

## Address to Deloitte 2011 Oil & Gas Conference

By

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Thank you very much. It's an honor and a privilege to be here.

The theme of this session, "Energy & Politics in the Election Year?" is timely. There is a good deal of uncertainty and upcoming choices surrounding energy and politics this year, and next year is likely to be even more uncertain.

Next year, 2012, we will experience a Presidential election, a third of the Senate up for reelection (with 23 Democratic seats up for election, compared to 10 Republican seats up for election), and of course all of the House of Representatives seats up for grabs in addition to the multitude of important state elections.

We see today how energy and politics are intertwined, as they always have been both in our nation and in every country in the world.

But who would have thought that the passage of an extension to the temporary payroll tax cut into 2012 would be tied to the approval of an oil pipeline from Canada? Senator Reid has threatened to hold up the Appropriations bill unless the House removes this provision.

When you look at energy supply and demand forecasts, all credible projections show significant increases in both from now through mid-century. The U.S. Energy Information Administration, the International Energy Agency, the Organization of Petroleum Exporting Countries, and projections made by private companies like ExxonMobil, Shell, and BP all suggest 30-40% increases in supply and demand for energy in the 2030 – 2040 timeframe. Differences in the projected energy mix vary among these organizations and companies, but the upward trend is not in dispute. There is also general agreement that most of the demand increases will come from developing countries.

My organization, the United States Energy Association, is the U.S. Member Committee of the World Energy Council (WEC). WEC has conducted surveys of industry executives globally and has identified the issues most on the minds of our industry's leadership.

First among these issues is the lack of a global framework to reduce greenhouse gas emissions, particularly carbon dioxide, as a response to the concerns over global climate change. A related issue is the lack of progress on carbon capture and storage / carbon capture, utilization and storage. Another interconnected issue is the lack of progress on low carbon technology deployment. Recently we have seen CCS demonstration projects derailed in the UK due to excessive cost and in Germany due to public opposition. And we have seen projects derailed in the U.S. as well due to uncertainty over financing.

Next on global executives' minds is security of global petroleum supplies in the post-Arab Spring. The IEA coordinated a release of emergency stockpiles when Libyan crude went off the world market. The potential for political instability in the Middle East to continue sustains concerns over the potential for supply disruptions, with Iran, Bahrain, Syria, and Egypt all experience varying degrees of disorder. One interesting aspect concerns the possibility of continued strife internal to the Middle East. Iran vs. Saudi Arabia, with Iran plotting to kill the Saudi Ambassador in Washington; Qatar providing funding to the Libyan rebels; and the ongoing Israeli-Palestinian-Egyptian issue, most recently seen in the cut of natural gas supplies in the pipeline from Egypt to Israel.

The future of nuclear power after Fukushima is third on the list of global concerns. Nuclear energy as a large-scale technology that can contribute to greenhouse gas emissions reductions is less certain than it was a few years ago. Again, witnessing the intersection of politics and energy, Germany has recently announced that it intends to close all of its nuclear power stations by 2022.

Fourth on the list is energy poverty – the challenge of how to reduce greenhouse gas emissions while allowing 1.5 billion people worldwide to gain access to affordable and reasonably clean energy. In another intersection of politics and energy, the subsidization of energy for poorer citizens occurs when customers cannot afford market prices.

Solving all of these problems relates to the fifth challenge, which is financing and developing the political will to make the trillions of dollars in investments required over the next few decades.

Now I'd like to share a few words about climate change. The UN Framework Convention on Climate Change – Conference of Parties concluded recently in Durban, South Africa with little real progress having been achieved. Essentially, the countries agreed to make an agreement, at some point in the future, depending upon future agreement, on details to be hashed out later. Sound familiar? The Kyoto Protocol, which the U.S. never signed, ends next year, and for the first time, China, India, and the U.S. joined in Durban with Russia, Canada, and Japan along with about 190 other countries to form an agreement to hopefully go into effect in 2020.

In reality this is not much more than the original United Nations agreement forged in Rio de Janeiro in 1992. We agree to try to agree if we can agree at some future time – depending on if we can agree on the details.

Domestically, politics is not allowing any serious discussion in Washington. No major domestic energy/climate legislation can be expected, some say, until after the 2016 elections, if then.

One final closing thought: The notion of energy and politics is best exemplified by what many of us consider to be the lack of a comprehensive energy policy:

- We want to reduce greenhouse gas emissions but we are walking away from carbon capture and storage demonstration projects.
- We want to reduce petroleum imports from unstable countries but we don't want to produce domestically or import from Canada.

- We want to bring people out of poverty but we want to reduce the usage of coal and nuclear energy.

A World Energy Council ranking of nations' energy and climate policies ranked the United States at #17 globally – behind Spain, Italy, and Latvia. Should not the only superpower in the world today at least have a better energy policy than Latvia?

Thank you.