Opening Statement
Chairman Eliot L. Engel

House Foreign Affairs Subcommittee on the Western Hemisphere

Energy in the Americas

Thursday, July 31, 2008

A quorum being present, the Subcommittee on the Western Hemisphere will come to order.

It is my pleasure to welcome you to today's hearing entitled, "Energy in the Americas." I am pleased to have Assistant Secretary of State for Economic, Energy, and Business Affairs Dan Sullivan here with us. We have met several times, and I look forward to your testimony.

New York Times columnist, Thomas Friedman, recently wrote an article entitled, "9/11 and 4/11." In the column, Friedman argues that since 2000, the United States has faced two major crises, 9/11 and 4/11. We all know what 9/11 is, but what is 4/11? That's when gasoline prices in the United States crossed $4.11. Friedman contends that history judges us on how we respond to crises and whether we'll respond to the energy crisis today.

With gas prices so high and consumers demanding answers, I decided to hold this hearing to look at the role of the Western Hemisphere in the production and supply of energy and whether the region holds any of the answers we are seeking.

The most obvious feature of the energy profile of the Western Hemisphere is that it is the leading energy supplier to the United States. Canada, the number one exporter to the United States, supplies more oil than Saudi Arabia, number two on the list. Numbers three and four, Mexico and Venezuela, respectively, round out the list of nations which send the U.S. over one million barrels of oil per day. Combined with other countries, our region supplies just above 50% of our total oil imports. That's right: Contrary to popular opinion, the majority of our imported oil comes from the Western Hemisphere, not the Middle East.

Our region also leads all others in the amount of natural gas imported by the United States. While the U.S. has the largest share of proven natural gas reserves in the hemisphere, Canada supplies more than 80% of imported natural gas and Trinidad and Tobago supplies the majority of our liquefied natural gas or LNG.

But, traditional hydrocarbons are not the only energy products where the hemisphere is in the lead. Between the United States and Brazil, we produce the majority of the world's biofuels in the form of ethanol. While there are questions about what is

the right feedstock to produce ethanol and other alternatives, the future for bio-fuels is bright. And, once scientists unlock the door to cellulosic ethanol, production could increase dramatically.

Unfortunately, as we look at Energy in the Americas, there are many areas with which we should be concerned. According to an excellent series on energy in The Washington Post this week, output from existing oil fields around the world is falling by as much as 8% per year.

In our hemisphere, oil output is dropping substantially in two of the major suppliers to the United States: Mexico and Venezuela. In Mexico, oil output fell 9.7% in first half of this year, compared to the same period in 2007, while second-quarter profits fell 56%. At a time of record oil prices, this is shocking! In April, President Felipe Calderón proposed reforming Pemex, the state-owned oil company, to give it more flexibility in hiring foreign and private companies to explore, produce, refine, and transport oil. Although Calderon's bill seems stuck, there is hope that a compromise might be found.

Like Mexico, Venezuela supplies more than 10% of U.S. oil imports, but unlike Mexico, our relations with Venezuela are not close. As I mentioned at a recent hearing on Venezuela, I would like to see improved relations with Venezuela, but, in the meantime we must be wary of heavy dependence on a country which considers itself an opponent of the U.S. Further, the increasing nationalization of oil resources by the Chavez government is causing some multi-national energy companies with the expertise to maintain Venezuela's oil infrastructure to flee, leaving Caracas without the ability to keep production of over 3 million barrels per day.

Just as problems are mounting in the Mexican and Venezuelan sectors, Brazil is lining up to take their place. The Tupi oil field, recently discovered off Brazil's southeastern coast is thought to hold between 5-8 billion barrels. While it will take up to a decade to exploit this resource, in May of this year, Brazil was actually one of the ten largest oil suppliers to the United States, beating out oil emirate, Kuwait. Yet, unlike Mexico and Venezuela, Brazil is not burdened with a poorly managed and legally restricted state-owned oil company. Petrobras is widely recognized as one of the best energy companies in the world.

But, when you talk energy and Brazil, it is in biofuels and energy independence where Brazil leads the world. I take my hat off to Brazil which made far-reaching decisions twenty to thirty years ago to develop a domestic biofuels industry which allowed it to become energy independent. Imagine today what America would be like if we were not addicted to oil from Saudi Arabia, Venezuela, and Nigeria. Imagine further if the world could simply say to Russia and Iran, thanks but no thanks – we don't need your oil. We could actually stop pouring money into the coffers of unstable and unfriendly nations.

We have a great deal to learn from our friends in Brazil, because in the end, the only real alternative for the United States is alternatives. We must follow Brazil's lead into alternative energy if we're going to break our addiction to oil and slow the production of greenhouse gasses.

Still, if we have it bad, countries in the Caribbean and Central America have it even worse. In fact, seventeen countries in our region are 100% dependent on foreign sources of oil, most in the Caribbean and Central America.

The U.S.-Brazil Memorandum of Understanding on Biofuels is just the kind of policy to help promote alternatives to oil. With Brazil, we have selected four countries, the Dominican Republic, El Salvador, Haiti, and St. Kitts and Nevis, where we are trying to stimulate the development of a domestic biofuels sector. Now, more than one year into the program, I am rather concerned that the process is going much slower than we had hoped and look forward to Secretary Sullivan's update on our joint efforts.

In particular, I would like to hear more about the efforts to help Haiti promote biofuels, in particular the potential for Jatropha as a feedstock for producing biodiesel. Jatropha, which has historically been viewed as a weed, is now seen as a possible 'trifecta' for Haiti. It could provide a domestic energy source, help reforest barren hillsides, and employ thousands of people – all things Haiti desperately needs. This opportunity must be explored aggressively, and I would like to hear what we are doing to promote this resource for Haiti.

There are opportunities for alternatives throughout the hemisphere, and I'm glad we are working with Colombia, Peru, and other countries on biofuels. We need to break our addiction to oil, and as Co-Chair of the House Oil and National Security Caucus, I think there's no better place to promote the search for alternatives than in the Western Hemisphere.

So, as we strive to deal with the crisis of $4.11, let us not forget the importance of the Western Hemisphere to our country's energy profile. I hope that we continue to work with our friends to the south as we strive to diversify our energy sources and most importantly develop clean alternatives to oil for the U.S. and the region.

I am now pleased to call on Ranking Member Burton for his opening statement.