

REMARKS BY THE PRESIDENT ON ENERGY

Marriott Wardman Park Hotel
Washington, D.C.
Tuesday, April 25, 2006
10:10 A.M. EDT

THE PRESIDENT: Thank you all. Bob, thanks for the introduction. It's always good to be introduced by somebody who is referred to as the "Promoter in Chief." (Laughter.) For 25 years, the Renewable Fuels Association has been a tireless advocate for ethanol producers. Your advocacy is paying off. Renewable energy is one of the great stories of recent years, and it's going to be a bigger story in the years to come. (Applause.)

I like the idea of talking to people who are growing America's energy security. I like the idea of policy that combines agriculture and modern science with the energy needs of the American people. I'm here to talk to you about the contributions you are making, and I'm here to talk to you about the need for this country to get off our dependency of oil.

And so I want to thank Bob for the invitation. I want to thank Ron Miller, the Chairman of the Renewable Fuels Association. I want to thank the board of directors and the members of the Renewable Fuels Association. I thank the members of my administration who are here -- Clay Sell is the Deputy Secretary of Energy, has joined us. I see members of the United States Congress who are here. I appreciate Jack Kingston of Georgia, Jerry Weller of Illinois, and Gil Gutknecht of Minnesota for joining us. Thank you all for your interest in this very important subject. (Applause.)

Before I talk about energy, I do want to share with you some thoughts about the war on terror. I just got off of a conference -- a videoconference with our strong ally Tony Blair. And we were talking about a major development that has taken place in the war on terror. After months of patient negotiations, Iraqi leaders reached an agreement on a unity government. And that's positive. (Applause.) This is a government -- this new leadership reflects the diversity of Iraq, and it reflects the will of the Iraqi people who defied the terrorists and killers and went to the polls last December. This new government is an important milestone for a free Iraq.

And it's the beginning of a new chapter in our relationship with the Iraqi people. When I was in California over the weekend, I had the opportunity to speak to the three leaders -- the President, the Speaker, and the Prime Minister-designate. I congratulated them on their courage and encouraged them to stand strong for the Iraqi people. I reminded them the people had voted, the people had expressed their desire for democracy and unity, and now there's a chance for these leaders to stand up and lead.

I told them that they have important responsibilities to their people, to rebuild infrastructure and to improve their economy and enhance security. I was pleased with the response I got. It's important for the American people to know that these three leaders appreciate the sacrifice that our troops have made and that our taxpayers have made to

help them realize a dream. And the dream is to live in a unified, free society. A free Iraq is in the interest of the United States of America. A free Iraq will be a part of laying the peace for generations to come. And a free Iraq will be a major defeat for the terrorists who still want to do us harm. (Applause.)

We've got good news here at home on the economic front, too. This economy of ours is growing, and the entrepreneurial spirit in America is strong. We've cut the taxes for everybody who paid income taxes, and that tax relief is getting results. Last year, our economy grew faster than any major industrialized nation. Since August of 2003, this economy of ours has created 5.1 million new jobs. The unemployment rate nationwide is 4.7 percent. That's lower than the average rate of the '60s, '70s, '80s, and '90s. The American people are working. (Applause.)

Farm income is up. Agricultural exports are growing. Real after-tax income is up over 8 percent for Americans since 2001. Productivity is high. More people own a home than ever before in our nation's history. This economy is strong, and we intend to keep it that way. And one way to keep it that way is to make the tax cuts permanent. (Applause.)

Yet amongst this hopeful -- these hopeful signs, there's an area of serious concern, and that is high energy prices. And the prices that people are paying at the gas pumps reflect our addiction to oil. Addiction to oil is a matter of national security concerns. After all, today we get about 60 percent of our oil from foreign countries. That's up from 20 years ago where we got oil from -- about 25 percent of our oil came from foreign countries. Now, part of the problem is, is that some of the nations we rely on for oil have unstable governments, or agendas that are hostile to the United States. These countries know we need their oil, and that reduces our influence, our ability to keep the peace in some areas. And so energy supply is a matter of national security. It's also a matter of economic security.

What people are seeing at their gasoline pumps reflects the global economy in which we live. See, when demand for oil goes up in China or India, two fast-growing economies, it affects the price of oil nation -- worldwide. And when the price of crude oil goes up, because it's such an important part of the price of gasoline, the average citizen sees the price of gasoline go up at the pump.

Gasoline price increases are like a hidden tax on the working people. They're like a tax on our farmers. They're like a tax on small businesses. Energy prices are -- energy experts predict gas prices are going to remain high throughout the summer, and that's going to be a continued strain on the American people.

And so the fundamental question is, what are we going to do? What can the government do? One of the past responses by government, particularly from the party of which I am not a member, has been to have -- to propose price fixing, or increase the taxes. Those plans haven't worked in the past. I think we need to follow suit on what we have been emphasizing, particularly through the energy bill, and that is to encourage conservation,

to expand domestic production, and to develop alternative sources of energy like ethanol. (Applause.)

Signing the energy bill was one thing, and I want to thank the members of Congress for getting a comprehensive energy bill to my desk. But there's a lot more to be done. First thing is to make sure that the American consumers are treated fairly at the gas pump. Americans understand, by and large, that the price of crude oil is going up and that the prices are going up, but what they don't want and will not accept is manipulation of the market. And neither will I.

The Federal Trade Commission is investigating whether price of gasoline has been unfairly manipulated in any way. I'm also directing the Department of Justice to work with the FTC and the Energy Department to conduct inquiries into illegal manipulation or cheating related to the current gasoline prices. The FTC and the Attorney General are contacting 50 state attorney generals to offer technical assistance to urge them to investigate possible illegal price manipulation within their jurisdictions. In other words, this administration is not going to tolerate manipulation. We expect our consumers to be treated fairly.

To reduce gas prices, our energy companies have got a role to play. Listen, at record prices, these energy companies have got large cash flows, and they need to reinvest those cash flows into expanding refining capacity, or researching alternative energy sources, or developing new technologies, or expanding production in environmentally friendly ways. That's what the American people expect. We expect there to be strong reinvestment to help us with our economic security needs and our national security needs.

Record oil prices and large cash flows also mean that Congress has got to understand that these energy companies don't need unnecessary tax breaks like the write-offs of certain geological and geophysical expenditures, or the use of taxpayers' money to subsidize energy companies' research into deep water drilling. I'm looking forward to Congress to take about \$2 billion of these tax breaks out of the budget over a 10-year period of time. Cash flows are up. Taxpayers don't need to be paying for certain of these expenses on behalf of the energy companies. (Applause.)

Second part of a good plan is -- to confront high gasoline prices is to promote greater fuel efficiency. And the easiest way to promote fuel efficiency is to encourage drivers to purchase highly efficient hybrid or clean diesel vehicles, which, by the way, can run on alternative energy sources. Hybrid vehicles run on a combination of a traditional engine and an electric battery. The twin sources of power allow hybrid cars and trucks to travel about twice as far on a gallon of fuel as gasoline-only vehicles. When people are driving hybrids, they're conserving energy.

Clean diesel vehicles take advantage of advances in diesel technology to run on 30 percent less fuel than gasoline vehicles do. More than 200,000 hybrid and clean diesel vehicles were sold in the United States last year. It's the highest sales in history.

Congress wisely in the energy bill expanded a tax credit for purchase of hybrids and clean diesel vehicles up to as much as up to \$3,400 per purchase. That made sense.

If we're trying to conserve energy, if we want to become less dependent on oil, let's provide incentives for consumers to use less energy. The problem is that these tax credits apply to only a limited number of hybrid and clean diesel vehicles for each manufacturer. If the automakers sell more than their limit, new purchasers are not eligible for the full tax credit. And so here's an idea that can get more of these vehicles on the road, and that is to have Congress make all hybrid and clean diesel vehicles sold this year eligible for federal tax credits. We want to encourage people to make wise choices when it comes to the automobiles they drive.

Third part of the plan to confront high gas prices is to boost our supplies of crude oil and gasoline. It makes sense when the supply-and-demand world, if prices are high, it means demand is greater than supply. One way to ease price is to increase supply. One immediate way we can signal to people we're serious about increasing supply is to stop making purchases or deposits to the Strategic Petroleum Reserve for a short period of time.

I've directed the Department of Energy to defer filling the reserve this summer. Our strategic reserve is sufficiently large enough to guard against any major supply disruption over the next few months. So by deferring deposits until the fall, we'll leave a little more oil on the market. Every little bit helps.

We also need to ensure that there are not needless restrictions on our ability to get gasoline to the pump. Under federal quality -- air quality laws, some areas of the country are required to use fuel blend called reformulated gasoline. Now, as you well know, this year we're going -- undergoing a rapid transition in the primary ingredient in reformulated gas -- from MTBE to ethanol. And I appreciate the role the ethanol producers are playing to meet this challenge. You're playing a vital role.

Yet state and local officials in some parts of our country worry about supply disruption for the short term. They worry about the sudden change from MTBE to ethanol -- the ethanol producers won't be able to meet the demand. And that's causing the price of gasoline to go up some amount in their jurisdictions.

And some have contacted us to determine whether or not they can ask the EPA to waive local fuel requirements on a temporary basis. And I think it makes sense that they should be allowed to. So I'm directing EPA Administrator Johnson to use all his available authority to grant waivers that would relieve critical fuel supply shortages. And I do that for the sake of our consumers. If Johnson finds that he needs more authority to relieve the problem, we're going to work with Congress to obtain the authority he needs.

Secondly, we also need to confront the larger problem of too many localized fuel blends, which are called boutique fuels. The number of boutique fuels has expanded rapidly over the years, and America now has an uncoordinated and overly complex set of fuel rules.

And when you have a uncoordinated, overly complex set of fuel rules, it tends to cause the price to go up.

And so I'm asking Director -- directing Administrator Johnson to bring the governors together to form a task force on boutique fuels. And the mission of this task force will be to find ways to reduce the number of boutique fuels and to increase cooperation between states on gasoline supply decisions. I want to simplify the process for the sake of our consumers. And then I'm asking them to get these recommendations to my desk, and I look forward to working with the United States Congress to simplify the process.

Listen, we need to expand our refining capacity. One of the problems we face is we've got tight supplies because we haven't expanded refining capacity. There hasn't been a new refinery built in 30 years. If you're worried about the price of gasoline at the pump, it makes sense to try to get more supply to the market. That will be beneficial for American consumers to get more supply to the market.

Part of the reasons why we haven't expanded or built new refineries to the extent we need to is because the permitting process in this country is extremely complicated. Companies that want to upgrade their equipment or expand their existing refineries or build new ones often have to wade through long, bureaucratic delays and/or lawsuits.

To make this gasoline supply more affordable and more secure, Congress needs to allow refiners to make modifications on their refineries without having to wait for years to get something -- to get their idea approved. I mean, if we want more supply, let's reduce the paperwork and the regulations.

Congress also needs to simplify and speed up the permitting process for refinery construction and expansion. And so I'm going to work with Congress. It's important for Congress to cut through the red tape and guarantee refinery construction permits will be processed within a single year.

We also need to be mindful of the fact that we can find additional crude oil in our own country in environmentally friendly ways. The technology is such that we're capable of environmentally-sensitive exploration. We got tight crude oil supplies, and it seems like it makes sense for us to use our new technologies to find more crude, particularly crude here at home.

One of the issues, as you know, that has been confronting Congress is ANWR. And I fully recognize that the passage of ANWR will not increase the oil supply immediately. But it's also important to understand that if ANWR had been law a decade ago, America would be producing about a million additional barrels of oil a day, and that would increase our current level of domestic supply by 20 percent. We've got to be wise about energy policy here in America. We've got to make sure that we protect the environment, but we've also got to make sure that we find additional supplies of crude oil in order to take the pressure off the price of crude, which takes the pressure off the price of gasoline at the pump.

And all I've outlined here today are interim strategies -- short-term and interim strategy. The truth of the matter is, the long-term strategy is to power our automobiles with something other than oil -- (applause) -- something other than gasoline, which is derived from oil.

And we're making progress. In my State of the Union Address, I talked about the Advanced Energy Initiative. And this is an aggressive plan, a wise way of using taxpayers' money to get us off our addiction to oil. We have a unique opportunity to continue forward with this plan.

Technology is the way, really, to help us -- to help change America for the better. Years of investment in fuels like ethanol have put us on the threshold of major breakthroughs. And those breakthroughs are becoming a reality for our consumers. I set a goal to replace oil from around the world. The best way and the fastest way to do so is to expand the use of ethanol.

The Advanced Energy Initiative is focused on three promising ways to reduce gasoline consumption. One is increasing the use of ethanol, another is improving hybrid vehicles, and finally, one is developing hydrogen technology. All three go hand-in-hand; all three are an important part of a strategy to help us diversify away from hydrocarbons.

Ethanol is -- has got the largest potential for immediate growth. Most people may not know this, but today, most of ethanol produced in America today is from corn. Most vehicles can use 10 percent ethanol in their automobiles.

What's interesting that Americans don't realize, with a little bit of expenditure, we can convert a -- kind of the standard automobile to what's called a flex-fuel automobile. And that flex-fuel vehicle can use ethanol that is -- or fuel that is 85 percent ethanol. It's amazing, isn't it? Without much cost, your automobile can be converted to be able to burn fuel with 85 percent ethanol, or a product made from corn grown right here in America.

Ethanol is a versatile fuel and the benefits are -- the benefits are easy to recognize when you think about it. One, the use of ethanol in our automobiles is good for the agricultural sector. I'm one of these people who believes when the agricultural sector is strong, America is strong. (Applause.) The way I like to put it, it would be a good thing when a President can sit there and say, gosh, we've got a lot of corn, and it means we're less dependent on foreign sources of oil. (Applause.)

Years back, they'd say, oh, gosh, we've got a lot of corn, worried about the price. Ethanol is good for our rural communities. It's good economic development for rural America. New biorefinery construction creates jobs and local tax revenues. When the farmer -- when the family farmer is doing well, it's good for the local merchants.

Ethanol is good for the environment. I keep emphasizing that we can be good stewards of our environment, and at the same time, continue with our economic expansion. And ethanol will help meet that strategy. You don't have to choose between good environment and good economics. You can have both by the use of technology. And ethanol is an example of what I'm talking about. And ethanol is good for drivers. Ethanol is home-grown. Ethanol will replace gasoline consumption. It's a good -- ethanol is good for the whole country, and we've been -- (applause.) I thought you'd like that. (Laughter.)

The ethanol industry is booming. It must be exciting to have worked for as long as you have on encouraging alternative sources of energy, and then all of a sudden see the work come to fruition.

Last year America used a record 4 billion gallons of ethanol. There are now 97 ethanol refineries in our country, and nine of those are expanding. And 35 more are under construction. The ethanol industry is on the move, and America is better off for it.

Many of these refineries are in the Midwest -- the Midwest because that is where the source of that -- the feedstock for ethanol comes from. That happens to be corn. But what's really interesting is there are new plants springing up in unexpected areas, like the Central Valley of California, or Arizona, or, of course, in the sugar fields of Hawaii. After all, sugar is also an important -- can be used for ethanol. As a matter of fact, it's a very efficient feedstock for ethanol.

Ethanol required our support. In other words, to get this new industry going, it required a little nudge from the federal government. Since I took office, we've extended the tax credit to 51 cents per gallon for suppliers. We've created a new 10-cent per gallon tax credit to provide extra help to small ethanol producers and farmers; provided \$85 million of loans and grants for the ethanol business ventures.

In other words, this is a collaborative effort. The federal government has got a role to play to encourage new industries that will help this nation diversify away from oil. And so we're strongly committed to corn-based ethanol produced in America. Yet there -- you just got to recognize there are limits to how much corn can be used for ethanol. After all, we got to eat some. And the animals have got to eat.

And so I am committed to furthering technology research to find other ways, other sources of ethanol. We're working on research -- strong research to figure out cellulosic ethanol that can be made from wood chips, or stalks, or switch grass. These materials are sometimes waste products and are just simply thrown away. Doesn't it make sense for us -- I think it does -- to use taxpayers' money to determine whether or not we can use these new -- these raw materials to make something out of nothing, so that we continue the advance of ethanol, so the market for ethanol expands throughout the United States.

We're spending -- I proposed, and I'm working with these members of the Renewable Caucus -- \$150 million in next year's budget for research in advanced forms of ethanol. And that's a significant increase over previous levels. I think it makes sense. And surely

the prices at the gas pump should say to the taxpayer it makes sense for this government to spend money on research and development to find alternative sources of energy. (Applause.)

I also support biodiesel fuel, which can -- (applause) -- which can substitute for regular diesel in cars, trucks, buses and farm equipment. Last year I went out to see a biodiesel refinery in Virginia that's making clean-burning fuel from soybean oil. And it was a really interesting process to watch. I don't know if you know this or not, but they're able to use waste products like recycled cooking grease to manufacture biodiesel. In other words, research and development has led to new alternative sources of energy like biodiesel. So that's one of the reasons why I signed into law the first ever federal tax credit for biodiesel producers. In other words, we're interested in addressing our energy security needs on a variety of fronts. It makes sense for the United States to have a comprehensive strategy to help us diversify away from oil.

And so we also have got to understand that we got to research not only to find -- to invest in ethanol and biodiesel, but part of a comprehensive strategy is to spend money on researching new battery technologies. And one of the really interesting opportunities available for the American consumer will be the ability to buy a plug-in hybrid vehicle that will be able to drive up to 40 miles on electricity. Seems to make sense to me. If we're trying to get us off gasoline, with crude oil as the main -- as its main feedstock, then why wouldn't we explore ways to be able to have vehicles that use less gasoline? And one way to do so is to use electricity to power vehicles.

And we're pretty close to a breakthrough. We believe we're close to a technology that will make it possible to drive up to 40 miles on electricity alone. And then if you have to drive more than 40 miles, then your gasoline kicks in.

But you can imagine what that will mean for a lot of drivers in big cities who on a daily basis, they don't drive over 40 miles. And so therefore, a lot of drivers that are going back and forth from work in big cities won't be using gasoline. And that's going to help. We've got \$31 million in our budget to speed up research and development into advanced battery technologies.

And finally, one other opportunity that is more long run than ethanol or biodiesel or plug-in hybrid vehicles, or encouraging people to buy the hybrids that are on the market today, is hydrogen. We're spending about \$1.2 billion over five years to research the use of hydrogen to power vehicles. And it makes a lot of sense when you think about it, because hydrogen produces zero emissions. The only emission it produces is water. And when I was out there in California, I visited the California Fuel Cell Partnership and saw buses and cars and SUVs that are driving on the highways out there powered by hydrogen. And the research and development money that we have spent has lowered the cost of hydrogen fuel cells, it's helped make them lighter. In other words, there's an industry coming. And it's an industry that will enable consumers to drive to work, just like we're doing today, but not rely on foreign sources of oil.

What I'm describing to you today is a strategy that recognizes the realities of the world in which we live. Our dependency on oil has created economic security issues for us, and national security issues for us. And therefore, this country must use our brain power and entrepreneurial spirit to diversify away from the hydrocarbon economy. You all have known this a lot longer than most Americans. You've known that we've needed to have this strategy, and that's why you're on the forefront of incredible changes that are taking place in this country.

You know, there's no doubt in my mind that one of these days, instead of people driving up to a gas station, they're going to be going up to a fueling station. And they'll be able to have choices to choose from. Got a hydrogen-powered car, you'll be able to have that choice. If you want 85 percent, maybe someday 100 percent ethanol, that will be an option available, too.

We owe it to the American people to be aggressive on price gouging now. We owe it to the American people to be promoting alternative ways to drive their car so as to make us less dependent on foreign sources of oil. We owe it to the American people to be aggressive in the use of technology so we can diversify away from the hydrocarbon society. And that's precisely what we're doing, and I'm glad to stand with you.

I appreciate your work for the United States of America. Thank you for letting me come by and talk to you, and may God bless you. (Applause.)

END 10:43 A.M. EDT