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Testimony before the House Select Committee on Energy Independence and Global Warming

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Chairman Markey, Ranking Member Sensenbrenner, distinguished members of the Committee, thank you for the opportunity to testify before you this morning.

In the summer of 1973, as an Army Captain on the faculty at West Point, I spent two months working the first sets of analyses of the “energy crisis” for the Pentagon. At a time when gasoline prices had quadrupled, and long lines extended into the streets at every service station, Americans seemed determined to take action. For my part, I analyzed the adverse consequences of our increasing dependence on foreign oil – that it would distort American foreign policy, that the funds expended might go to governments that were unstable or didn’t support our interests, and that ultimately, US military forces might have to become engaged to defend or protect oil-producer governments. At a time when the US was ending its commitments in SouthEast Asia, this was disturbing. After the Yom Kippur War, in October, 1973, there was a rising call for American “Energy Independence”

Today, we can look back on the continuing failures of American government spanning the terms of seven Presidents, Republican and Democratic. Over this time we have been twisted and turned in our foreign policy by our pursuit of energy security, we have subsidized foreign governments inimical to our own interests, seen “petrodollars” diverted to corruption and terrorism, deployed hundreds of thousands of troops, and billions of dollars worth of materiel, fought the Gulf War, invaded Iraq, and remained engaged in a long term commitment in Afghanistan, at costs already exceeding a trillion dollars, all directly or indirectly due to our energy dependence. It makes all of those concerns expressed in the early 1970’s seem a little understated.

And the costs of that dependence continue to grow. Today the American economy sits with over 16% unemployment, or underemployment. Yet even in this slack economy we will be sending over \$300 billion dollars abroad this year to pay for American’s thirst for petroleum. This is equivalent to a tax – a levy – a bounty of about \$1,000 for every man, woman and child in America...money that is desperately needed within the American economy to create jobs, build communities, fund education, repair infrastructure, and give our children and grandchildren a future. Instead it is sent abroad to fund governments in places like Venezuela, Nigeria, and states on the Arabian peninsula. And then, we ask our military to

organize, train and equip our forces, and deploy to fight, or provide secure access to these petroleum resources? So, add to the \$300 billion annual costs to the American economy in the defense budget for the "secure access" portion of the Defense Department budget – ships, aircraft, bases, Marines, ground troops, prepositioned equipment, exercises, and all the long-lead time procurement that goes with this. Then add another amount - \$150-\$200 billion per year for the costs of the actual engagement in Iraq and the fighting in Afghanistan. Surely we are one of the most generous nations in history, not only purchasing oil abroad but organizing vast armed forces, equipped, trained, deployed and engaged in fighting which is directly or indirectly aimed at protecting some of the very nations to which we are remitting vast sums of money in exchange for oil and gas. And somehow, although we don't take the majority of our oil imports from the Gulf, nevertheless, we pay the vast majority of the costs for access there. Why should a nation struggling to create jobs and move its economy forward be spending hundreds of billions of dollars importing oil, when alternatives are available?

Of course, unlike 1973, we now understand that the greenhouse effect of carbon dioxide and other global warming gases is contributing significantly, and perhaps decisively, to long-term world wide climate change. We must address this, also as a threat to our national security. But however great this concern, as an American, I have to look first at our own country, and how we are squandering our near-term future.

Can a single Congressman or Senator of any party face the American people and say, yes, we must ask you each to pay a tax of \$1,000 per person per year into the indefinite future, so that you can have access to foreign oil at the pump, and an additional other \$1,000 or so that we can protect our oil companies' access to it...Sums totaling \$15-\$30 Trillion dollars over the next two decades? Could they say this when we have real alternatives which will keep this wealth at home and strengthen our security in the process?

Members of the committee, although I served for 34 years on active duty in the Army, I am in the energy business today, serving on the boards of companies in the oil, gas, wind, solar, ethanol, unconventional fuels, and electric power space. The information I am providing comes from first hand business experience, not just policy research.

Today we are dependent on 10 Million barrels per day of imported petroleum and petroleum products, and, if the economy resumes growing perhaps 11 or 12 million barrels per day. Given the right policies, and without raising the costs on our taxpayers, and at the same time reduce the emissions of greenhouse global warming gases, I believe we can achieve energy independence. The key is in the transportation sector, where this imported oil is used. Here is what we should do:

First, continue the adoption of electric automobiles. While there may be some technical issues, the hold-up is primarily a problem of demand. The US government should back up its technology efforts with "demand-pull" Simply decide that after,

say, 2014, any light vehicle bought by the GSA or by State and local governments ,must be electric-powered. Mass production will lower costs and raise consumer acceptance, and so perhaps within two decades, half the vehicles on the road could be all-electric. The government should also establish a nationwide Renewable electricity Standard, and mandate that all charging stations must be renewable energy-supplied – the wind solar, and biomass technologies are there, and, given adequate demand, could create hundreds of thousands of American jobs. And while we're at it, to assure that private investment funds are available, can't we give the small investor in wind and solar the same tax treatment that is available to investors in oil and gas?

For the near term, though, most vehicles will continue to be liquid fuelled. Many technologies have a role to play. First, get the American people in on the fight: label fuel at the pumps to show where it comes from; With a little ingenuity, the credit card receipt at the pump could provide country-of-origin labeling to show who gets the money – Americans, or Venezuela, Mexico, Nigeria or other government oil companies.

Then work alternative sources of supply by opening up the market for consumer choice. Ethanol today (already 60% less carbon-intensive than gasoline) provides almost 900,000 barrels per day of fuel in America. Follow-through on the approval of E15 and promote the blender pumps across America to make richer ethanol blends available, and cellulosic ethanol will surely make it to the marketplace, in sufficient quantities to meet the 2007 legislative aim of 36 billion gallons per year – or about 2.4 million barrels per day, or even more. Biodiesel and synthetic diesel is already in demand by our Armed Forces; enable long-term procurement contracts, and we can save another 2-4 million barrels per day by relying on synthetic military fuels. Next, compressed natural gas; with the right policies we could save say 1-2 million barrels per day of imports by transitioning fleet vehicles to CNG. Gas-to-liquids and coal-to-liquids with carbon sequestration could produce, over a few years, additional millions of barrels per day of cleaner petroleum products, at a profit, given oil prices in the \$75-\$90 per barrel range, if we could rationalize and streamline our regulatory processes. Add in additional oil from shale and other unconventional sources, including revamped and environmentally-safer off-shore drilling, and we can replace all imported petroleum.

In the process, we will reduce reliance on increasingly carbon-intensive and ecologically risky conventional oils, and help clean up the environment. Now is the time to embark on this effort, with the price of oil high, the economy slack, and trillions of dollars of private investment capital looking for good returns.

In the 1960's America needed the challenge of putting a man on the moon; today our leadership needs to challenge America to become energy independent. This we can do.

