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Now Is The Time

by
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It is indeed an honor to address the nation's largest gathering of the renewable ethanol industry.

My message to you today is simple: The time to act is now.

Many are saying America is facing an energy crisis.

Whether we call it a crisis or not is unimportant.

What we do about it, however, is very important.

A set of circumstances – a coalition of factors, if you will – has come together that cry out for concerted action on a number of fronts.

A generation ago, we faced oil shortages.

Other types of energy supplies were mostly unaffected.

Today, America faces an array of energy issues across the spectrum.

Energy prices for many fuels have reached a level of volatility not seen for more than a generation.

Energy supplies are even becoming unreliable.

Let's take a look at the situation.

First, electric prices and supplies have become volatile.

What began as very localized price shocks for electricity began in the summer of 1999 in the Midwest.

By the following summer, outages – and more price spikes – hit the Midwest and East Coast.

Today, California – and the all the states throughout the Pacific Coast and Mountain West – are reeling from electricity production shortfalls and spiraling prices.

An end is not in sight.

In fact, with the advent of summer, the situation is predicted to get worse.

Next, natural gas prices are equally volatile.

Over the past two years, natural gas supplies have not kept up with surging demand.

This shortfall was obscured by a series of mild winters and other factors.

Some have said the shortfall has been building for decades.

This year, with a return to normal winters in North America, we awakened to natural gas prices that quadrupled from last year and zoomed to irrational levels – 40 to 60 dollars a unit in California – four to six times what natural gas was selling for elsewhere in the Midwest.

A recent Energy Information Administration report found California's natural gas problems daunting.

The situation in California is characterized by low natural gas storage, natural gas bottlenecks, and high demand.

The storage and pipeline problems will continue with no obvious end visible over the next two years.

MTBE – the oxygen additive favored by the oil industry – has become a casualty of soaring natural gas prices.

It is now almost too expensive to produce which could lead to shortages where reformulated gasoline is used.

Oil and gasoline prices are also volatile.

Last spring in the upper Midwest, gasoline price volatility that had usually only been seen in California, socked Chicago and Milwaukee.

Prices soared to $2.75 a gallon.

Several experts have predicted the gasoline price spikes will return this year.

Refineries will be hard pressed to meet the nation's growing demand for transportation fuels.

The nation's ability to produce the transportation fuels it needs continues to be eroded by imports.

Each year, the nation sets a new record for oil imports.

Last year, 56 percent of our oil needs came from foreign sources.

Experts say our dependence will only rise in the near term.

A three-year project by the Center for Strategic and International Studies headed by former Senator Sam Nunn and former energy and defense secretary James Schlesinger concluded "the risks posed by supply interruptions will be greater" between now and 2020 than they have been in recent years.

By 2020, half of all the petroleum used by the world, "will be met from countries that pose a high risk of internal stability."

In the coming years, "U.S. net oil imports will continue their steady growth."

This is not good news.

Non-energy areas are also affected by energy prices and supplies.

Even the production of fertilizer – a vital component of ag production – has become a victim of natural gas prices.

Supply shortages and high costs could have an impact on corn production in the coming year.

The cost of operating ag machinery doubled last year, and irrigation costs – which can be a major expense in corn-growing Nebraska – more than doubled.

Last week, Congress received a chilling report on the near-term outlook for the nation's farmers: Low crop prices, a 20 percent decline in net farm income in the next two years, and higher fuel and fertilizer costs.

Low prices and high production costs will be squeezing farmers said one of the experts.

Without the growth in ethanol production, the news could be worse.

Soaring electric prices, rolling blackouts, a quadrupling of natural gas prices and oil and gasoline price and supply volatility…these are not temporary issues.

As Daniel Yergin recently reminded us, the energy industry has been on a continual boom and bust roller coaster since crude oil was discovered in Pennsylvania in 1859.

Just four years later, prices rocketed to $7.25 a barrel – more than $100 a barrel at today's prices.

But just two years after that, prices had plunged by more than two-thirds.

Little has changed in 140 years.

Boom and bust is back.

Government forecasters warned just two weeks ago that supplies of key fuels may fall short, and the shortfall could last years – not just weeks or a heating season.

Future price predictions are also notoriously unreliable, but few are optimistic prices will decline in the short-term.

Americans from coast to coast want solutions.

It doesn't take a pollster to read the minds of Americans on energy issues.

They have spoken loud and very clearly: Americans want ready access to energy resources that do as little environmental damage as possible and at a
reasonable cost.

They will not tolerate supply shortages and excessive price volatility.

In short, available, affordable and clean.

That's the energy policy Americans want.

And if there was any doubt about the desire of Americans on this issue, one only had to read one of the questions in last Thursday's USA Today/CNN/Gallup poll.

"Dealing with energy problems facing the nation" ranked third; slightly behind "Improving education" and "Keeping America prosperous."

Energy issues even edged out "Keeping the federal budget balanced" and "Cutting federal income taxes."

If there was ever a time to act, that time is now.

We need to craft a national policy that will make energy available, affordable and clean for all Americans.

How do we construct an energy policy that meets those conditions?

Let's review just the ethanol options that were on the table last year:

1. Repeal the oxygen requirement in the Clean Air Act and replace it with a renewable fuels requirement. This approach went the furthest in Congress, making it out of the Senate's Environment and Public Works Committee.
2. Retain the oxygen requirement in the Clean Air Act and ban MTBE. This approach was also favored by some in Congress and the industry, but failed to get the necessary committee support to advance.
3. Adopt other legislative approaches such as regional and state specific solutions. These options also failed to advance.

All of these legislative solutions died at the end of 2000.

We have a chance to start over this year by incorporating ethanol into an all-encompassing package of energy initiatives.

This time, let's get it done.

But where do we start?

Can we find the solutions to these problems that span the energy spectrum?

Right now, no one has all the answers.

But I know that at least we can agree on several principles:

1. Include ethanol in any national energy policy;
2. Retain and build on the nation's clean air progress;
3. Encourage orderly and predictable ethanol industry growth;
4. Permit states to regulate MTBE within the context of a national fuel standard.

Now is the time for action.

The dilly-dallying over minor energy policy differences of the past several years must end.

With us or without us, national energy policies will be forged this year.

Of that we are certain.

We must find goals and policies on which we can unite.

If we are serious about providing solutions to the nation's energy needs, ethanol supporters must unite behind a single approach.

To that end, and as the head of a group of 25 of the nation's governors united in their desire to make ethanol an essential component of the nation's energy options, I asked Senator Chuck Hagel and Senator Ben Nelson to perform a valuable service for the ethanol industry.

Very soon, they will be bringing ethanol interests together to build a consensus so ethanol can become part of a national energy policy.

I want to thank them for undertaking this challenge.

To give the Senators some help, I will be meeting with Bush Administration officials in the White House on Friday.

The purpose of Friday's meeting is to stress that any proposed national energy policy that doesn't include ethanol will have a very difficult time getting passed.

A policy that overlooks ethanol will be not only be incomplete, but will force Congress to examine energy policies year-after-year-after-year.

My message to the Administration is also simple: Let's get a national energy policy right the first time by including ethanol.

Just as we are striving for a consensus among ourselves – and building momentum – we must not continue to provide our opponents with ammunition.

We must address weaknesses as well:

The fragmentation of the nation's fuel supply is real – and growing.

As Representative Billy Tauzin the new chairman of the House Commerce and Energy Committee, recently pointed out, "It will become harder and harder for the energy companies of America to

keep us supplied with fuel if we don't find some way to stop this Balkanization process."

Some blamed the Midwest gasoline price spike last summer, in part, on a proliferation of fuel types being used in the region.

If we choose to support allowing governors some power over the types of fuels used in their state, we must also address how a "state fuel" approach will lessen this proliferation of fuel types.

The belief that ethanol cannot fill MTBE's role is real.

Whether we like it or not, some will always find fault with ethanol.

Some have said ethanol will cost more than MTBE or suffer from production shortfalls. The best way to deal with these critics is straightforward and honestly: Continue to set new production records every month and make certain ethanol is competitively priced.

We must step up to the plate and meet the demand.

Only then will the naysayers be proven wrong.

The concern that ethanol cannot be reliably used on the East and West coasts must be addressed.

California has considerable experience with fuel supply problems and sharp price spikes.

Use of ethanol in California gasoline use must not exacerbate supply or price problems.

Maybe the industry or the federal government should look at the establishment of ethanol reserves in California and the Northeast until such time when regional production facilities are operational.

Any loss of funds from the Highway Trust Fund because of increased ethanol use must be corrected by Congress.

We cannot expect to encourage ethanol use under one policy, but then turn around and penalize those who are successful.

While I have been assured this is a minor issue – and it is not one of the major factors in determining how many dollars are returned to a state for road building projects – we must make certain Congress corrects this mistaken and contradictory policy.

Earlier today we heard that if ethanol use quadrupled over the next 15 years, Americans would save more than $57 billion from unneeded foreign oil imports.

By substituting an increasing amount of ethanol for foreign oil, America comes up a winner…creating 156,000 new jobs, increasing household income by $186 billion over 15 years and providing badly needed new investments and opportunities in rural America.

As we chart a course for the nation's energy future, we must build a plan based on reality.

Can America be self-sufficient in energy?

Most agree that is not going to happen in the foreseeable future.

While we may be able to whittle down some dependencies, to continue to hold out the promise that America can return to the days of self-sufficiency is unrealistic.

But we can make some progress.

So, what are our options?

A Western Hemisphere approach to energy independence is one.

Just as President Bush has proposed looking to Canada and Mexico to increase the flow of oil, natural gas and electricity among the three nations, we should broaden our search for energy partners beyond those borders.

For example, America and Caribbean and Central and South American nations have a decade-long trading history in ethanol.

Perhaps we should broaden our perspective and develop a Western Hemisphere – not just American, Mexican and Canadian – energy policy.

We must not overlook other opportunities to expand ethanol as a home-grown solution to the nation's other equally-pressing energy needs:

We should continue to diversify the nation's transportation fuels options by increasing the use of 85 percent ethanol blends.

Now that there are nearly two million vehicles on the road that can run on E85, shouldn't we redouble our efforts – under the banner of the National Ethanol Vehicle Coalition – to replicate the Minneapolis example in more cities?

Did you see that the 50th station just opened in the Minneapolis area?

Isn't that great?

In that region of the country, we are moving closer to the goal of having E85 available at nearly every service station.

Diesel-ethanol blended fuels represent a tremendous growth opportunity.

While BioDiesel is still being tested, it holds the promise of extending ethanol use to heavy-duty engines in trucks and buses.

Cracking this fuel market represents an enormous leap in technology and would further broaden ethanol's reach in the transportation fuels market.

If you're looking to the future of energy, nothing is more cutting edge – be it in cars or in electricity – than fuel cells.

Researchers call fuel cells small power plants.

They are capable of operating on almost any type of fuel that can be converted to electricity.

Unfortunately, the current cost of fuel cells makes their wide spread use unlikely.

However, ethanol must continue to be a part of research in this area.

The research on other biomass resources suitable for conversion to ethanol must continue to garner funding and attention.

Every penny we can reduce in the production of ethanol will only make the fuel more competitive.

I hope you are as optimistic as I am about the future for ethanol.

We have many opportunities for success this year.

Remember our twin challenges: The time to act is now, and any national energy policy must include ethanol.

Thank you.