

**Remarks prepared for Deputy Secretary of Energy Clay Sell
U6th .S.-China Oil and Gas Industry Forum
New Orleans, LA
June 27, 2005**

Thank you, Mark (Maddox) for that introduction. I am very pleased to be with you. On behalf of Secretary Bodman, who unfortunately was unable to be here this morning, I want to welcome everyone to New Orleans, and thank you for your participation in this 6th U.S.-China Oil and Gas Industry Forum.

I particularly want to express the appreciation of my government to Minister Zhang. Secretary Bodman sends his deepest regrets that he could not attend, but asked me to tell you that he is very much looking forward to seeing you later this week as part of the U.S.-China Energy Policy Dialogue meetings in Washington.

[Acknowledge David Sampson.]

I also want to express my gratitude to Rob Donovan and the United States Energy Association for their help in coordinating this year's meeting. The USEA has been instrumental in putting on not just this conference, but so many others in partnership with the United States Department of Energy over the years. We are grateful for your support.

At the outset, I'd like to say how glad we are to be co-hosting the sixth meeting of this invaluable forum. I have no doubt we will build on the successes of the most recent meetings in Shanghai and Houston ... and that both the United States and the People's Republic of China will take important steps toward a more secure energy future as a result of our dialogue here this week.

My confidence on that score stems from the recognition that both nations share many of the same energy challenges. Most obviously, because our economies are growing, both our nations can expect demand for energy to soar in the coming decades.

By 2025, the United States is expected to see demand for oil grow by 44 percent, and for natural gas by almost the same amount.

China, meanwhile, can expect its demand for oil to double over the same timeframe, and demand for natural gas to quadruple.

Both countries are faced with the same overarching problem: How to meet that growing demand, a demand that will certainly outstrip either country's capacity to produce enough energy at home to meet its needs.

One answer, of course, is imports. And I know everyone here realizes that both the United States and China certainly will increase imports of oil and gas in the next two decades. According to current International Energy Agency projections, the United States is expected to import perhaps 70 percent of the oil we use by 2025. In China, the figure is estimated to be slightly more, over the same time period.

These figures are set against a backdrop of producers around the world straining to meet the *present* demand for energy, as evidenced by the run-up in prices over the last several years.

Now, none of this is news to anyone in this room. That is why our respective governments have been taking steps the last few years to address the medium- and long-term supply and demand problems looming on the horizon.

One of the first actions President Bush took upon entering the White House four years ago was to put together a task force of experts, led by Vice President Cheney, to

evaluate our energy situation and develop a national energy policy for the United States that looks forward well into the 21st century. And the recommendations in their report have guided our course for the last several years.

China, too, is taking very aggressive steps to meet future demand – acquiring reserves, buying oil all over the world, contracting for supplies of oil and gas in places like Kazakhstan, and buying shares in projects from Canada to Indonesia ... not to mention efforts to sustain and even increase domestic production.

We applaud the steps China is taking, particularly in recognizing the necessity of working within markets around the globe to solve some very serious challenges. Free markets are the best means to solving such challenges. For that reason we also applaud the trade and investment liberalization decisions China is making as a new member of the World Trade Organization.

All of these are prudent – and necessary – moves to make... and we hope that China will continue working toward improving its investment climate.

[PAUSE]

As the leading consumers of energy in the world, the United States and China will drive the demand curve over the next half century. And because of this fact, it would seem logical that we should work together – government to government and industry to industry – in a number of areas where our cooperative efforts might pay significant dividends. That, of course, is the purpose of this forum.

One such area where cooperation could be valuable is enhanced oil recovery.

The United States has had great success extending the lives of some oil fields by employing new carbon dioxide flooding processes.

At the same time, China has successfully pioneered large-scale, polymer-surfactant (*pron sur FAC tant*) flooding to increase the flow from reservoirs in the Daqing (*pron. Da Ching*) field in the northeast.

I am certain there is much that American engineers can learn from Chinese counterparts, and vice versa, about novel ways to enhance the output from our oil fields.

I expect also that there could be great benefit from working together on natural gas production and infrastructure issues ... as well as on the measures necessary to facilitate the development of a safe global marketplace for liquefied natural gas.

Furthermore, I expect the United States could offer valuable assistance in helping China build a strategic petroleum reserve.

In August the U.S. will complete filling our reserve to its 700 million barrel limit, a measure ordered by President Bush shortly after the September 11, 2001, terrorist attacks. The crude oil in the U.S. Strategic Petroleum Reserve, which is stored in a number of salt domes in the states of Louisiana and Texas, is crucial to our own national security and provides considerable protection against a major supply disruption.

These are just a few of the areas where the United States and China can work closely in a way that will help bolster energy security for both nations, while adding an element of stability to world energy markets.

I know other areas of collaboration will be discussed over these two days, and also when the U.S.-China Energy Policy Dialogue gets underway later this week in Washington. This is very encouraging.

Before I turn the microphone over to Deputy Secretary Sampson, I would like to make one final point.

China did not begin importing crude oil until just twelve years ago. In that time, of course, China has developed into not just a market participant, but has become, like the United States, a market driver.

For that reason, I wanted to make a special point of discussing the importance of an effective, transparent information reporting system. This is one of the prerequisites of an efficient energy sector. Good information is needed for policymakers to make realistic assessments of the ability of the oil and gas industry to support policy objectives. It is necessary to ensure that market mechanisms are working as intended.

Reliable information also provides data to support forecasting of long-term demand, so that effective planning can be done to ensure adequate supplies and infrastructure for the future. In a business context, I can't stress enough the degree to which data transparency is needed to attract investment for energy projects.

So, as China presses ahead with very ambitious efforts to develop its domestic energy reserves, I would encourage the Chinese government and industry leaders to construct a functioning, reliable information reporting system.

It would benefit future economic planning.

It would benefit the investment climate.

And, at a time when Chinese energy demand is continuing to rise, it would add a considerable degree of stability to oil and gas markets worldwide.

With that final thought, I will wrap things up.

Ladies and gentlemen, I want to thank you for your participation in this 6th U.S.-China Oil and Gas Industry Forum.

More than that, however, I want to thank you for what your participation here will mean – cooperation and collaboration on a host of important energy projects. These discussions will surely contribute to the shared energy security of both our countries, and the future prosperity and well-being of our peoples.

Thank you.

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