned all those things. Good things flow from
480 American oil and there is a tremendous amount of it, and I am
481 excited to talk about all those.

482 I see my time is up. Thank you.

483 [The prepared statement of Mr. Hamm follows:]

484 ***** INSERT 1 *****

485 | Mr. {Whitfield.} Thank you, Mr. Hamm.

486 | Dr. Ahn, ~~you are recognize~~ recognized for 5 minutes.

|
487 ^STATEMENT OF DANIEL AHN

488 } Mr. {Ahn.} Chairman Whitfield, Ranking Member Rush and
489 Chairman Upton and distinguished members of the committee,
490 thank you for the opportunity to testify at today's American
491 Energy Initiative hearing.

492 My name is Daniel Ahn, and I am the Chief Commodities
493 Economist at Citigroup in New York. Earlier this year, my
494 colleagues and I published a report entitled ``Energy 2020:
495 North America, the New Middle East,' and I would like to
496 take the opportunity to share and update its conclusions.
497 North America has recently become the fastest-growing
498 hydrocarbon producer and exporter in the world, and this
499 trend should accelerate to the end of the decade. This
500 energy renaissance has been driven by both declining domestic
501 consumption and the successful deployment of new technologies
502 to extract hitherto inaccessible oil and gas resources,
503 particularly in tight and shale rock formations using
504 horizontal drilling and hydraulic fracturing techniques.
505 These two trends, declining demand and burgeoning supply,
506 should have dramatic consequences for national energy
507 security and for the domestic and global economy.

508 I will echo the chairman's opening statement and state

509 that I estimate that new U.S. oil and gas production could
510 add at least \$200 billion and possibly \$300 billion in
511 revenue and in turn could stimulate many hundreds of billions
512 more in economic activity, investment, consumption, and
513 create at least 2 million and possibly as high as 3-1/2
514 million new jobs. Furthermore, American dependence on
515 imported oil outside of North America should shrink or even
516 be eliminated entirely. The current account deficit, which
517 had seen trillions of dollars pass from American consumers on
518 to foreign oil exporters, could be slashed by two-thirds.
519 This would strengthen the credibility of the U.S. dollar as
520 the world's reserve currency of choice.

521 Global oil prices could fall by 15 or even 20 percent.
522 Energy-intensive manufacturing industries such as petroleum
523 refining, petrochemicals, fertilizers, iron, steel, aluminum
524 smelting, all should strategically benefit. Natural-gas-
525 fueled vehicles could proliferate on American roads.

526 Distinguished committee members, a minor industrial
527 revolution is in the making in our heartland. This is
528 testament to the technical ingenuity and flexibility of
529 American workers and enterprises and the bounty of our
530 natural resources.

531 With that, I look forward to future discussion and
532 questions during the rest of the hearing. Thank you.

533 [The prepared statement of Mr. Ahn follows:]

534 ***** INSERT 2 *****

|
535 Mr. {Whitfield.} Thank you, Dr. Ahn.

536 Mr. Freeman, you are recognized for 5 minutes.

|
537 ^STATEMENT OF JOHN FREEMAN

538 } Mr. {Freeman.} Thank you. I would like to take this
539 opportunity to thank all the members of the committee
540 including Chairman Upton, Ranking Member Waxman and
541 specifically would like to thank Subcommittee Chairman
542 Whitfield and Ranking Member Rush for holding this hearing
543 and inviting me to testify on behalf of Raymond James. My
544 name is John Freeman. I have worked as a part of the Energy
545 Research Group at Raymond James since 2000 together with my
546 colleague, Pavel Molchanov, who joins me in the room. I
547 welcome the opportunity to appear before the committee and
548 share our team's perspectives on the progress the Nation is
549 making towards energy independence.

550 America is already a major exporter of coal, and
551 together with Canada, we are already self-sufficient when it
552 comes to natural gas, and for the first time in over 50
553 years, there is clear visibility on how oil independence can
554 be achieved. Many of the themes I am going to describe today
555 are sustainable trends driven by the private sector, and they
556 can continue for a long time, even without additional policy
557 steps. However, Congress can and should play a constructive
558 role in accelerating these trends and supporting industry

559 efforts along the way.

560 The Nation's all-time peak for petroleum imports was in
561 2005 at 13-1/2 million barrels a day. By 2011, imports were
562 down to 9.7 million barrels a day. That reduction in imports
563 was almost evenly balanced between rising domestic production
564 and declining consumption, and we believe imports can
565 disappear entirely by as early as 2020.

566 All of you are aware of the unprecedented boom in
567 unconventional drilling activity across the United States.
568 This game-changing trend first materialized in the natural-
569 gas industry and led to the United States becoming the
570 largest natural-gas producer in the world. In the oil
571 industry, the unconventional boom began a bit later but we
572 think the real inflexion point is now upon us. This year
573 alone, we project a supply increase of nearly 1 million
574 barrels a day, about as much as the prior 2 years put
575 together. In fact, we forecast the United States will become
576 the largest oil producer in the world before the end of this
577 decade.

578 Despite the impressive production growth the industry is
579 accomplishing, it does not come without its share of
580 challenges. One of these will be difficult for this
581 committee to do anything about, and that is what we refer to
582 as the graying of the oil patch. The average U.S. petroleum

583 engineer is 50 years old. Some of the most active drilling
584 areas such as the Bakken in North Dakota have widespread
585 labor shortages across the spectrum. It is no surprise that
586 North Dakota has the lowest unemployment rate of any State.

587 The other two constraints are issues that Congress has
588 more influence over. One is the development of pipeline
589 infrastructure, and while very few pipeline projects will
590 achieve the political notoriety of Keystone, permitting
591 bottlenecks can still slow down the process, especially at it
592 pertains to federal lands. The growth in drilling activity
593 in recent years has been much more visible on private and
594 State lands rather than federal lands, which reflects the
595 more stringently regulatory scrutiny associated with federal
596 lands. The challenge here is to balance prudent
597 environmental protection with the industry's needs.

598 If I turn to demand, the Nation's oil demand began to
599 fall well before the onset of the financial crisis in 2008.
600 Between 1992 and 2005, demand was up every single year except
601 one. Since 2005, demand has fallen every year except one.

602 There are four long-term drivers, and in our view will
603 result in a sustained decline in U.S. oil demand. The first
604 driver is ongoing improvement in fuel economy. Between 2006
605 and 2011, the increase in average fuel economy of actual
606 passenger car sales improved more in absolute terms than it

607 had in the 15 years combined prior to that.

608 Second, there is an ongoing decline in vehicle miles
609 traveled. The use of public transport, greater reliance on
610 Internet commerce, the fact that the number of automobiles
611 per household peaked in 2007, due in part to demographics,
612 are just some of the factors driving this trend.

613 The final two reasons involve a shift from oil to
614 natural gas in the petrochemical industry as well as in
615 transportation. The cost advantages of the U.S. chemical
616 industry compared to its overseas competitors helps explain
617 why many new chemical plants are in development. And oil-
618 based feedstocks have been cut in behalf since 2005.
619 Transportation is another emerging arena for natural-gas
620 usage due to the cost advantage over oil.

621 In conclusion, America is blessed with an abundance of
622 natural resources. We are the largest producer of natural
623 gas in the world, the second largest producer of coal, and in
624 the next several years will become the largest oil producer
625 in the world. The future has never been brighter for
626 achieving energy independence.

627 Thank you, and I look forward to your questions.

628 [The prepared statement of Mr. Freeman follows:]

629 ***** INSERT 3 *****

|
630 Mr. {Whitfield.} Thank you, Mr. Freeman.

631 Mr. Weiss, you are recognized for 5 minutes.

|
632 ^STATEMENT OF DANIEL WEISS

633 } Mr. {Weiss.} Thank you, Chairman Whitfield, thank you,
634 Ranking Member Rush and members of the subcommittee for the
635 opportunity to testify today.

636 Congress must not ignore climate science when developing
637 energy policies. Promoting an energy independence plan that
638 increases carbon pollution is like setting your house on fire
639 to stay warm. It may work at first but the long-term
640 consequences are horrendous. Any North American energy
641 independence plan must reduce carbon pollution too.

642 This year, the polluted climate struck back with the
643 worst U.S. drought in over 50 years and the third hottest
644 summer ever measured, and the drought has cost us at least \$5
645 billion in crop damage so far.

646 The Obama Administration's all-of-the-above energy
647 strategy includes both pollution reductions and domestic
648 energy production. It modernized fuel economy standards,
649 which will save drivers \$1 per gallon. We cut carbon
650 pollution from cars and invested in clean-energy
651 technologies. Renewable electricity generation has doubled.
652 Domestic oil production is the highest in 15 years, and
653 imports are the lowest. Natural-gas production is the

654 highest ever. Seventy-thousand new oil and gas jobs have
655 been created in the last 3 years.

656 To build on these successes, we must continue to invest
657 in renewable energy, energy efficiency and clean vehicles and
658 fuels so that our companies can compete with those in other
659 Nations. Without incentives, financiers will invest
660 elsewhere, effectively outsourcing clean-energy jobs to China
661 and other nations with more supportive policies.

662 Domestic oil production benefits our economy and
663 security. Fewer imports will reduce our trade deficit. But
664 more domestic production won't do much to lower prices at the
665 pump because gasoline prices are mostly based on oil prices
666 that are set on a world market controlled by the OPEC cartel.

667 The Associated Press tested whether more U.S. drilling
668 would lower gasoline prices by analyzing three decades of
669 U.S. production and price data. The AP found, and I quote,
670 ``no statistical correlation between how much oil comes out
671 of U.S. wells and the price at the pump.'' Canada is oil-
672 independent yet it had the same high gasoline prices this
673 year as the United States did.

674 Contrary to some claims, expansion of drilling into
675 protected public lands and waters would have little impact on
676 gasoline prices. However, such policies would increase
677 carbon and other pollution because many oil and natural-gas

678 production techniques generate significant emissions.

679 In addition, there is a proposal now to let States
680 decide whether to allow oil drilling in National Park Service
681 units and other public lands within their borders. This
682 tempts States to sanction drilling to generate oil revenues
683 rather than safeguard the natural resources of these lands
684 for their owners who are the American people. The New York
685 Times noted, and I quote, ``States tend to be interested
686 mainly in resource development.''

687 Yesterday, the Center for American Progress released
688 data highlighting 30 National Park units that could have
689 future oil and gas drilling, including the Flight 93 Memorial
690 in Pennsylvania and Everglades National Park in Florida.
691 These places would be vulnerable to oil drilling if federal
692 oversight is eliminated in favor of more relaxed State rules.

693 A columnist for Field and Stream magazine warned that
694 State control of energy development on public lands would
695 devastate outdoor activities: ``When it comes to the future
696 of public hunting and fishing, fewer proposals could be more
697 frightening.''

698 The proposal to build the Keystone XL pipeline won't
699 increase our energy security much either. A significant
700 portion of the Canadian tar sands oil would flow to Gulf
701 Coast refineries and be refined and exported as diesel or

702 gasoline, and the increase in production of energy-intensive
703 Canadian tar sands oil made possible by the pipeline would
704 add even more carbon pollution to our overburdened
705 atmosphere. In fact, Raymond James and Associates--John
706 Freeman is a representative--predicts a significant oil
707 production increase in the coming years without any expansion
708 of drilling into protected places or weakening of
709 environmental safeguards. A quote from their report: ``By
710 2020, based on domestic oil production, growth in biofuels
711 and declines in demand, we expect net imports to reach
712 essentially zero.''

713 To become more energy independent while reducing carbon
714 pollution, we must increase investments in efficiency and
715 clean-electricity vehicles and fuels. We can pay for these
716 investments by ending \$2.4 billion of annual special tax
717 breaks for the five largest oil companies: BP, Chevron,
718 ConocoPhillips, ExxonMobil and Shell. These five companies
719 made \$60 billion in profits in the first half of 2012, and a
720 recorded \$137 billion in 2011. The money from these tax
721 breaks would be better invested in the clean energy
722 technology of the future that will make us both energy
723 independent and cut carbon pollution. That would lead to
724 real energy independence.

725 Thank you very much.

726 [The prepared statement of Mr. Weiss follows:]

727 ***** INSERT 4 *****

|

728 Mr. {Whitfield.} Thank you, Mr. Weiss.

729 Mr. Purcell, you are recognized for 5 minutes.

|
730 ^STATEMENT OF JOHN PURCELL

731 } Mr. {Purcell.} Thank you, Chairman Whitfield, Ranking
732 Member Rush and subcommittee members. My name is John
733 Purcell and I serve as Vice President of Wind Energy for
734 Leeco Steel. I appreciate the opportunity to speak briefly
735 today about America's wind power contribution to a secure and
736 affordable national energy portfolio. I would especially
737 like to focus on the impact on Leeco Steel and the U.S. wind
738 energy due to the impending expiration of the renewable
739 energy production tax credit, the PTC.

740 We at Leeco Steel feel it is imperative for the PTC to
741 be extended in its full form as soon as possible as included
742 in the Family and Business Tax Cut Certainty Act that was
743 passed on a strong bipartisan basis by the Senate Finance
744 Committee by a vote of 19 to 5.

745 Leeco Steel is a wholly subsidiary of O'Neal Steel, the
746 largest privately held metals distribution company in the
747 United States. Headquartered in Lisle, a western suburb of
748 Chicago, Leeco Steel is a carbon, high-strength low-alloy
749 steel plate distributor and processor serving the United
750 States, Mexico and South America from seven locations
751 throughout these regions. We have distribution facilities in

752 Portage, Indiana; Oshkosh, Wisconsin; Pittsburgh,
753 Pennsylvania; Chattanooga, Tennessee, and Fort Worth, Texas.

754 Leeco Steel first began delivering steel plates and
755 fabricated plate products to the wind industry in 2004.
756 Revenue from the wind industry now accounts for nearly 40
757 percent of our company's revenues. The wind business for
758 Leeco has become a keystone of our overall business and a
759 driver for development of our company overall.

760 Leeco Steel has provided over 500,000 tons of steel
761 plates to 12 tower manufacturing facilities in 12 States
762 across the United States, 500,000 tons of steel in the last 6
763 years that didn't exist to a market that didn't exist before
764 2004 for us, most of which has been built in the last 8
765 years. The PTC has helped us to expand our company in the
766 wind industry and into new markets, and has helped us weather
767 the recent economic downturn. Since the early development of
768 our wind business, we have hired over 70 people at my company
769 to help maintain the growth strategies that we have planned
770 for our company.

771 In the past 6 years, when there has been certainty of a
772 PTC, our wind business and the wind industry overall have
773 been important drivers of economic growth. Of the 12 tower
774 factories mentioned above, 10 of those factories did not
775 exist before 2002. Taking an average of 250 employees per

776 factory, that is 2,500 new, good-paying jobs that were
777 created in a very short amount of time within our supply
778 chain alone. This does not take into account the thousands
779 of additional jobs that exist in the supply chain that
780 supplies goods and services to each of these 12 factories.

781 Because of the PTC, the U.S. wind industry has seen
782 tremendous growth and innovation and has become an American
783 success story. Overall, wind energy capacity has grown to
784 over 50 gigawatts, which is enough energy to power over 13
785 million American homes. Iowa and South Dakota now get
786 roughly 20 percent of their electricity from wind generation
787 alone. The wind industry has generated investment upward of
788 \$20 billion annually and created 75,000 jobs. Since the PTC
789 was last allowed to expire, there was approximately only 25
790 percent domestic content in each wind turbine that was
791 erected, on average. Today, the average is over 65 percent
792 domestic content in each installed turbine. And wind power
793 is more affordable than ever, with costs falling 90 percent
794 since the 1980s to 5 to 7 cents per kilowatt-hour today.

795 With such a positive impact on communities across the
796 country, it is no surprise that the PTC has enjoyed
797 widespread, bipartisan support. One example of this support
798 can be seen in the list of 113 cosponsors, including 27
799 Republicans, of H.R. 3307, a bill that would extend the PTC

800 through 2016. Another PTC extension bill on the Senate side,
801 S. 2201, was introduced on a bipartisan basis and there is
802 strong support by both Republican and Democratic governors as
803 well for a PTC extension.

804 With the PTC extension uncertainty, many of Leeco's
805 expansion plans are at risk. There have been high-level
806 discussions to increase the amount of steel plate capacity
807 for the wind business in the coming few years. However,
808 those discussions have now gone silent, as there needs to be
809 business case certainty to move forward with such huge
810 capital investments.

811 In similar fashion, over the years many plans to
812 increase wind tower production in the United States have been
813 scrapped due to the uncertainty caused by the on again-off
814 again nature of the PTC. As a result, the wind industry as a
815 whole is already seeing massive layoffs. Many plans to add
816 to existing facilities or invest in new facilities are on
817 indefinite hold or again have been scrapped altogether.
818 Industry-wide, 37,000 jobs will be lost if the PTC is not
819 extended immediately.

820 It is my opinion that the supply chain was built for the
821 wind industry, and billions of dollars were invested in it,
822 because companies expected a long-term PTC that would allow
823 for stable growth in the wind business for many years to

824 come. Major factories have been established from coast to
825 coast, and many North American headquarters have been
826 established in cities such as Portland, Chicago and Denver.
827 Without an extension of the PTC, all of these assets are at a
828 premium risk of being shuttered or downsized dramatically.

829 With an immediate extension of the PTC, the development
830 and construction of these turbines can continue as planned.
831 The tens of thousands of jobs that can be created with this
832 extension will allow the wind industry to not only continue
833 being a leader in job creation, but help secure our Nation's
834 energy future by diversifying America's energy mix and
835 locking in stable power prices over a long timeframe. The
836 PTC is also crucial for regaining our Nation's leadership in
837 new technology and innovation that will keep our economy
838 competitive. The wind industry is on the verge of becoming
839 competitive without the PTC, but failing to extend it
840 immediately would prevent us from finishing the job.

841 Again, thank you for the opportunity to be here today.
842 I look forward to answering your questions. Thank you.

843 [The prepared statement of Mr. Purcell follows:]

844 ***** INSERT 5 *****

|
845 Mr. {Whitfield.} Thank you, Mr. Purcell.

846 Mr. Mills, you are recognized for 5 minutes.

|
847 ^STATEMENT OF MARK MILLS

848 } Mr. {Mills.} Thank you, Mr. Chairman, and thank you to
849 the committee for the opportunity and the honor of testifying
850 before you today.

851 As you know, I am Mark Mills, a Senior Fellow with the
852 Manhattan Institute. I have spent almost all of my career as
853 a technologist, as a practitioner, an analyst and
854 fundamentally in recent decades a forecaster of technologies.

855 We are at an interesting turning point technologically
856 in the energy arena that no one expected us to arrive at at
857 any time in the last five decades. But let me put into
858 context, if I may, the idea of energy independence that we
859 have been talking about since 1973 from the first Arab oil
860 embargo.

861 The idea of energy independence is not one of
862 isolationism for the United States. I would suggest that we
863 consider independence in the same context as we are
864 interdependent of food and agriculture. The United States is
865 the single largest supplier of grains to the world. We
866 provide 40 percent of the world's trade in grains. That
867 provides America with all of the associated revenue benefits,
868 trade, jobs benefits. It is of enormous value to this

869 country.

870 Technology is now doing for the American energy and fuel
871 sector what happened to the agricultural sector. It is a
872 revolution of profound proportions and suggests something
873 that can be done that we have never considered for decades.
874 It is a complete reversal of the energy paradigms that were
875 put in place in foreign policies for the last four decades.
876 These are paradigms that everybody knows were based on the
877 idea of shortages and limits and rising imports. We can now
878 think realistically, as you have heard from a number of the
879 witnesses this morning, we can think realistically not just
880 in terms of dramatic continual increase on hydrocarbon
881 production in the United States. We could accelerate and
882 incent that and become a net energy exporter to the world and
883 become within less than two decades, probably within a
884 decade, the world's largest supplier of hydrocarbons and
885 fuels, just as we are now the world's largest supplier of
886 food.

887 You have already heard from a number of witnesses, and
888 there are at least a half dozen excellent reports including
889 that from Citi and Raymond James that point out that we are
890 in that context on track to generating millions of jobs from
891 this kind of trajectory and probably trillions of dollars of
892 net economic benefit to our economy. All these analyses have

893 been done in the context of business as usual. If we leave
894 the industry alone, it will continue to generate these
895 benefits. I would like to suggest this morning that that is
896 not adequate to the times. It is not adequate to the task or
897 the opportunity. I know that we have in the general
898 political discourse made fun of the idea of ``drill, baby,
899 drill'' but it is a practical reality that the infrastructure
900 of the hydrocarbon industry is now capable of generating more
901 jobs, more economic benefits to the U.S. economy than any
902 single activity we could incent in the entire economy. We
903 could literally drill, but I would expand this to drill, dig,
904 build and ship our way out of the economic and jobs crisis
905 that we are in right now by recognizing the technological and
906 resource realities that are now in place.

907 No one expected this any time in the last 40 years.
908 Nobody expected this even 5 years ago. The reality here of
909 course is that this comes at a terrific time for the United
910 States. We are no longer the primary energy consumer of the
911 world and no increase in energy demand. In fact, most likely
912 zero energy demand growth occurs in the United States over
913 the next decade, net demand growth. All of the net energy
914 demand growth in the world is occurring outside of the United
915 States, which is a complete reversal of where we were in the
916 1970s. The world will add to its demand over the next two

917 decades the equivalent of adding two United States' worth of
918 energy demand and it will occur without regard to anything
919 that occurs in the United States within our borders or in
920 North America.

921 We now have the opportunity to help fuel that hungry
922 world. Eighty-five percent of the world's energy is
923 currently in hydrocarbons. In a sense, all of the or a
924 majority of all the growth in demand will come from
925 hydrocarbons over the next two decades. There is a very
926 significant role for non-hydrocarbons but the majority will
927 be hydrocarbons.

928 So the United States is sitting here at an interesting
929 turning point. We could see this enormous opportunity to
930 produce and fuel the world and generate millions of jobs in
931 America and generate trillions of dollars of net economic
932 benefit or we could choose not to do so. I would suggest
933 that the issue that should be considered is not how do we not
934 impede the industry from continuing to bring this very happy
935 circumstance of becoming the world's fastest-growing
936 hydrocarbon province. How do we accelerate that? How do we
937 accelerate those economic benefits, the benefits to the
938 world, to our economy and fundamentally reset the geopolitics
939 of the energy economy for the entire world?

940 Thank you, Mr. Chairman.

941 [The prepared statement of Mr. Mills follows:]

942 ***** INSERT 6 *****

|
943 Mr. {Whitfield.} Thank you, Mr. Mills.

944 Mr. Howard, you are recognized for 5 minutes.

|
945 ^STATEMENT OF PETER HOWARD

946 } Mr. {Howard.} Thank you, Mr. Chairman. My name is
947 Peter Howard, and I am President and CEO of the Canadian
948 Energy Research Institute located in Calgary, Alberta,
949 Canada.

950 The Canadian Energy Research Institute is an independent
951 not-for-profit research institute specializing in the energy
952 economics of energy production, transportation and
953 consumption sectors. The central goal of CERI is to bring
954 the insights of scientific research, economic analysis and
955 practical experience to the attention of government
956 policymakers, business-sector decision-makers, the media and
957 the general public. CERI is funded by the government of
958 Canada, the government of the Province of Alberta, the
959 Canadian Association of Petroleum Producers, and the Small
960 Explorers and Producers Association.

961 CERI has published several reports that deal with the
962 economic analysis and short- to medium-term forecasts of
963 hydrocarbon production from the Canadian provinces and
964 territories including conventional oil, conventional gas,
965 coalbed methane, unconventional gas, oil sands, LNG and
966 natural-gas liquids. These reports are available on CERI's

967 website and are the basis of my comments today.

968 With respect to liquid hydrocarbons, in 2011 Canada's
969 average daily production was made up of the following. From
970 western Canada, light crude was 562,000 barrels; condensate,
971 128,000; conventional heavy, 422,000; upgrade bitumen, or
972 SCO, at 846,000; non-upgraded bitumen at 759,000; and from
973 eastern Canada, primarily Newfoundland, conventional light at
974 272,000 for a total of 2,989,000 barrels per day average. In
975 2011, Canada's average daily exports was 2,138,000, of which
976 98 percent of those volumes went to the United States.

977 Canada's conventional-oil production, light and heavy,
978 peaked in the mid-1970s at 2.2 million barrels per day and
979 has been on a steady decline since that point in time until
980 very recently. In 2010 and 2011, the year-over-year
981 production rate actually increased. The reason: applying
982 horizontal drilling technology to old oil fields to access
983 bypassed oil and increase the recoverable oil percentage.
984 During those years the number of oil-directed wells increased
985 from 1,647 wells in 2008 to 4,339 wells in 2011 with
986 horizontal wells being 60 percent of the total. CERI's
987 conventional-oil model is forecasting a conservative increase
988 in conventional oil of 200,000 barrels per day by 2015 and an
989 optimistic increase of 300,000 barrels.

990 The Alberta oil sands currently produce, on average,

991 1.681 million barrels per day with 60 percent sourced from
992 mining operations and 40 percent from in situ operations.
993 Production ramp-ups and de-bottlenecking efforts over the
994 next 2 years will expand production to 2.2 barrels per day.
995 An additional 408,000 barrels per day is scheduled to be
996 connected from projects that are currently under construction
997 and due on stream in and about 2015. Additional volumes of
998 1.3 million barrels per day and another 1.3 million barrels
999 per day on top of that either have the regulatory approval or
1000 are awaiting for their regulatory approval. And on top of
1001 all that, there is a further 1 million barrels per day from
1002 projects that have been announced that have not gone before
1003 the regulator. Total potential from the oil sands is around
1004 5.3 million barrels per day. In other words, there is 2-1/2
1005 million barrels, or five pipelines, of production that is
1006 considered land-locked and is looking for a pathway to either
1007 an existing market or a new market.

1008 The current export capacity of pipelines from the WCSB
1009 from an operational point of view is 3.45 million barrels per
1010 day. Add to this, two projects that Enbridge Pipelines is
1011 currently undertaking to increase capacity on line 67 and 61
1012 totaling 200,000 barrels per day. Total export capacity by
1013 2015 and forward will be around 3.65 million barrels per day.

1014 In 2012, the Trans Mountain Pipeline System connecting

1015 Alberta to Vancouver was 60 percent oversubscribed. By 2016,
1016 CERI is forecasting that the export pipelines connecting
1017 Alberta to the United States will be approaching an
1018 oversubscribed situation. Some possible relief from the
1019 railways is envisaged by transporting upwards of 200,000
1020 barrels per day to market which would shift that point to
1021 about 2018.

1022 There are three possible pipeline projects that are on
1023 the books to be constructed: the Keystone XL, the Trans
1024 Mountain Expansion and the Northern Gateway. In addition to
1025 those, there are three other proposals. The first one is
1026 Enbridge's line 9 to reverse that and change the flow
1027 direction Sarnia, Ontario, to Montreal, Quebec. Total volume
1028 will be 240,000 barrels per day, and this would be
1029 conventional crude sourced out of Alberta and Saskatchewan.
1030 TransCanada has also proposed converting one of their
1031 Canadian mainline gas pipelines over to oil and bitumen
1032 service. This would connect western Canada to all the
1033 eastern Canada refineries, including the Irving refinery in
1034 New Brunswick.

1035 The port of Churchill, Manitoba, is currently ice-free
1036 for 9 months of the year and this is being investigated as a
1037 potential pipeline connection and tanker port.

1038 I see that my time has come up, so I will belay my

1039 comments with regard to natural gas and cede to the chairman.

1040 Thank you.

1041 [The prepared statement of Mr. Howard follows:]

1042 ***** INSERT 7 *****

|
1043 Mr. {Whitfield.} Mr. Howard, thanks very much, and I
1044 want to thank all of you for your testimony. The testimony
1045 was quite enlightening, and when you think about a few years
1046 ago, as has been said, we all were sort of wringing our hands
1047 about being able to meet the energy demands not only of our
1048 country but the increasing energy demands around the world,
1049 and to hear this optimistic testimony today is something I
1050 think all of us can feel very good about.

1051 Dr. Ahn, you even mentioned the words ``a minor
1052 industrial revolution.'' Would you just elaborate on that a
1053 little bit for me? I love that term, ``minor industrial
1054 revolution.''

1055 Mr. {Ahn.} Thank you, Chairman. I would be happy to.
1056 Indeed, the scale and the promise to our economy, which is
1057 still struggling to recover from the aftermath of the 2007-
1058 2008 recession, is staggering enough that ``industrial
1059 revolution'' might be the appropriate phrase to put it. As I
1060 mentioned, we are seeing \$200 billion to \$300 billion in
1061 activity just from the oil and gas revenue alone, but because
1062 our economy is still substantially far away from what it has
1063 the potential to produce and the number of jobs that it can
1064 potential support, this energy revolution can serve as that
1065 trigger, as that stimulus to push our economy back to or even

1066 beyond potential output.

1067 Mr. {Whitfield.} And how many new jobs did you estimate
1068 maybe by the end of the decade?

1069 Mr. {Ahn.} Yes. The specific estimates are 2 to 3.3
1070 million jobs. About one would be in the energy and the
1071 manufacturing sector and then the remainder would come from
1072 multiplier effects, as economists would term it, as this new
1073 energy boom ripples through the rest of the economy, creates
1074 virtuous cycles of consumption and investment.

1075 Mr. {Whitfield.} And did you or Mr. Freeman make any
1076 estimates on the amount that we could reduce our trade
1077 deficit by the end of the decade?

1078 Mr. {Ahn.} I am sure Raymond James has something but
1079 our estimates, my estimate was for the U.S. current account
1080 deficit to be reduced by two-thirds.

1081 Mr. {Whitfield.} Mr. Freeman?

1082 Mr. {Freeman.} We looked at a couple a years ago. Half
1083 of your trade deficit was importing oil. Obviously if you
1084 are no longer having to import oil by 2020, then you are
1085 looking at a meaningful reduction in that trade deficit.

1086 Mr. {Whitfield.} Right. And, you know, the President
1087 makes the comment frequently that oil production has gone up
1088 since he has been President, which is actually true, but it
1089 certainly hasn't gone up as a result of any affirmative

1090 government program, but I think you would agree with me, Mr.
1091 Hamm, that this has been generated because of private
1092 capital, people willing to invest their capital, take the
1093 risk. There has not been any government program that has
1094 assisted in this, has there?

1095 Mr. {Hamm.} No, actually it has been done actually in
1096 spite of, you know, what is going on here in Washington.
1097 This thing has taken about 20 years. It was led perhaps by
1098 George Mitchell, Linda Barnett, taking--a lot of us were
1099 engaged with highly deviated drilling under the cities and
1100 actual directional wells even in the 1970s, so it goes a long
1101 ways back. But it has been brought on by the private sector
1102 entirely.

1103 Mr. {Whitfield.} Well, now, the President has made some
1104 comments and others have sort of left the impression that our
1105 reserves, our known reserves, are rather small, and I know
1106 that the SEC has certain rules on what you can book as
1107 reserves. Would you elaborate on that issue a little bit,
1108 the known reserves, the reserve issue?

1109 Mr. {Hamm.} Yeah, I would like to. He makes a
1110 statement, you know, the United States has only 2 percent of
1111 the world's reserves, and actually our production is about 12
1112 percent of daily production in the world, so a huge
1113 disconnect here in the way that the United States calculates

1114 reserves and the rest of the world. We have what is known as
1115 a 5-year rule that it is like the Bakken, we are going to be
1116 drilling wells there and developing at least 15 years,
1117 probably 25 years from now to fully develop it yet we cannot
1118 book anything beyond 5 years, we can drill beyond 5 years.
1119 And even though we are in a continuous--the largest
1120 continuous oil deposit found in North America and basically
1121 the rock is the same through a lot of it, if it not right
1122 against forward drilling, we can't claim it as direct
1123 offsets, even though the rock is much the same 20 miles away,
1124 40 miles away, 80 miles away. We can't claim it.

1125 Mr. {Whitfield.} So you have great certainty that it is
1126 there but from a financial standpoint you simply cannot claim
1127 them?

1128 Mr. {Hamm.} Yeah, it is an absolute geologic certainty,
1129 and it has been proven. Just due to the rules, we can't
1130 claim it.

1131 Mr. {Whitfield.} Well, last night, I was looking on, or
1132 a few days ago, Department of Energy website and the 1705
1133 loan guarantee program under the DOE website said the create
1134 1,175 new jobs at a cost of \$12.8 million of taxpayer dollars
1135 per job, and I think about the contrast about what is going
1136 on in the oil and natural-gas fields.

1137 Anyway, my time is expired, and Mr. Rush, I recognize

1138 you for 5 minutes.

1139 Mr. {Rush.} I want to thank you, Mr. Chairman. A very
1140 interesting panel so far.

1141 We keep hearing how the Obama Administration has somehow
1142 implemented policies that are hostile to the oil and gas
1143 industries, although I would argue that the facts would
1144 indicate that those industries actually have been not
1145 hampered but aided and helped in terms of us experiencing the
1146 kind of boom that the witnesses have spoken to so far.

1147 And my question is to Mr. Weiss and Mr. Purcell, do
1148 either of you agree that, or do both of you agree that the
1149 Obama Administration is hostile to the oil and gas
1150 industries, and what evidence would you point to to support
1151 your argument?

1152 Mr. {Weiss.} Thank you, Mr. Rush. First, let me just--
1153 I want to address something that Chairman Whitfield just
1154 asked about, which is has there been government support for
1155 oil development on private lands, and in fact I believe in
1156 Mr. Hamm's written statement, he talks about the value of the
1157 tax treatment of investments in drilling where they get a tax
1158 break for intangible drilling costs, and I would personally
1159 classify that as a form of government support.

1160 Now, to answer your question, I think the only--some in
1161 the oil industry may argue that the Administration hasn't

1162 been hostile the oil industry because they have issued new
1163 standards for worker safety and environmental safety on
1164 oilrigs in the wake of the BP oil disaster. I think that is
1165 an incredibly positive development and in fact the
1166 predictions of all the oil growth that Raymond James and
1167 Citigroup have made all assume that those new rules are going
1168 to be implemented yet we are going to have this explosion in
1169 oil production, yet with the production of which offshore is
1170 going to be much safer for the workers and for the
1171 environment. So I would see that as a plus of what we have
1172 done.

1173 The other thing that the Administration is focused on is
1174 eliminating tax breaks, some of which go back to 1916, that
1175 benefit the oil industry that were appropriate at the time
1176 that the oil industry was new and starting out but now is
1177 unnecessary, and I would argue that the \$2.4 billion that
1178 goes to the big five oil companies in tax breaks every could
1179 be better spent on things like extending the Production Tax
1180 Credit for wind energy, which is a new industry in the way
1181 that oil was new 100 years ago.

1182 Mr. {Rush.} Mr. Purcell, do you want to try your hand
1183 in this, please?

1184 Mr. {Purcell.} I can. I can't speak as much to the oil
1185 and gas industry and Mr. Obama's position on that as I can

1186 his position in carrying out the Production Tax Credit for
1187 renewables including--

1188 Mr. {Rush.} Let me ask you this question then. Why
1189 should Congress invest in renewable energy and wind in
1190 particular? What are the benefits in terms of decreasing our
1191 reliance on foreign oil as well as in creating jobs and
1192 putting Americans back to work?

1193 Mr. {Purcell.} Yes, sir. I think, you know, part of my
1194 testimony lends to that policy and the continuation of the
1195 Production Tax Credit. We have created over 75,000 jobs in a
1196 very short amount of time and 37,000 of those are
1197 manufacturing jobs of which companies of which I serve. We
1198 have had \$15 billion of private investment in the wind
1199 industry on average over the last 4 years. So there is a
1200 tremendous amount of private industry in the wind industry as
1201 well. However, with uncertainty with the PTC, both those
1202 manufacturing jobs and that investment is at risk today. In
1203 fact, most of the developers of wind farms and wind turbines
1204 aren't investing money for next year because of the impending
1205 expiration of the PTC so as recently as yesterday there was
1206 another announcement, another one of the customers that I
1207 serve having to close their wind tower factory in Columbus,
1208 Nebraska, and Ephrata, Washington, and last week DMI
1209 Industries announced closing of three facilities, two of

1210 which are in the United States, one in North Dakota and one
1211 in Oklahoma, because of the uncertainty of the PTC, so--

1212 Mr. {Rush.} How many jobs are affected with the
1213 closures?

1214 Mr. {Purcell.} With those five factories at peak
1215 employment 2 years ago were roughly 1,500 jobs in those
1216 factories alone, and those are just two examples recently in
1217 the last 2 weeks of plant closures due to the uncertainty of
1218 the PTC, and of course, I would say again as part of
1219 testimony that I feel like we have bipartisan support from
1220 both parties that believe in the Production Tax Credit. You
1221 know, we think that now is the time. It is beyond time, and
1222 so we appreciate the President's support of the PTC very
1223 publicly and it was something quite frankly that President
1224 Bush extended back in his term as well, so we feel like both
1225 recent Presidents have acknowledged the benefit of the
1226 Production Tax Credit and of the wind industry.

1227 Mr. {Rush.} Thank you, Mr. Chairman. Yield back.

1228 Mr. {Whitfield.} I recognize the gentleman from Texas,
1229 Mr. Barton, for 5 minutes.

1230 Mr. {Barton.} Thank you, Mr. Chairman. A couple of
1231 observations and then I will ask some questions. You know,
1232 some of the opponents of our current market-based energy
1233 policy keep harping on the fact of the scarcity issue and the

1234 chairman in his questions asked a question about the reserve
1235 base to Mr. Hamm. I just want to point out that Texas, which
1236 except for a few years in the 1970s and 1980s has been the
1237 number oil-producing State in the country, Alaska when
1238 Prudhoe Bay was in full production was number one for I think
1239 10 or 15 years, but Texas has averaged somewhere between a
1240 million and 2 million barrels of oil production a day for
1241 over 100 years. Texas by itself has produced somewhere
1242 between 40 and 50 billion barrels of oil in the last 100
1243 years, and one of the most prolific fields in Texas is the
1244 Permian Basin, which has been in production since the 1920s,
1245 and because of the new technologies, horizontal drilling and
1246 hydraulic fracturing and also some water flood projects,
1247 Permian Basin this year will produce as much oil as it has
1248 produced in any given year.

1249 You know, if you look at what is called proven reserves,
1250 which is recoverable today at today's prices and today's
1251 technology, the United States proven reserves are 20 to 30
1252 billion. But if you look at recoverable reserves, which it
1253 is technologically possible, that we know the oil is there,
1254 it is in the trillions. It is in the trillions. And in Mr.
1255 Hamm's home State--I assume you are from North Dakota. Is
1256 that correct?

1257 Mr. {Hamm.} Well, I am sure there a lot, but I am

1258 actually from Oklahoma.

1259 Mr. {Barton.} Oklahoma. But your oil company is in
1260 North Dakota?

1261 Mr. {Hamm.} Yes.

1262 Mr. {Barton.} North Dakota 10 years ago was producing
1263 3,000 or 4,000 barrels a day. I mean, it was in the
1264 thousands. In the near future, North Dakota is going to
1265 produce over a million barrels of oil a day. You know, so it
1266 is not necessarily about proven, it is about recoverable, and
1267 when you look at the statistics of what is out there, the
1268 chairman's home State, Chairman Upton of Michigan, is going
1269 to be a huge producer of natural gas, and Michigan is not
1270 noted to be an energy production State but in the next 10
1271 years Michigan is going to be producing probably a billion
1272 cubic feet of natural gas a day. It is just stunning. So I
1273 just wanted to put that on the record.

1274 I want to ask Mr. Purcell, who I have great sympathy
1275 for, you are here talking about the wind credit, I believe,
1276 and in the 2005 Energy Policy Act, I supported the inclusion
1277 from the Ways and Means Committee of the wind credit that you
1278 talked about. However, today I don't, and the reason is,
1279 because 7 years ago wind was an emerging technology and we
1280 didn't have a lot of wind production. Well, today we do, and
1281 the cost per kilowatt-hour of wind is very competitive now,

1282 less than 10 cents a kilowatt-hour. In Texas, where we have
1283 an intrastate deregulated market, we have wind projects which
1284 are selling power into the grid at negative prices because
1285 they get the 2.3-cent wind tax credit. I believe that wind
1286 power is now a conventional source and a mature industry,
1287 although it is still growing, which is a good thing, and it
1288 is not acceptable to spend a billion to a billion and a half
1289 dollars a year on tax credits. What is your response to
1290 that?

1291 Mr. {Purcell.} I appreciate your comments, and I can't
1292 speak to the negative pricing. I am a steel guy, so you
1293 would have to ask somebody a lot smarter than me about that
1294 as far as the electricity going back in from western Texas.
1295 However, I do know that your State did provide a leadership
1296 role in wind under Governor Bush, started the wind initiative
1297 in the State of Texas, and today you have the most installed
1298 megawatts of any State in the country, over 10,000 megawatts
1299 of installed power, getting 8 percent of your electricity
1300 generation in Texas from wind power, so it has been a
1301 wonderful thing. We appreciate your support in 2005 and
1302 sorry you don't feel the same way today.

1303 However, as a steel provider to this industry, and
1304 speaking, I think, from industry as a whole, we don't feel
1305 like we have completely finished the job and we need the

1306 Production Tax Credit extended for a certain period of time
1307 to help us finish the job. We have brought down the cost of
1308 wind power to where it is competitive over a 20-year power
1309 purchase agreement. It is the only power that I know of that
1310 can offer a utility a sure price of fuel for 20 years because
1311 of course the wind is free. So in my estimation as a steel
1312 guy, I am watching my customers laying off folks all across
1313 the country and I won't be providing steel plates to any of
1314 those factories again so I can't answer your question about
1315 negative pricing. I will leave that to someone else.

1316 But with regard to the need for the Production Tax
1317 Credit to continue the manufacturing renaissance, much like
1318 was talked about by colleague down the table, we feel like we
1319 also have had a major manufacturing renaissance in the wind
1320 power industry and those jobs are at risk and being lost
1321 today, Mr. Barton. Thank you.

1322 Mr. {Barton.} My time is expired.

1323 Mr. {Whitfield.} The gentleman's time is expired. At
1324 this time I recognize the gentleman from Texas, Mr. Green,
1325 for 5 minutes.

1326 Mr. {Green.} Thank you, Mr. Chairman.

1327 Mr. Ahn and Mr. Freeman, both of you note how increased
1328 domestic production would bring down the price of oil in the
1329 next 10 years yet petroleum and gasoline prices are set by a

1330 complex mix of factors including global crude prices,
1331 increased world demand, refining capacity, maintenance
1332 schedules, gasoline imports, proscriptive fuel mandates and
1333 geopolitical events. Unfortunately, these factors are beyond
1334 our effective control. Canada is a net exporter and an
1335 actual oil-independent nation but gasoline prices in Canada
1336 rise and fall in accordance with world events. Can you
1337 please walk me through the basis on why you made your
1338 projection that it would actually be able to lower prices if
1339 we just increased more in the United States? Now, I agree if
1340 you put more oil on the world market, you know, the price
1341 will be more flexible just like every once in a while when
1342 the President decides to release it from the SPRO, we will
1343 see some flexibility over a few weeks but it goes back.

1344 Can you tell me why you think that our gasoline prices
1345 will go down if we produce more domestically, either one of
1346 you or both of you?

1347 Mr. {Ahn.} Thank you, Congressman, for that question.
1348 I will be happy to elaborate. As I mentioned in my remarks,
1349 we are estimating that global oil prices could fall by 15 to
1350 20 percent thanks to the combination of both new supply and
1351 declining consumption domestically. Just to break that down
1352 a little, we see about 14 percent of that come from new
1353 supply and about another 3 percent of that come from

1354 declining consumption, but this is ceteris paribus, all else
1355 equal, when you so correctly mention that global oil prices
1356 are set by a multitude of factors, much of this outside of
1357 our borders.

1358 That said, both the secular decline in consumption
1359 domestically is part of a broader movement of declining
1360 consumption around the world in response to historically high
1361 prices during the latter part of the past decade, even in
1362 countries such as China, as part of the 12th economic 5-year
1363 plan have made improving their domestic energy efficiency a
1364 key goal. So we will be seeing both a broad trend of
1365 declining consumption around the entire world at the same
1366 time as we see not just a burgeoning supply coming from the
1367 United States and North America but also from the Middle
1368 East, from Africa, from Australia, from Brazil, even the
1369 resurgence of supply from traditional sources such as Iraq,
1370 Russia, et cetera. So the United States is at the heart and
1371 at the forefront of this revolution but it is a global
1372 revolution in which we would see substantially lower prices.

1373 Mr. {Green.} Mr. Freeman, I only have less than 2
1374 minutes. Do you basically agree with that that it is both
1375 increased production not just in the United States but
1376 potential in other countries but also substantial reduction
1377 in demand?

1378 Mr. {Freeman.} Yes, it is definitely a combination of
1379 both. You know, obviously it was easier to drive down the
1380 natural-gas price because natural gas was not a fungible
1381 global commodity in North America and there is a reason you
1382 have got, you know, nearly decade low natural-gas prices. It
1383 does take longer for oil because it is a global fungible
1384 commodity. You probably have noticed, you know, your West
1385 Texas intermediate price is a good \$17 less than what the
1386 global oil price is right now. So we are seeing an impact
1387 from the rapid supply growth we have got in this country. We
1388 are expecting the oil price here to drop a good \$30. Now,
1389 there will be times when OPEC may respond and cut production,
1390 and that will temporarily pop up the price again.

1391 Mr. {Green.} Let me cut off because I only have 45
1392 seconds left and I have a number of other questions. But,
1393 you know, not only production, which I support expanded
1394 domestic production, offshore and onshore, and also what
1395 Canada possibly brings on, but one of the issues I have--and
1396 I had a great trip, by the way, to Alberta a couple weeks ago
1397 to see the oil sands and the success that they are having.
1398 We would like to get that to our five refineries but a
1399 million barrels a day sounds great, but the district I
1400 represent, we use over a million barrels a day in our five
1401 refineries so I don't think there is a panacea here because

1402 we expand ours. Maybe if we got that cheap West Texas oil to
1403 Philadelphia, they wouldn't be closing their refineries.

1404 Mr. Chairman, I know I am out of time but obviously I
1405 have a lot of other questions.

1406 Mr. {Whitfield.} Thank you. At this time I recognize
1407 the gentleman from Kansas, Mr. Pompeo, for 5 minutes.

1408 Mr. {Pompeo.} Great. Thank you, Mr. Chairman.

1409 Mr. Hamm, it wasn't very long ago that there was peak
1410 oil, we are about out of the stuff. All of American energy
1411 policy really for the last 25, 30 years under both parties
1412 was premised on that notion. Any validity to the fact that
1413 you are wrong, that what we have heard from these economists
1414 today is wrong and that we do have this challenge in front of
1415 us in the near term?

1416 Mr. {Hamm.} There are several believers in peak oil. I
1417 wasn't in that group. You know, there are still some people,
1418 I guess, that maybe are talking about peak oil. But, you
1419 know, frankly it is supply and development and we are seeing
1420 so many other oil plays across the United States today that,
1421 you know, it is almost too many to quantify at this time.
1422 But the big ones that we have, of course the Bakken Eagle
1423 Ford, and that is adding so much supply here in the United
1424 States, plus natural-gas production across the United States
1425 brings a lot of liquid with it as well.

1426 Mr. {Pompeo.} You bet. Don't forget the Mississippi
1427 shale in Kansas 4th Congressional District.

1428 Mr. {Hamm.} That is correct. Mississippi is a big
1429 play.

1430 Mr. {Pompeo.} Absolutely.

1431 Mr. Purcell, I heard you talk about the wind Production
1432 Tax Credit created 37,000 jobs and you talked about an
1433 expectation of its continuation. I find that very
1434 surprising. We have known for a long time when this thing
1435 was going to expire. It is a date certain that is in current
1436 law. Do you regret having built your business model on the
1437 assumption that politicians would extend that Production Tax
1438 Credit? Because now you are talking about laying folks off,
1439 and you turn it back to us and say gosh, you all need to
1440 extend that so my people don't get laid off. Well, you made
1441 the decision to hire those folks based on law you knew was
1442 expiring so I am interested in whether you have any regrets
1443 about having built your business model around that.

1444 Mr. {Purcell.} No, quite the contrary. It has served
1445 us very well. We have been able to grow our company in other
1446 ways. Quite frankly, you know, I sit here before you with
1447 regard to the Production Tax Credit but our company services
1448 other industries that are being talked about as well today,
1449 and we are actually greenfielding a plant south of Fort

1450 Worth, Texas. We are going to spend \$10 million down there
1451 developing in that area for both wind, oil and gas. So, you
1452 know, specific to the Production Tax Credit, yes, there is an
1453 expectation that that would be continued to allow the wind
1454 industry to continue the work that we are doing but the
1455 turbines are getting more efficient. The towers are getting
1456 taller, which is good for me, more steel under the turbine.
1457 The blades, the technology is getting better. A lot of
1458 things with regard to siting and wildlife are getting better.
1459 So everything that we are doing in the wind industry I feel
1460 is beneficial. However, much like going back to 1916, we
1461 talked about subsidies for oil, it took a long time for the
1462 country's oil to get as well, so it is something that we feel
1463 like we just a few more years on.

1464 Mr. {Pompeo.} I appreciate that. I went back and
1465 looked at the record from the 1980s and 1990s. The industry
1466 has said just a couple more years for an awfully long time.

1467 Mr. Mills, you talked about policies we could do to
1468 exploit this enormous renaissance. What is the most
1469 important thing we could do as a federal policy matter? We
1470 have now got 10 agencies investigating fracking. The last
1471 time 10 agencies investigated something and did nothing, none
1472 of us were here. So we know the federal government is on the
1473 march. What is the most important thing we could do as a

1474 policy matter so that we do continue this incredible economic
1475 opportunity for our country?

1476 Mr. {Mills.} That sounds like the hardest question to
1477 me in terms of the most important thing that Congress can do.

1478 If I might just briefly add on your question about peak
1479 oil because it is a very interesting one, the abundance of
1480 oil production and natural gas in the United States is not a
1481 consequence of us suddenly discovering that there is oil or
1482 gas here, as you well know. We didn't find a new planet or a
1483 country; we got new technology. And what is interesting with
1484 the technology aspect of this is, technology unleashes the
1485 resources, not finding the resources per se, and it is an
1486 indicator of what the future holds, the idea whether this is
1487 a peak or not. We can look at patents as sort of a forward-
1488 looking indicator of what is emerging. So we did some
1489 research and looked at the last 5 years the numbers of
1490 patents issued in non-hydrocarbons, about 60,000. The number
1491 of patents issued in the same 5 years in the hydrocarbon
1492 fields is 150,000. So this is a permanent shift in the
1493 technological revolution.

1494 I have a lot of people in industry this question you
1495 asked me, and the answer is almost always the same, and I
1496 know this committee has heard this in other hearings from
1497 other witnesses, everyone says almost universally those who

1498 make things can build things. We don't mind accommodating
1499 regulations but you have to back off, Washington, you have
1500 got to help us out here. It is not that we don't want to do
1501 things safely and in environmentally sensible way, every
1502 businessman I talk to in every industry is on board with
1503 this. This is the 21st century. But they are literally
1504 crushed by the quantity, the diversity, the complexity and
1505 slowness of regulations. So the regulatory process has
1506 evolved and grown in a chaotic way. They are asking for help
1507 and for relief, not to have no regulations but to make sense
1508 out of them. My sense is that the 21st century information
1509 technology, we ought to be able to fix this thing.

1510 Mr. {Pompeo.} Thank you.

1511 Mr. Chairman, I yield back.

1512 Mr. {Whitfield.} Thank you. At this time I recognize
1513 the gentlelady from Florida, Ms. Castor, for 5 minutes.

1514 Ms. {Castor.} Well, thank you, Mr. Chairman. I want to
1515 thank you for calling this hearing to highlight the great
1516 successes in the energy sector during the Obama
1517 Administration. Really, the testimony here from the experts
1518 is quite remarkable, and I am glad to hear from Raymond
1519 James. They are headquartered in my area in Tampa Bay, and
1520 people all across the country trust your advice, and you were
1521 kind enough to do kind of a bullet-point presentation. It is

1522 very helpful. The United States can become energy
1523 independent by 2020 under current policy. Before the end of
1524 this decade, the United States will become the largest oil
1525 producer in the world. That is astounding. America has
1526 added more barrels to global oil supply from 2008 to 2011
1527 than any other country despite the deepwater drilling pause
1528 necessitated by the most devastating offshore blowout in
1529 history, the Deepwater Horizon.

1530 On the demand side, good news. Petroleum imports have
1531 declined by 3.8 million barrels per day. Since 2005, oil
1532 demand has fallen every year. Oil demand is forecasted to
1533 decline and the main factors that are driving this decline in
1534 demand are the policies that the Congress in past years and
1535 the Obama Administration has put in place. They include fuel
1536 economy, the CAFE standards and changing consumer preferences
1537 and a decline in miles traveled.

1538 Citigroup identifies a minor industrial revolution that
1539 is happening in the American heartland. Even the chairman
1540 was a little bit excited about that. Mr. Mills stated there
1541 are millions of jobs on the way. That is good news. Mr.
1542 Hamm also heralded that America is now number one in natural-
1543 gas production. This is all very positive, and it is
1544 interesting--and Mr. Weiss, I would be interested, I see you
1545 smiling on this. These market conditions really do belie the

1546 Republican messaging that has been going on when it comes to
1547 energy, that the American energy sector is stagnant. How do
1548 you commend on that?

1549 Mr. {Weiss.} Well, I think the reports from Raymond
1550 James and Citi GPS are very encouraging because they say we
1551 can continue to grow our oil industry without expanding into
1552 currently protected places that are owned by all Americans,
1553 and I think that is very important.

1554 Ms. {Castor.} I consider the Florida Everglades as one.

1555 Mr. {Weiss.} Yes.

1556 Ms. {Castor.} Boy, that has gotten people's attention.

1557 Mr. {Weiss.} And in fact, one of the things that is so
1558 disturbing is there is a recent proposal. Mr. Hamm heads up
1559 Mr. Romney's policy shop for energy. The Romney energy plan
1560 would allow States to decide whether or not to drill in
1561 federally owned lands, and one of the places there are
1562 already oil holdings, oil leases held in National Park units
1563 includes the Everglades along with the Flight 93 Memorial.
1564 So conceivably, the State of Florida could allow oil drilling
1565 in the Everglades under the plan that Mr. Romney has put
1566 together, and that would put a very important ecological and
1567 economic resource at risk because, as we know, even drilling
1568 done as safely as possible as, you know, lots of
1569 environmental impacts including roads, spills, benzene

1570 pollution, all kinds of stuff.

1571 Ms. {Castro.} Yes, it is off base and it is not needed,
1572 and that is what a lot of the reports through the testimony
1573 here today demonstrate.

1574 But one other important element of maintaining a diverse
1575 approach to America's energy policy, it is devoid from a lot
1576 of the Congressional hearings that we have had this year, it
1577 is devoid from the Romney plan, and that is focusing on
1578 technology and creating jobs through clean energy, helping
1579 Americans save money and American businesses save money, put
1580 money back in their pocket.

1581 And I wanted to highlight a press report today that is
1582 also very positive. There is a revolution happening in solar
1583 power. Big-box retailers, large chain stores are installing
1584 rooftop solar power to help meet their energy needs but to
1585 save them money. Walmart, Costco and Kohl's, commercial
1586 installations with solar power have increased sharply in
1587 recent months. More than 3,600 nonresidential systems were
1588 activated in the first half of 2012, bringing the number of
1589 individual solar electric systems to 24,000. Almost half of
1590 the top 20 commercial solar customers are major retailers
1591 like Bed, Bath and Beyond, and Staples. Ikea, one of the
1592 chains in the top 20, plans to have solar arrays on almost
1593 all of its furniture stores and distribution centers by the

1594 end of the year, so that begs the question, Mr. Hamm, why in
1595 the Romney energy program and policy is it completely devoid
1596 of creating jobs through technology and clean energy? It is
1597 so one-sided to oil and gas.

1598 Mr. {Hamm.} Well, there is a lot of technology in the
1599 oil energy sectors, we know that, and it ought to be market-
1600 based, and that is what comes down to is what the market can
1601 afford and will afford and will sustain. We are talking
1602 about sustainable jobs going forward, and energy that is
1603 produced that is twice as high as anything else may not be
1604 there, you know, so it has to come back to what the market
1605 can afford.

1606 You made a comment I think on federal land restrictions,
1607 you know, we are not talking--nobody is talking here about
1608 federal parks and monuments. We are talking about the 40
1609 acres out there and the 1280 that it takes 10 months to get a
1610 permit to drill under, not on, out there in North Dakota. So
1611 there is a lot of restrictions out here that something has
1612 got to be done about it.

1613 Ms. {Castor.} Thank you.

1614 Mr. {Whitfield.} The gentlelady's time has expired. At
1615 this time I recognize the gentleman from Louisiana, Mr.
1616 Scalise, for 5 minutes.

1617 Mr. {Scalise.} Thank you, Mr. Chairman. I appreciate

1618 you having this hearing, and I think a lot of us have been
1619 pushing to get North America energy independence within a
1620 decade. It is clearly a goal that we can achieve, but it is
1621 also clearly a goal that can't be achieved under the current
1622 policies of President Obama, and you know, while some people
1623 want to reinvent history and reinvent current policy in
1624 trying to change the record, you know, I always find it
1625 intriguing when you hear President Obama bragging that
1626 production has never been higher when first of all, if you
1627 look where production is up, because in some areas production
1628 is up and in some areas production is down, ironically,
1629 production is down in the areas where the President has
1630 control on federal lands and production is up in the areas
1631 where he currently does not have control on private lands but
1632 where he and his Administration are trying to go shut it
1633 down. So he is bragging about something he doesn't create.
1634 I know he has got a good history of trying to blame other
1635 people for things that happened under his watch but in this
1636 case he is actually trying to take credit for things that he
1637 is actually trying to shut down. Production is lower on
1638 federal lands, and that is not disputed by his own Energy
1639 Information Administration.

1640 I do want to correct the record before I get into a few
1641 other things. Early on Mr. Rush was, I guess, questioning

1642 Mr. Weiss as to why he thinks that some of us feel that the
1643 Obama Administration has been hostile towards American
1644 energy, and I think Mr. Weiss's comments were to try to blame
1645 it on the Macondo well as if some of us don't want to address
1646 that problem. Clearly, you know, we pushed hard to see that--
1647 --and we have seen a dramatic advance in the technology just
1648 in the last 2 years for responding to a disaster like we had
1649 but at the same time what a lot of us were concerned about
1650 that still makes us hostile today is, number one, the
1651 President went in and shut down production, shut down
1652 exploration and drilling for 6 months when his own advisors--
1653 the President put together a taskforce of experts of
1654 scientists and engineers to look at safety, and his own
1655 safety experts said it would be a bad idea and actually
1656 reduce safety in the Gulf to have a moratorium, and the
1657 President went and doctored the report and put the moratorium
1658 in place anyway, tried to blame it on his scientists and
1659 engineers and they said wait a minute, we think it is a bad
1660 idea because you are going to lose your best workers, you are
1661 going to lose your best rigs, and that reduces safety, and in
1662 fact, that has what happened. I mean, we have been tracking
1663 since Macondo. We have been tracking the rigs that have left
1664 the Gulf of Mexico not to go to other parts of the United
1665 States, to go to other countries, and you look at where these

1666 assets have gone, each one of these represents about a
1667 billion-dollar investment and about a thousand American jobs
1668 that we have lost because of the President's hostility
1669 towards American energy. They go to places like Nigeria,
1670 Sierra Leone, Egypt. I mean, think about what is going on in
1671 Egypt just this week and yet there are companies that say
1672 they would rather take a billion-dollar investment and a
1673 thousand jobs and they feel it is better to do business in
1674 Egypt with their crazy climate than in the United States of
1675 America because of the President's hostility towards American
1676 energy production. That is what is going on. That is the
1677 record of this Administration and yet he wants to brag that
1678 production has never been higher when he is trying to shut it
1679 down. He has been successful in shutting it down to some
1680 degree in the Gulf.

1681 Mr. Freeman, I want to ask you about that because, you
1682 know, if look at where production is up and where it is down,
1683 where is it in the Gulf of Mexico right now?

1684 Mr. {Freeman.} Yeah, you know, you have got over 80
1685 percent of your production growth recently and through 2015
1686 is coming from three areas. It is the Bakken shale in North
1687 Dakota, the Eagle Ford shale in South Texas and the Permian
1688 in West Texas. The offshore, obviously prior to Macondo, the
1689 offshore Gulf of Mexico was under sort of a renaissance. We

1690 had actually started to grow supply there, started to go to
1691 more deeper waters and supply was up about 250,000 barrels a
1692 day in 2009. Last year, supply was down in the Gulf of
1693 Mexico nearly 250,000 barrels a day. So we are growing
1694 despite the fact that we have got the Gulf of Mexico as sort
1695 of a drag.

1696 Mr. {Scalise.} Production down on federal lands there
1697 in the Gulf of Mexico. Of course, we want to see increased
1698 safety. Companies that had a great safety record today can't
1699 even get a permit. And so those jobs are leaving our
1700 country. That makes us less secure. That kills jobs in
1701 America. It kills money that is coming in the federal
1702 Treasury. One of the reasons President Obama runs up
1703 trillion-dollar-plus deficits every year he has been in
1704 office, you know, that is billions of dollars not coming in
1705 the federal Treasury when he sends those jobs to Egypt. He
1706 is sending jobs and assets to Egypt because of his policies.

1707 Let us not forget that the President himself said he
1708 wanted to see electricity prices skyrocket. His Energy
1709 Secretary said he wanted to see gas prices go to the levels
1710 they are in Europe. And let us also not forget that one of
1711 the President Obama's top EPA officials said they want to
1712 crucify energy companies. So you wonder why there is a
1713 hostility towards President Obama's anti-American energy

1714 policies? It is because of President Obama's record. We
1715 just want him to live up to the words that he says. And yet
1716 his policies are destroying energy.

1717 And I want to leave on this, Mr. Hamm, because I know
1718 you have been very active in the energy industry where it is
1719 growing. If you can share with us some of the things that
1720 you have seen and when you are making decisions on where to
1721 go and explore for energy. Do you look on federal lands or
1722 do you look on private lands and do these policies have a
1723 factor in that?

1724 Mr. {Hamm.} Actually, it has been Continental's policy
1725 as much as possible to avoid federal lands just due to the
1726 delay. You know, we are a growth company and--

1727 Mr. {Scalise.} Due to the policies of the
1728 Administration?

1729 Mr. {Hamm.} Well, due to the policies and restrictions
1730 on federal lands. I mean, we have seen permits take as much
1731 as 2 to 3 years, and you know, it is just impossible that you
1732 can do business in that regard, so we steer clear of them,
1733 and you see the companies that, you know, are not growing
1734 very fast, they are involved in federal lands.

1735 Mr. {Scalise.} Thank you. I yield back the balance of
1736 my time, Mr. Chairman.

1737 Mr. {Whitfield.} The gentleman's time is expired. At

1738 this time I recognize the gentleman from Maryland, Mr.
1739 Sarbanes, for 5 minutes.

1740 Mr. {Sarbanes.} Thank you, Mr. Chairman. I appreciate
1741 it. Thank you all for your testimony.

1742 There is a lot of rhetoric on this topic. I sat through
1743 many, many meets of the Natural Resources Committee, which I
1744 served on previously. We had great debate over whether this
1745 Administration, the Obama Administration, is hostile to
1746 energy production on land, offshore and on federal lands,
1747 etc., and the argument that that is the case is not supported
1748 by the facts. In the last 3 years, production on federal
1749 lands is actually increased compared to the last 3 years of
1750 the Bush Administration. Despite all the efforts of certain
1751 members of the Natural Resources Committee to argue that a de
1752 facto moratorium had been placed on offshore oil production
1753 by the conduct of the newly organized agency that oversees
1754 that, in fact, the timing for obtaining permits has been
1755 expedited even with building in the new safety standards,
1756 which are absolutely appropriate after the tragedy that
1757 occurred. So I think a fact check would show that there has
1758 been very strong support from this Administration with
1759 respect to offshore oil and gas development as well as with
1760 respect to on federal lands, and we had a lot of good
1761 testimony that showed that the industry holds leases and

1762 permits with respect to federal lands that they are not
1763 taking advantage of and there never seems to be an adequate
1764 explanation for that.

1765 I had a couple of questions, observations. You know,
1766 there are two lenses you can bring to this revolution with
1767 respect to the abundance of resources, energy resources that
1768 it is going to offer the country going forward, and you can
1769 look at it through a lens of energy independence and, you
1770 know, the inexpensive availability of energy, and if you look
1771 at exclusively through that lens, it looks wonderful. I
1772 mean, I grant you that, and obviously we want to move towards
1773 energy independence. Projections of that being able to occur
1774 by 2020, which is what I am hearing, are quite exciting.

1775 But if you add to the lens of this opportunity the issue
1776 of impact on the environment and pollution and so forth, it
1777 doesn't look as great, one has to concede, so the question
1778 is, how do we kind of blend those perspectives and come up
1779 with an approach that makes sense because when you talk about
1780 oil, you talk about--I mean, I think the three energy sources
1781 that were noted were oil, natural gas and coal in terms of
1782 significant energy production in this country. Well, they
1783 all have issues with respect to the environment, as we know,
1784 and natural gas is a cleaner opportunity and that has been
1785 discussed at length, but as compared with renewable-energy

1786 sources like wind and solar and so forth, which are much
1787 better for the environment, those things if you look at it
1788 through that particular lens don't maybe look as great.

1789 So that has to be part of this discussion, and one of
1790 the questions I have is, it must be the case that with this
1791 new abundance, this new revolution that we are talking about,
1792 it gives us more opportunity to both explore the
1793 environmental concerns and make sure we are doing that right
1794 as well as continue to pursue a highly diversified energy
1795 post office which includes a significant amount of investment
1796 in renewable-energy sources as versus a situation where you
1797 are so dependent on overseas and it is a much more
1798 competitive situation. So can somebody speak to that? Maybe
1799 I will start with you, Mr. Weiss, and I think I am going to
1800 run out of time here, but if you could respond to that?

1801 Mr. {Weiss.} Well, you know, there are lots of
1802 opportunities. As you noted correctly, according to CRS, oil
1803 production on federal lands is up slightly in 2011 compared
1804 to 2007. So claims that under President Obama oil production
1805 on federal lands is down is false.

1806 In addition, as you also noted, there are consequences
1807 to this great abundance that we have. For example, the New
1808 York Times reported last year that in North Dakota ``every
1809 day more than 100 million cubic feet of natural gas is flared

1810 this way. This flared gas spews at least 2 million tons of
1811 carbon dioxide into the atmosphere, which is about as much as
1812 almost 400,000 cars.' ' So there are costs to this as well,
1813 and that is why we have to have a system where we make sure
1814 that we expand the development of these resources in a way
1815 that benefits our economy and our security but also doesn't
1816 threaten our economy and our security with climate impacts
1817 and other health impacts that can be even more expensive.

1818 For example, the drought that we are facing today across
1819 America is going to cost at least \$5 billion in crop damage,
1820 and that is the kind of even that is going to occur with more
1821 frequently if we don't address the climate piece of energy
1822 production and use.

1823 Mr. {Sarbanes.} Thank you.

1824 Mr. {Whitfield.} The gentleman's time is expired. At
1825 this time I recognize the gentleman from West Virginia, Mr.
1826 McKinley, for 5 minutes.

1827 Mr. {McKinley.} Thank you, Mr. Chairman.

1828 Let us stay on that, Mr. Weiss, just for a minute. When
1829 they go back and they study the--the scientists go back and
1830 study the Dust Bowl of the 1930s, I find it curious in my
1831 reading that they blamed the temperature of the oceans, the
1832 instability of the oceans, the change in the temperature
1833 between the Pacific and the Atlantic. I never hear them talk

1834 about carbon discharge, and these are all retroactive
1835 studies. These are taking today's standards and reapplying
1836 them back into that period. Can you explain in very short
1837 why?

1838 Mr. {Weiss.} I have not looked at the Dust Bowl aspect
1839 but I will tell you this--

1840 Mr. {McKinley.} The Dust Bowl is probably the--

1841 Mr. {Weiss.} I understand, it is the worst drought in
1842 America. I understand that.

1843 Mr. {McKinley.} But none of the climatologists and the
1844 scientists blame climate change. They are talking about what
1845 has happened with the Pacific and the Atlantic Ocean and the
1846 jet stream. I am troubled. I am troubled. Let me just
1847 characterize. I get a kick out of you. You have been here
1848 several times before our committee. Remember that show, Bat
1849 Masterson? Do you remember that, Have Gun, Will Travel?

1850 Mr. {Weiss.} A little bit before my time, Mr. McKinley.

1851 Mr. {McKinley.} Well, perhaps it may be, but he was
1852 brought in when they needed someone with a gun, and you show
1853 up all the time to attack the carbon fuel industry and you do
1854 a pretty good job of it, but it is based, I think, a lot of
1855 ideology and not on the facts. You go back to be able to
1856 prove some of these information that in the past, they just
1857 don't--you are pushing an issue that just doesn't hold up.

1858 I am just curious, do you support the idea of us
1859 shipping, exporting coal and gas out of America?

1860 Mr. {Weiss.} I believe that resources, and this is me
1861 speaking personally, not for the Center for American Progress
1862 Action Fund, I believe that resources that are developed from
1863 public lands which are owned by every American in this room
1864 and all across the country ought to be used for Americans so
1865 that we are expanding--

1866 Mr. {McKinley.} Just generally across the board, should
1867 we be able to export? I don't know, once gas gets in a
1868 pipeline, I don't know whether it has come from public lands
1869 or private lands. So when we are trying to ship natural gas
1870 out of this country, you know, LNG to sell it, you are
1871 opposed to that?

1872 Mr. {Weiss.} I believe that--

1873 Mr. {McKinley.} Just yes or no, please.

1874 Mr. {Weiss.} Well, it is not a yes or no question. I
1875 believe that--

1876 Mr. {McKinley.} Yes, it is. Then if you are not--

1877 Mr. {Weiss.} Resources produced from our lands should
1878 be kept here.

1879 Mr. {McKinley.} Do you think America can afford to be
1880 having higher utility bills?

1881 Mr. {Weiss.} No, we need to make sure that--

1882 Mr. {McKinley.} You don't think we can afford it?

1883 Mr. {Weiss.} Remember, there are other prices included
1884 in the cost of burning coal than just the price of the coal
1885 and the land and the facility itself. For example, the
1886 health care costs from air pollution--mercury, soot, toxic
1887 chemicals, cancer-causing agents--is in the billions of
1888 dollars a year and--

1889 Mr. {McKinley.} The EPA--

1890 Mr. {Weiss.} --the EPA rule says--

1891 Mr. {McKinley.} You are just a hired gun here. You are
1892 already saying that the worst air is air that is indoors, not
1893 our outdoor air. Even the EPA says it is 96 times worse
1894 indoors than our outdoor area.

1895 Mr. {Weiss.} But we ought to address indoor air
1896 pollution as well, but that doesn't mean we ought to spew
1897 thousands of pounds of mercury, which is a known neurotoxin--

1898 Mr. {McKinley.} And as you well know that there is more
1899 mercury in a can of tuna fish than there is a can of fly ash.
1900 So--

1901 Mr. {Weiss.} And where did the mercury get into the
1902 tuna fish? It came from air pollution.

1903 Mr. {McKinley.} We eat the tuna fish. We don't eat the
1904 fly ash.

1905 Let us go on to this thing that--so what percent are you

1906 trying to get to in terms of fossil fuels? Where do you want
1907 to take us when you come in with these kind of testimonies?
1908 Do you want us down to eliminate coal or are you trying to
1909 get us down to 20 percent? What is your vision that you
1910 think would be right for America?

1911 Mr. {Weiss.} I think what is right for America is to
1912 use our resources in a way--

1913 Mr. {McKinley.} Percentage-wise.

1914 Mr. {Weiss.} I won't give you a figure but I think we
1915 ought to use our resources in a way that allows us to also
1916 not have kids have asthma attacks, not have pregnant women--

1917 Mr. {McKinley.} You don't know whether the asthma
1918 attack is caused by the outdoor air or the indoor air
1919 quality.

1920 Mr. {Weiss.} No, we do know that. We don't know
1921 whether asthma is caused by that but there are studies by
1922 Harvard University and other medical schools that show that
1923 asthma attacks increase with the frequency of air pollution.
1924 We are not saying it causes asthma but it causes asthma
1925 attacks.

1926 Mr. {McKinley.} You don't know whether that asthma
1927 attack has been caused by dust mites, aerosols or
1928 formaldehyde sprays in your house, so--

1929 Mr. {Weiss.} I will be happy to provide some studies to

1930 you for the record.

1931 Mr. {McKinley.} Do you have some other information that
1932 indicates that anything other than the fact that the CO2
1933 emissions now in this country are the lowest they have been
1934 in 20 years?

1935 Mr. {Weiss.} I don't believe that is accurate, sir. I
1936 believe that they have gone down in recent years but 2005--

1937 Mr. {McKinley.} The EIA just published that.

1938 Mr. {Weiss.} Well, I will double-check that.

1939 Mr. {McKinley.} Read up before you come here to testify
1940 again. I yield back.

1941 Mr. {Weiss.} And who was Bat Masterson's top opponent?
1942 Because you are quite a worthy one, sir.

1943 Mr. {Whitfield.} I don't know his name, either. Mr.
1944 Sullivan, you are recognized for 5 minutes.

1945 Mr. {Sullivan.} Thank you, Mr. Chairman.

1946 Mr. Weiss, it was interesting when you were discussing
1947 in one of your comments earlier. You said that the oil and
1948 gas industry gets this handout, subsidy. I think you are
1949 referring to intangible drilling. And I was wondering, you
1950 have worked for the Center for American Progress, and you
1951 have worked there a while, I am sure. Do you ever travel
1952 around the country at all to go to conferences or anything
1953 like that? Yes or no.

1954 Mr. {Weiss.} Well, that is a two-part question. Yes, I
1955 travel around the country. No, I generally don't attend
1956 conferences.

1957 Mr. {Sullivan.} But you travel for your job?

1958 Mr. {Weiss.} Several times.

1959 Mr. {Sullivan.} And when you do that, you have meals
1960 and hotels and lodging. Does your company that? Do you send
1961 it back to them, they pay that? Do you get expensing on
1962 that?

1963 Mr. {Weiss.} Yes.

1964 Mr. {Sullivan.} Okay. It is a cost of doing business,
1965 isn't it? Right?

1966 Mr. {Weiss.} Yes.

1967 Mr. {Sullivan.} Do you think that is a handout subsidy
1968 giveaway to your group?

1969 Mr. {Weiss.} Well, first of all--

1970 Mr. {McKinley.} Is it or not? Yes or no.

1971 Mr. {Weiss.} No, it is not because we are a nonprofit
1972 tax-exempt organization.

1973 Mr. {Sullivan.} Okay. I would like to ask Mr. Hamm.
1974 Mr. Hamm, intangible drilling is important to the industry.
1975 Now, they don't hand you a check and give you just a check.
1976 The government is not handing you a check. Now, Mr. Hamm
1977 drills wells that sometimes don't come in, unfortunately. He

1978 has lost money. Oil prices have been down very low in the
1979 past. A lot of people aren't--the President even said this
1980 is an industry of yesterday. How are we going to get young
1981 people in the business when he says something like that?
1982 Because of the ups and downs of the business in the past. So
1983 he gets expensing. He doesn't drill it, he doesn't get it.
1984 You don't travel, you don't get it for your group. Now I
1985 would like to Mr. Hamm to comment on how important that is to
1986 this industry.

1987 Mr. {Hamm.} Well, it is very important. It would cut
1988 35 to 40 percent of our activity, you know, if we wasn't able
1989 to expense the cost for labor, and that is what it comes down
1990 to. I drill 17 dry holes in a row, and there is no subsidy
1991 in this business, I guess I went up to the wrong window.
1992 Nobody handed me a check. So, you know, we take a lot of
1993 inherent risk in this business and we certainly have to have
1994 some room to try and fail. If it wasn't for that, we would
1995 not be having this revolution in energy that we have today.
1996 You know, it took 16 years, you know, in the Barnett to break
1997 the code. You know, it took 18 un-commercial wells in the
1998 Bakken to break the code. So it is a very expensive process.

1999 Mr. {Sullivan.} A lot of research and development, a
2000 lot of money went into that, and it is expensing, and you
2001 know, right now we import a lot of oil, it has gone down

2002 somewhat, but we are importing oil into this country. We
2003 have oil here in the Bakken, for example, a tremendous
2004 amount. It is mind-boggling. And, you know, we need to get
2005 that out. Why not produce that? And if we took this away,
2006 this expensing, not a handout, not a giveaway, not a subsidy,
2007 it is not that, 30 percent reduction, and that is asinine to
2008 do that. And we just bring more oil into this country. We
2009 can produce oil here in the United States of America,
2010 American-made energy right under our feet, God has given a
2011 great resource, let us use it. And we have people that don't
2012 want to do that, but it is just mind-boggling to me. I don't
2013 understand that and I guess I never will.

2014 Mr. {Weiss.} Mr. Sullivan, may I respond?

2015 Mr. {Sullivan.} Yes.

2016 Mr. {Weiss.} Very briefly. The point I was trying to
2017 make is, the Production Tax Credit for wind energy is similar
2018 to the intangible drilling cost rule that Mr. Hamm uses for
2019 his business. It helps provide certainty. It helps provide
2020 support. It helps keep their business growing, especially
2021 this is an industry that is in teenage years as opposed to--

2022 Mr. {Sullivan.} Well, this industry, with all due
2023 respect, wouldn't survive without the PTC.

2024 Mr. {Weiss.} Mr. Hamm said his industry--

2025 Mr. {Sullivan.} Mr. Hamm's industry would go down 30

2026 percent, and right now we need to have as much oil produced
2027 here in the United States as possible. I think it is
2028 ridiculous to send a billion dollars every single day
2029 overseas to buy foreign oil and have that money bounce around
2030 other economies and subsidize other nations and their
2031 economies, and we have people hurting here and it can bounce
2032 around our economy, have a dynamic economic effect here. It
2033 makes perfect sense.

2034 And Mr. Freeman, my next question is to you. In your
2035 testimony, you cite aging workforce as one of the challenges
2036 facing the oil and gas industry. Do you think young people
2037 are encouraged to enter this sector when their President,
2038 President Obama, refers to as yesterday's industry?

2039 Mr. {Freeman.} It is obviously the perception of the
2040 oil and gas is one that for quite a while that has been
2041 difficult to attract younger population to. I think you
2042 generally had to see, like I mentioned earlier, the average
2043 age of a petroleum engineer in this country is 50 years old.
2044 So you are constantly having to ask them to work longer and
2045 longer because we are having a very difficult time attracting
2046 younger people to this industry despite all of its upside and
2047 how dynamic the industry is. It is unfortunately the
2048 perception that is out there is not a positive one.

2049 Mr. {Sullivan.} Wouldn't it better for our leaders to

2050 promote this industry as a good place to work in that we can
2051 produce more American-made energy as a national security
2052 issue to lessen our dependence on foreign oil, get more young
2053 people involved in this energy renaissance and have American-
2054 made energy? Isn't that a better idea?

2055 Mr. {Freeman.} Absolutely. There is a reason the
2056 highest-paid undergraduate job coming out of college is
2057 petroleum engineer. You can make six figures.

2058 Mr. {Sullivan.} So it is not yesterday's industry. In
2059 your testimony also, you explained that between 2008 and
2060 2011, the United States added more barrels to global supply
2061 than any other country despite the Obama Administration's
2062 moratorium because of onshore production. Five years ago,
2063 wasn't the Gulf of Mexico supposed to be the major growth
2064 area for domestic oil production?

2065 Mr. {Freeman.} Do you want me to respond?

2066 Mr. {Sullivan.} Yes, sir.

2067 Mr. {Freeman.} That is correct. It wasn't that long
2068 ago that the Gulf of Mexico was one of the few sources of
2069 growth. Obviously as has been talked about in this hearing,
2070 the renaissance that first took place in natural gas has
2071 transformed itself to oil. Just to name one play that may be
2072 interesting and then I will wrap up. I know that we are out
2073 of time. You know, the Eagle Ford shale in South Texas

2074 wasn't producing a barrel of oil just 3 years ago and now you
2075 are producing over 500,000 barrels a day. It is that sort of
2076 development that has put this country in the position it is
2077 in.

2078 Mr. {Whitfield.} The gentleman's time is expired. Ms.
2079 Capps from California is recognized for 5 minutes.

2080 Mrs. {Capps.} Thank you very much, Mr. Chairman.

2081 Mr. Weiss, I understand you weren't able to complete
2082 your answer to Mr. McKinley, and I would like to give you a
2083 couple seconds to respond, but I do have questions for you
2084 and also Mr. Purcell so I--

2085 Mr. {Weiss.} I will take the questions. I was finished
2086 with Mr. McKinley. Thank you.

2087 Mrs. {Capps.} Anyway, then I will proceed. You have
2088 suggested investing more federal funding for clean energy as
2089 a benchmark to target for the United States staying
2090 competitive. You have argued this would support the
2091 government's partnerships in innovation with the private
2092 sector and would also help give the private sector greater
2093 access that it needs to develop, deploy and commercialize
2094 clean-energy technologies. I think you would agree, we
2095 already have many cleaner energies all ready to go. We just
2096 have to get them into the marketplace. Do you have any
2097 suggestions for us on ways to get these technologies deployed

2098 and how they would make us more energy self-sufficient in
2099 this Nation? Would freeing up federal funds be helpful? I
2100 think you have suggested removing fossil-fuel production
2101 subsidies to be a possible solution.

2102 Mr. {Weiss.} I have two quick examples. First, as Mr.
2103 Purcell talked about, extending the Production Tax Credit for
2104 wind energy will help that industry continue to grow. We
2105 have doubled wind energy production in the last 4 years, and
2106 right now wind is equivalent of over 20 nuclear-power plants,
2107 I think that is right, or is it 11? Something like that, a
2108 lot of energy. So let us continue that. And it is expanding
2109 in States like Texas, and Oklahoma is a growing wind energy
2110 State as well.

2111 Second, Representative Biggert and Representative Markey
2112 have a bill that would invest a small amount of money in a
2113 race to the top to build recharging stations for plug-in
2114 hybrid vehicles or electric vehicles. Let us do that so that
2115 way people will have recharging stations. In fact, Congress
2116 has just agreed to put in recharging stations on both the
2117 House and Senate side for their members and staff who drive
2118 plug-ins or electric vehicles. I think we ought to do that
2119 in communities as well. And the Biggert-Markey bill would
2120 cost, like, \$400 million. It is a very small amount in a
2121 race to the top to help build the infrastructure to give

2122 people certainty to drive these vehicles that use little or
2123 no gasoline.

2124 Mrs. {Capps.} But actually, to follow on, Mr. Weiss, we
2125 have seen recent legislative proposals which would undermine
2126 these very standards. For example, a bill to overturn
2127 lighting efficiency standards policy that would result in our
2128 foregoing the need for 30 additional large power plants and
2129 consumers which would collectively save more than \$10 billion
2130 consumers would on their electricity bills each year. And
2131 next week we might have legislation on the Floor to delay or
2132 block EPA standards that when fully implemented will save
2133 lives and improve public health and encourage clean-energy
2134 job creation and economic growth.

2135 So Mr. Weiss, what is the real impact of delaying or
2136 blocking standards that will encourage innovation and more
2137 investments in clean energy? Would you say that stopping
2138 these standards would hurt America's chances of achieving
2139 energy independence?

2140 Mr. {Weiss.} Delaying the standards won't affect our
2141 ability to produce more oil, domestic oil or natural gas.
2142 What it will do is delaying standards on pollution from power
2143 plants, boilers and cement kilns would increase the number of
2144 premature deaths to something like 24,000 people annually,
2145 thousands of hospitalizations and tens of thousands of asthma

2146 attacks, and it would cause, I believe, close to \$200 billion
2147 a year in additional health-care costs and lost productivity.
2148 Delaying those standards, a huge human cost, huge economic
2149 cost, no impact on producing more oil and gas.

2150 Mrs. {Capps.} Okay. And finally, Mr. Purcell, I am one
2151 of many bipartisan supporters in this Congress of the wind
2152 energy PTC, the Production Tax Credit. Many of us have
2153 companies in our Congressional districts that have benefited
2154 from the PTC. Clipper Wind, for example, which laid off 170
2155 employees last month in Iowa, is headquartered in my
2156 Congressional district. They tell me that the uncertainty
2157 about the PTC being extended is the reason that we have seen
2158 now a slowdown in this industry just when it is, as you said,
2159 Mr. Weiss, just taking off like the wind, as you could say.
2160 I think that point has been pretty well made already, but I
2161 want to ask you about the importance of extending the PTC not
2162 only to provide certainty to your industry but as a long-term
2163 extension, I would argue, wouldn't this lead to even more
2164 innovation within the industry if you have that certainty of
2165 getting those tax credits?

2166 Mr. {Purcell.} Yes, in my opinion, it would. I do know
2167 that because of the uncertainty, there have been huge
2168 commitments for research and development centers by the major
2169 wind turbine manufacturers canceled in the United States in

2170 places like Massachusetts and Texas and Colorado where these
2171 research and development facilities were planned to continue
2172 the development for wind energy productivity and efficiency
2173 that will allow it to stand on its own. And I might add, if
2174 I will, to Mr. Pompeo's comment about consistently asking for
2175 Production Tax Credit renewal, the last time that we had a
2176 major extension, we felt like it was a bridge to a federal
2177 renewable electricity standard, which we were very close to,
2178 if you remember in 2008 right before the financial crisis,
2179 which steered the country in a different direction. So we
2180 felt like the Production Tax Credit was a way to a federal
2181 long-term stable policy to help us finish the job and become
2182 competitive and provide a long-term solution for clean
2183 energy. So the Production Tax Credit is what we need today.
2184 It is the most viable thing to continue the work we are
2185 doing. However, there are some other vehicles we think would
2186 also be helpful for future including a renewable electricity
2187 standard.

2188 Mrs. {Capps.} Thank you very much.

2189 Mr. {Whitfield.} At this time I recognize the gentleman
2190 from Virginia, Mr. Griffith, for 5 minutes.

2191 Mr. {Griffith.} Thank you, Mr. Chairman.

2192 Mr. Mills, could you go over those patent numbers again?
2193 I wasn't able to write them down fast enough for the new

2194 patents in the hydrocarbon field and the new patents in the
2195 alternative-energy field.

2196 Mr. {Mills.} Yes, sir, I would be happy to. In fact,
2197 as I mentioned, the reason we looked at patents was as a
2198 forward-looking indicator of where innovation has been
2199 happening and where it is going to go. The aggregate total
2200 patents issued, and not filed, so the issuances are the
2201 measure that matters, in all the alternative-energy domains,
2202 so this was a very broad sweep, 60,000 patents issued,
2203 roughly. In hydrocarbon technologies, all flavors, coal, oil
2204 and gas, that industry has issued 150,000 patents over the
2205 same 5 years, the innovators and engineers in that business.

2206 Mr. {Griffith.} All right. Thank you very much. And
2207 if I can paraphrase what I think I heard your testimony,
2208 reading between the lines, was that we are at a turning point
2209 in our country. If we choose to use the God-given resources,
2210 the natural things that are here, the energy sources that we
2211 have, we can remain number one Nation economically in the
2212 world for many, many years to come. It is a choice we have
2213 to make. If we choose not to use them, you see us perhaps
2214 not being number one Nation, say, 20, 30, 40 years from now.
2215 Is that correct?

2216 Mr. {Mills.} That is a fair assessment. Other
2217 countries will supply the fuels but, importantly, the

2218 industries in this country that pioneered this technology
2219 will go to the other countries to produce the fuels.

2220 Mr. {Griffith.} Instead of making us rich?

2221 Mr. {Mills.} Correct.

2222 Mr. {Griffith.} Let me shift, because I only have a
2223 certain amount of time.

2224 Mr. Freeman, I noticed in your written testimony you
2225 said that we were number one in natural gas and in a few
2226 years we would be number one in oil production but that we
2227 are number two in coal. Who is beating us in coal
2228 production?

2229 Mr. {Freeman.} China.

2230 Mr. {Griffith.} And that is not an unexpected answer on
2231 my part. I have to say, that has not always been the case,
2232 has it? They have not always beaten us in coal?

2233 Mr. {Freeman.} No, that is a very recent phenomenon.

2234 Mr. {Griffith.} And it is important because we heard
2235 earlier about some, you know, jobs being lost, and any job
2236 being lost is bad but I will tell you that in my district, we
2237 lost 620 coal jobs. A plant was idled within the last
2238 several weeks. And over the summer in the central
2239 Appalachian region, we have lost more than 2,000 jobs, and so
2240 that is extremely important.

2241 You know, I was struck by some of the testimony,

2242 particularly the testimony of Mr. Weiss, that implied that
2243 those of us who advocate for North American energy
2244 independence are advocating to drill in our national parks.
2245 I don't think anyone here is advocating that we drill in the
2246 parks. You state in your testimony that parks would be
2247 vulnerable to federal oversight of energy on public lands is
2248 eliminated in favor of more relaxed State regulations. I
2249 have to say, I have got it right here in the Romney energy
2250 plan speaks to States being empowered to establish processes
2251 to oversee the development and production of all forms of
2252 energy on federal lands within their borders, but it
2253 specifically--that Romney plan, what most of us would be for,
2254 specifically excludes lands that are designated as off
2255 limits. When we talk about getting North American energy
2256 independence, we aren't talking about drilling in the parks,
2257 we are talking about leasing more than 3 percent of the
2258 Nation's federal lands, which are quite substantial, taking--
2259 setting up government policies which would make it so, you
2260 know, it takes less than 6 years to get a permit to drill in
2261 federal wants. I think Mr. Hamm talked about the length of
2262 time it takes if you are on federal land to get a permit and
2263 allowing pipelines like the KXL Keystone pipeline to help
2264 bring millions of barrels of secure oil from our friends and
2265 neighbors in Canada, and I just wanted to make sure that I

2266 got the record set straight on that because I think it is
2267 important that we recognize that nobody is planning on
2268 drilling on the site where the Flight 93 crashed. That is
2269 not a part of anybody's plan, and you have said that several
2270 times, and I have to tell you, I am a little offended by that
2271 implication that anyone in this Congress or that any
2272 Presidential candidate would plan on putting an oil well at a
2273 sacred site like that. So I wanted to get that out and felt
2274 very strongly about it.

2275 Mr. Mills, I noticed in your written testimony and in
2276 your oral testimony you said, you know, you had drill, dig,
2277 build and ship, and I have to tell you that I have the four
2278 D's which the first two are the same, drill and dig. I then
2279 have deregulate and discover. Deregulation means we have our
2280 universities trying to find ways, whether it be wind energy,
2281 algae, I don't care. I am a true all-of-the-above, that we
2282 move forward in that direction. And one of the problems that
2283 I have seen with what I think is going on in this
2284 Administration, although sometimes it is hard to figure out,
2285 is that they see the alternatives as the next great step
2286 forward, and it may very well be but I find with some
2287 interest, and I wonder if you agree with me, that in all the
2288 previous revolutions on energy when we went from wood to
2289 charcoal and then we went from, you know, charcoal and wood

2290 to using oil and natural gas and coal, that each step that we
2291 have made, we didn't cut the legs out from under the older
2292 industry, we continued to use those industries, and it seems
2293 that this Administration wants to eliminate the previous
2294 energy sources with, you know, we are going to use all of the
2295 above but it has to be one of the energy sources we like
2296 because the Sierra Club has beyond natural gas now. They
2297 used to have beyond coal. They have now made us second to
2298 China. Do you agree with that general assessment?

2299 Mr. {Mills.} Yes, I think the assessment is correct.
2300 We have always used the trailing technology, so to speak.
2301 But we importantly have made them better, cheaper, cleaner by
2302 using new technologies on the old fuels. So that was the
2303 whole point of my patent research is that there is enormous
2304 opportunity for solar and wind around the world. There is no
2305 question about it. And if 20 or 30 percent of the world's
2306 energy came from alternatives, that would be marvelous--I
2307 expect it to happen--or more. But it still leaves the rest
2308 of the number, which is the 60 or 70 percent which has come
2309 from or will have to come from hydrocarbons using advanced
2310 technologies. Absolutely correct.

2311 Mr. {Whitfield.} The gentleman's time is expired.

2312 Mr. {Griffith.} Thank you, Mr. Chairman.

2313 Mr. {Rush.} Mr. Chairman?

2314 Mr. {Whitfield.} Yes, Mr. Rush.

2315 Mr. {Rush.} Would it be out of order if we had just
2316 another round for one question?

2317 Mr. {Whitfield.} Sure.

2318 Mr. {Rush.} One question apiece?

2319 Mr. {Whitfield.} That is a good idea. I will ask mine
2320 first.

2321 Mr. Howard, you are the President and CEO of the
2322 Canadian Energy Research Institute. I would just like to
2323 know, what was the reaction when the Keystone pipeline permit
2324 was denied and is it the intent of Canada to at least explore
2325 building a pipeline to the west for export? Would you mind
2326 just giving me your personal impressions about all that?

2327 Mr. {Howard.} Simply put, when it was first rejected or
2328 delayed, pretty much nobody knew what to do. That was the
2329 very first time in Canadian history that an oil pipeline had
2330 been turned down. As far as moving forward, I think the
2331 attitude in Canada is when it happens, great, but we are not
2332 going to wait.

2333 As far as Canada exporting crude outside of the country,
2334 it is a position that the federal and provincial governments,
2335 the industry is on board with. We are pursuing looking for
2336 other markets. That is becoming a challenge. The Northern
2337 Gateway pipeline is similar to the Keystone XL in the sense

2338 that the environmental pushback is more significant than
2339 anybody ever imagined. The Trans Mountain expansion is a
2340 little different because it is an expansion system. I
2341 personally think that will go ahead. The potential for
2342 moving bitumen from west to east to feed the eastern
2343 refineries, the eastern Canadian refineries, I think is an
2344 option. As far as if Keystone XL does not get built, I think
2345 crude or bitumen could still reach the Gulf of Mexico by
2346 tanker by going out through the St. Lawrence Seaway.

2347 Mr. {Whitfield.} At this time I will recognize the
2348 gentleman from Massachusetts for 5 minutes, Mr. Markey.

2349 Mr. {Markey.} Thank you, Mr. Chairman, very much.

2350 Mr. Hamm, the oil industry gets \$4 billion a year in tax
2351 breaks from the federal government. The wind industry gets
2352 about \$4 billion a year in tax breaks for the Production Tax
2353 Credit for wind. Do you think that is fair? Do you think we
2354 should keep both tax breaks on the books?

2355 Mr. {Hamm.} No, I think that our industry should be
2356 able to expense our labor costs just like any other industry.

2357 Mr. {Markey.} No, I am asking about the wind. Do you
2358 think the wind tax breaks should stay on the books?

2359 Mr. {Hamm.} I don't know. My business is not wind, and
2360 certainly I don't consider what we are getting as a tax break
2361 when it is the same as all others so, you know, what goes on

2362 with wind is a whole other business.

2363 Mr. {Markey.} No, I got you. That is the problem that
2364 we have with the Romney tax break, you know, that Romney is
2365 going to, if he becomes President, allow the wind tax break
2366 to expire at the end of this year. Amazing, huh? And the
2367 industry says that 40,000 people will be laid off next year
2368 because of Romney's wind policy. And you know what I think?
2369 I think the fear is that the Republicans are so tied to the
2370 oil industry, you know, that they can't give up those tax
2371 breaks while at the same time maintaining a commitment to
2372 saving the taxpayers money over in the wind sector, which is
2373 going to actually install 12,000 new megawatts of wind this
2374 year, dwarfing coal, dwarfing oil, dwarfing the nuclear
2375 industry, and really, it is frightening to the fossil-fuel
2376 industry and so this completely biased oil-above-all policy,
2377 tax breaks for the oil industry and nothing for wind, that is
2378 not all of the above, that is oil above all. Oil above all.
2379 Look at all these great jobs here. These jobs are just as
2380 great as the jobs Mr. Hamm was just talking about but they
2381 can't care about these jobs, just the oil jobs. Not oil
2382 jobs? We don't care about them. And that is the kind of
2383 dual standard that the Republicans want us to accept even as
2384 oil has dropped from 57 percent imported to 45 percent
2385 imported since Bush walked out the door in January. That is

2386 arithmetic, 57 percent under Bush, imported, 45 percent
2387 today. That is a good record for Obama. That is a ``drill,
2388 baby, drill'' Obama Administration and it is continuing to go
2389 down, 50 percent more rigs drilling in the Gulf of Mexico
2390 today than before the BP spill. Fantastic. Record highs in
2391 natural gas, wind, solar, and what do the Republicans have as
2392 their platform? Kill wind, you know, kill these renewables.
2393 That is a disaster for our country. That is the single
2394 largest domestic source of energy in our country, wind and
2395 solar, 20 and 30 years from now. Fantastic.

2396 What else does Romney say? Romney says he doesn't like
2397 the fuel economy standards. Now, what would those fuel
2398 economy standards do on the vehicles that we drive? Fifty-
2399 four point five miles per gallon. I know because I authored
2400 the language here in the House of Representatives. That is 3
2401 million barrels of oil per day. Where is he going to make
2402 that up from? Well, Romney says he wants to drill off the
2403 beaches of Massachusetts and California rather than have just
2404 the vehicles be more efficient while the industry is having a
2405 complete revival. This whole Romney industry plan, whoever
2406 put it together, it is a complete mess. It is upside down.
2407 It is the craziest upside-down energy policy I have ever
2408 heard, whoever put it together. It ignores the reality of
2409 what is really working and it wants to go over to kind of

2410 this age-old policy where you have to subsidize stuff that is
2411 not working. Do you agree with me, Mr. Hamm?

2412 Mr. {Hamm.} I don't agree with you at all. I think it
2413 ought to be market-based, and that is what I said earlier.

2414 Mr. {Markey.} Subsidies for oil and no subsidies for
2415 wind is market-based? I don't think so. I don't think so.
2416 How can that be market-based? Adam Smith would spin in his
2417 grave and quality for an energy tax break, he would be so
2418 agitated that you can maintain that is market-based that oil
2419 gets a tax break and wind doesn't.

2420 You know, when the President went down--not when the
2421 President went down. When Romney went down to Houston just 3
2422 weeks ago and had his oil-baron summit with all those oil
2423 company CEOs, he raises \$6 million from them and then says I
2424 am going to get my energy policy from them, crossing the t's
2425 and dotting the i's on my policy, he says, and then on
2426 Thursday, just 2 days later, he has a press conference, you
2427 know. And what is his press conference? Oil above all, and
2428 he doesn't support tax breaks for wind after leaving an oil-
2429 baron summit, Mr. Hamm. So how can the American people trust
2430 that energy policy to really be all of the above instead of
2431 oil above all?

2432 Mr. {Whitfield.} The gentleman's time is expired.

2433 I might ask the gentleman from Massachusetts, since your

2434 party controls the White House, the House and the Senate for
2435 2 years just 2 years ago, why didn't you extend the
2436 Production Tax Credit for the wind industry? You had the
2437 power to do it. You had the authority to do it.

2438 Mr. {Markey.} We did. We extended it.

2439 Mr. {Whitfield.} And you didn't do it.

2440 Mr. {Markey.} We did extend it.

2441 Mr. {Whitfield.} Well, you could have extended it
2442 longer than the expiration at the end of this month--
2443 December. Why didn't you take that action? Romney has
2444 nothing to do with this. Romney is not in power right now.

2445 Mr. {Markey.} Romney is letting it expire.

2446 Mr. {Whitfield.} By the way--

2447 Mr. {Rush.} Mr. Chairman.

2448 Mr. {Whitfield.} --your energy department gets \$538
2449 million to--

2450 Mr. {Rush.} Point of order, Mr. Chairman.

2451 Mr. {Whitfield.} --for the President.

2452 Mr. {Rush.} Point of order, Mr. Chairman.

2453 Mr. {Markey.} Look at coal. Coal was 51 percent of--

2454 Mr. {Whitfield.} And you are not interested in coal
2455 jobs, are you?

2456 Mr. {Markey.} That is because of natural gas. Natural
2457 gas is killing coal in the free market. Natural gas is

2458 killing--

2459 Mr. {Whitfield.} You had the opportunity to extend the
2460 Production Tax Credit.

2461 Mr. {Rush.} Mr. Chairman.

2462 Mr. {Whitfield.} Mr. Rush, I am going to recognize you
2463 for 5 minutes.

2464 Mr. {Rush.} I don't need 5 minutes.

2465 Mr. Mills, what do you think about this? Let me just--

2466 Mr. Mills, I do have a question for you. You had some very

2467 interesting testimony and I am really kind of inclined to

2468 lean your way, but I am interested in why there has been no

2469 mention from you as it relates to environmental concerns.

2470 What do you think of the climate-change speed bump on this

2471 expressway that the industry is headed down? How much should

2472 we pay toward the environmental concerns or should we just

2473 ignore environmental concerns altogether?

2474 Mr. {Mills.} Thanks for the question, Mr. Rush, and I

2475 do want to make a very quick observation that I thought

2476 Congressman Markey's visual aids were the best of the hearing

2477 so far. Thank you, sir.

2478 I would say that I know that I personally, but all the

2479 people I talk to in the industry on the broad environmental

2480 issues, there is support for safety in environmental metrics.

2481 You don't find pushback from the industry. The issues that

2482 are looked for are consistency and simplicity and adherence
2483 to standards of time, which is one of the biggest complaints
2484 I hear from industry practitioners that the deadlines aren't
2485 met.

2486 The climate industry is an interesting one, an
2487 extraordinarily tough challenge for everybody on both sides
2488 of the aisle. I recognize that. But I would just say this
2489 as a practical matter: the fact is that we know that all the
2490 energy growth in the world is occurring outside of the United
2491 States, so if the United States ceases to exist tomorrow or
2492 consumed no energy at all or had all of its energy from non-
2493 hydrocarbons, the consumption of hydrocarbons in the world is
2494 going to go up significantly, probably by double over where
2495 it is today. So the proposition I am putting on the table is
2496 independent of whether those hydrocarbons emit carbon dioxide
2497 by definition; they do. I am simply saying that other people
2498 will supply those hydrocarbons to the world market. We can
2499 do it and make money and create jobs. We can do it cleaner
2500 and more efficiently than anybody else in the world. That is
2501 an opportunity we have inside of a reality that is locked in.
2502 The demographic reality of the rest of the world is simply
2503 locked it. More are going to be used globally. So I would
2504 love to see America be the leader in supplying those fuels
2505 for economic reasons, social reasons. It will generate all

2506 kinds of wealth which we can fund all kinds of R&D and
2507 frankly geopolitical reasons: we will have more control over
2508 world markets.

2509 Mr. {Rush.} Mr. Chairman, I yield back.

2510 Mr. {Whitfield.} The gentleman yields back, and there
2511 seems to be no one else here to ask questions, and I think
2512 Mr. Markey is gone. Oh, Mr. Griffith. I am sorry. You are
2513 recognized.

2514 Mr. {Griffith.} Mr. Purcell, you make steel from coke.
2515 Can you make steel better with natural gas or coke from coal?

2516 Mr. {Purcell.} We actually use the steel for the towers
2517 that we make out of scrap metal and add the--so we are not
2518 using traditional coal and iron at the steel plant that we
2519 make the steel, but yes, there are steel mills in Indiana
2520 that are near us that do use coal, sir, and a lot of natural
2521 gas as well.

2522 Mr. {Griffith.} But the best stuff is still made from
2523 coke, is it not?

2524 Mr. {Purcell.} For certain steel makers, they still use
2525 an awful lot of it, yes, sir.

2526 Mr. {Griffith.} So when we are being beat in the world
2527 market and I lose 620 jobs in the metallurgical coalmine,
2528 that means we are doing something wrong, I would submit to
2529 you.

2530 You know, it has been an interesting hearing and we have
2531 heard a lot of things. The bottom line is, is that we can
2532 put up all the charts we want. Apparently the wind industry
2533 has lost 1,752 jobs already yet as you heard the testimony--
2534 Mr. Markey wasn't here to hear the information I put in
2535 earlier--in my region alone, we have lost 2,000 coal jobs
2536 just this summer. So, you know, I believe in all of the
2537 above. I believe in trying to make sure that we have
2538 everything on the table and I believe that we need to make
2539 the government responsive and understand that if we just get
2540 out of the way of people like Mr. Hamm, I think that we have
2541 a very bright future in this country. We have the best
2542 workers in the world and we have the greatest supply of
2543 energy, but if we continue to throw more regulations on and
2544 more regulations on like wet blankets on the fire of
2545 enterprise, we will be doing our Nation a disservice and my
2546 children and everybody else's children and grandchildren will
2547 have a lesser America.

2548 Thank you, Mr. Chairman. I yield back.

2549 Mr. {Whitfield.} The gentleman yields back, so that is
2550 the end of today's hearing. I want to thank you panel
2551 members for being very patient and we appreciate your
2552 testimony very much and look forward to working with all of
2553 you as we move forward to address these issues, and we will

2554 keep the record open for 10 days, and thank you once again.

2555 That concludes today's hearing.

2556 Mr. {Rush.} Mr. Chairman, I would just like to ask one
2557 question of you.

2558 Mr. {Whitfield.} Yes, sir.

2559 Mr. {Rush.} Can't we all just get along?

2560 Mr. {Whitfield.} Thank you.

2561 [Whereupon, at 12:30 p.m., the Subcommittee was
2562 adjourned.]