

## Keynote Address

**Richard G. Lugar, United States Senator**

I am pleased to note that this is the fourth annual conference on energy security in the hemisphere, and not merely a first start. Along with you, I have long believed that energy always matters, not just when prices are high. I co-authored with Jim Woolsey an article for Foreign Affairs magazine on the importance of developing advanced biofuels as an alternative automobile fuel in 1999, when oil was selling for less than \$20 barrel.

A few days ago I returned from a two week mission which included Azerbaijan's oil and natural gas rich Caspian Sea coast, through Georgia, Turkey, Romania, Ukraine, Germany, and finally to Brussels. Some of you may recognize this as tracking the route proposed for the Nabucco pipeline, a critical strategic initiative to diversify Europe's gas sources and reduce that continent's dependence on Russian gas.

My mission to the region was planned well in advance of the conflict between Georgia and Russia. In Tblisi, I was privileged to hand out the first American cots to Georgian families who had fled their homes. I was honored to meet with American soldiers and civilians bringing humanitarian relief to that country, and I gave my vocal support for economic assistance to Georgia when Secretary Rice called me prior to her announcement of a \$1 billion aid package.

The Georgia conflict has amplified the importance of energy as a strategic priority in capitals across the region. States dependent on Russian gas to fuel their economies and ways of life understand that turning off the tap may be as effective a weapon as the tanks and armies that rolled across Georgia. The Russian suspension of gas supplies to Ukraine two years ago spurred significant discussion of energy security among European friends. Yet only modest changes in planning and preparation have occurred. Meanwhile, Russia has aggressively sought to increase its dominance over energy supplies.

Europe's struggle to find a credible and unified energy security policy holds lessons applicable to those of us working for a more secure energy future in the Western Hemisphere. I would identify at least three lessons.

First, nations must recognize that diversification of both energy sources and energy transport routes are strategic priorities. The consequences of over-dependence on monopolistic suppliers can be actual cut-offs in supplies such as experienced by Lithuania and the Czech Republic, and threats of cut-offs can be used for what amounts to political and economic blackmail by some exporting states. Ukraine experienced a suspension of gas from Russia, yet that country has done little to generate investment in its own off-shore gas exploration, let alone renewable power. Diversification is a strong deterrent to such adverse behavior and supports a shift back toward commercial relationships. In some Western Hemisphere states, this may mean new pipelines for oil and natural gas, but diversification also calls for a major push to produce domestic sources of energy - both renewable and conventional.

Second, regional integration of pipeline networks and electrical grids enhances security. Many European nations refuse to interconnect their energy infrastructure with their neighbors. The European Commission's endless labor to break down internal barriers has been hampered by the insular thinking of several member states. In an emergency it does not matter if an ally is willing to share its energy resources if the infrastructure is not in place to get energy to those in need.

And third, we can no longer afford to endanger our security by pursuing confused and often contradictory energy policies. In Turkey, for example, I found strong support by President Gul for new pipelines to Europe, yet that country also needs more energy domestically to sustain its impressive economic growth. Even as it makes progress in renewable power, Germany's support

for the Nord Stream pipeline would make it more dependent on Russian gas. Strategic, long-term vision needs to guide our energy policies.

I am pleased that some in this hemisphere have been thinking long-term. Good friends in Brazil took the lessons of the 1970s oil shocks to heart and, with determination to overcome many hurdles along the way, have developed an ethanol fuel base, expanded offshore drilling and are ceasing all imports of foreign crude oil.

In the United States, and in Europe and the Caucasus, the need to attain genuine energy security with supplies sufficient to grow our economies and insulated from foreign manipulation has at long last become widely recognized, if not persuasively acted upon. We in the Western Hemisphere are fortunate to have the means to bolster reliable trade in conventional energy sources as well as create new sources of economic growth through wise use of our renewable resources.

Realizing this potential will take leadership and vision. As we in the United States prepare to elect a new President, this is an ideal time to lay the foundations of a joint program with Canada and those Latin American and Caribbean countries seeking to develop energy potential.

We should work together on a targeted effort at economic and energy development and supply that is crafted in a concerted, thoughtful way so that each party is a partner and feels the benefits of cooperation. Such an endeavor, "The Western Hemisphere Energy Compact," would encompass scientific information sharing, research, development, and deployment of renewable energy technologies, adaptation to climate change, enhanced integration of our energy infrastructure, and establishment of mechanisms for mutual aid in times of emergency. Such a compact would signal that political manipulation of energy supplies will not be effective in this hemisphere.

Partnership among countries is particularly important in the face of so-called natural resource nationalism, which has spread across Latin America and in many nations around the world. Such short-sighted policies, while they may have immediate electoral appeal, have proven to be detrimental to the long-term economic interests of the countries that practice them. Foreign cooperation does not have to mean foreign exploitation, and well-designed foreign investment in energy resources can bring real benefits to the people in the country, and the region.

While a joint energy program would bring jobs and other economic benefits to countries in the region, it has broader benefits as well. It could be the cornerstone of a new, more deeply engaged relationship between the United States and its Latin American and Caribbean neighbors. It would present the opportunity for us to build a new framework of political and economic discourse free from outmoded unilateral doctrines of the past.

With energy cooperation as a cornerstone, the United States and its neighbors should formulate a far broader agenda to address regional challenges through active consultation and consensus-driven collaboration with the region's most influential actors. Together, we should commit to build an inclusive region that encompasses the everyday welfare of each country and each of its citizens, including its traditionally neglected ones.

In February 2007, I co-authored an op-ed with OAS Secretary-General Jose Miguel Insulza that dealt with investment in biofuels. At that time, we wrote: "Such an investment program could, in short order, create a thriving Western Hemisphere biofuels marketplace that would alleviate poverty, create jobs and increase income, improve energy security, strengthen nations' independence, and protect the environment. If implemented vigorously and expansively, this partnership would signal a transformational change in U.S. policy on Latin America, a true collaboration between north and south on an economic and security strategy that would benefit all."

To realize such an economic and security strategy beyond just energy, what is required is a new doctrine for the region. Cold war attitudes must now give way to a contract between partners, one that speaks not only to our energy requirements, but to our mutual desire to improve our democracies and our economic standard of living. In an era of globalization and inter-connectedness in many spheres, prosperity will increasingly depend not on local control of energy resources, as such, but on the successful integration among nations of all our resources, including human ones. This includes skills development, financial investment, worker training, citizen education, sharing of technological breakthroughs, and more.

The response to natural resource nationalism is national resource internationalism, a structure of partnerships that bridges nations, and crosses continents. Helping to construct a new edifice is, I believe, the fundamental challenge in the western hemisphere for the next U.S. administration, and a critical opportunity.

Energy security is an advantageous platform upon which to build this new structure because the needs are clear and immediate, and all parties have something to offer and something to gain.

For example, Latin America supplies 30 percent of America's oil needs. Three of the top four largest oil suppliers to the United States are in the Western Hemisphere—Canada, Mexico and Venezuela. Yet even these major oil suppliers face challenges. In Canada, tar sands oil production is yet to be reconciled with technologies to limit environmental degradation. Mexican oil production, and hence that country's major source of revenue, is rapidly decreasing due to political debate over international investment. And each of us knows the perverse consequences of nationalization for oil production in Venezuela.

Similarly, there are significant natural gas supplies in Bolivia, Peru, Argentina, Mexico, Trinidad and Tobago, and elsewhere. In fact, South and Central America have nearly as much gas as North America. A regionally integrated system of pipelines and liquefied natural gas facilities would be a major step toward energy security for all of us. At the same time, it could greatly increase the economic value of these supplies, which so far have not been fully realized.

Renewable energy offers the greatest hope to wed our energy security needs with economic growth and environmental stewardship. Latin America's soil and climate are ideal for growing sugar cane and specialty energy crops for production of biofuels. The United States and Brazil are the region's biofuels leaders, but more countries in the region can and should get into the business of producing domestic biofuels to increase employment, boost rural incomes, improve trade balances, as well as gain protection from the whims of the international oil market whose gyrations have wiped out many nations' recent gains in poverty reduction.

I have called for lifting the U.S. ethanol tariff to help promote a truly regional market in ethanol, and as a visible commitment that the United States will lead in bringing nations together to form this Western Hemisphere energy partnership. I have also offered a bill called the "United States - Brazil Energy Cooperation Pact," to create the framework between the United States and Brazil to develop partnerships in the region and around the world to promote energy security through the accelerated development of sustainable biofuels production, research and infrastructure, and to begin the process of reaching out to our neighbors on broader energy security needs. It would be the task of the Western Hemisphere Energy Compact that I have suggested today to support, focus, accelerate and integrate these different efforts, through research and development, training, government assistance and the mobilization of private capital.

Such a compact could help each of us as independent nations and as a community of nations meet the lessons I shared with you today from my energy security mission in Europe. Those lessons are diversification, integration, and strategic policy-making.

It is an ambitious but realistic goal to develop a complementary mix of biofuels, renewable power and conventional fuels from the hemisphere, along with efficient technologies, that would help

disarm those who would use energy as a political weapon, improve economic growth, create jobs, and promote stronger regional and hemispheric cohesion.

To conclude, I share one final lesson from my recent trip. The lack of cooperation on energy security in Europe has led to a situation in which broader bilateral and multilateral alliances are truly under strain. By contrast, cooperation on an energy security agenda in our hemisphere will help build our alliances and prevent conflict. We owe this vision and day-to-day leadership to all those in our hemisphere who rely upon us.