

City Club of Portland Speech (as delivered)
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Making Energy and Natural Resources History Again

Thank you so much for that unquestionably inflationary introduction. A couple of days ago I was introduced repeatedly as Oregon's senior Senator, and people really couldn't figure out what to make of that and finally I said, look, keep this in perspective because at one time Fritz Hollings of South Carolina was his state's junior senator at the age of 80. Which prompted my older daughter recently to say "Dad I'm really studying the senate now and there's so much going on, and some of these guys are really getting up there. Dad, you're in the only profession on earth where someone your age is one of the young guys!"

So I think it's an important time to talk a bit about some of the big issues coming up in front of the Senate but I also want to do a little bit of business even beforehand.

I know that you're going to have a new director, Sam Adams and the history of the City Club has always been to be on the cutting edge of innovation and new ideas and I'm sure Sam is going to keep you there. Sam, I look forward to welcoming you and I know the club does as well.

In the Senate there is this tradition, they call it a point of personal privilege and I'm going to sort of rent the tradition today because of somebody who dreamed of being in the NBA as a kid, I heard that Bill Schonely was in the house, is that true? If Bill Schonely is here if he will rise and let's give Bill Schonely, Mr. Oregon a big round of applause. Mr. Oregon, Bill Schonely.

With decisions dating back a century, Oregon has a legacy of leadership on energy and natural resources that rivals any state in the country.

I'd like to take a few minutes to talk about how we built that legacy and then spend most of our time together talking about how we can do it once more.

It was just over 75 years ago – August 20, 1937, to be exact – that Franklin Roosevelt signed the Bonneville Power Act. And I think we all understand that law changed the Pacific Northwest forever.

It created construction jobs for Depression Era workers, brought electricity to homes, allowed businesses to build and prosper here and transformed the Columbia River into one of this country's great transportation systems.

The Bonneville Dam provided reliable, affordable power, unlike anywhere else in the country. And that power helped build the Country's arsenal of ships and planes that won World War II, especially the aluminum smelters that provided a critical metal for aircraft manufacturing.

Because of that work, the Pacific Northwest took its place on the frontiers of energy innovation by showing the vital link between affordable energy and creating jobs.

And Bonneville also proved something to the rest of the Country that our nation built on, and that is so often private investment will follow well targeted public investments. And Bonneville and Oregon and the Northwest led the way.

Now let's go back even further, to 1891, when President William Henry Harrison signed the law creating the National Forest System. It's wasn't long after that the government created national forest reserves in our state –and they were the precursors to today's national forests. The first one, created in 1892, was a portion of what is now the Mount Hood National Forest.

The wealth and beauty contained in Oregon's forests brought newcomers from across the country and made timber the state's most important natural resource.

In the aftermath of World War II, when all of those soldiers were coming home, America's rising middle class created a huge new demand for housing. It was Oregon's forests and Oregon's timber industry that provided the lumber that made it possible to meet that demand.

By 1961, Oregon forests provided one-fourth of the softwood lumber, half of the plywood and more than one-fourth of the hardboard produced in the United States.

It was Oregon and its natural resources that made the American Dream of homeownership possible and provide millions of Americans across the country with a better quality of life.

That's our history. That's a short look at where we've been, and now I'd like to talk about where we can go again, and once again we can lead America

on energy and natural resources.

First, the obvious. The U.S. economy doesn't get very far without safe, affordable power and balanced, sustainable resources.

We have either been generating here in our state power, in the case of hydro, and wind and other types of renewable energy or otherwise we would import it, natural gas and for certainly many decades past, coal.

We've got energy-dependent industries in Oregon from the mills in Southwestern Oregon to manufacturers like Oregon Iron Works in here in the city and frozen vegetable processors in Eastern Oregon. And that's not to mention the tech companies: Intel, server farms for Apple, Facebook and Google in The Gorge and Central Oregon.

We've got ports and manufacturers all over the state who see economic opportunities in overseas markets to drive job creation here at home. And one out of six jobs in our state depends on exports.

If you ever ask me what I think the Oregon economic philosophy ought to be all about, is we ought to grow things here, we ought to make things here, we ought to add value to them here and then we ought to ship them somewhere.

That's going to take affordable energy.

So energy and the economy are intertwined.

And now, for the first time in decades there's a brand new development. A development that for all practical purposes adults have really not seen. For years, of course we have been dependent on foreign energy sources and now, almost overnight, we are talking about being energy independent, and Oregon and other parts of the country are being asked to become energy exporters.

Now this is primarily because of technological advances. These advances unlocked vast new reserves of natural gas and shale oil. Natural gas is 50 percent cleaner than the other fossil fuels so there is something of real significance right there because Oregon clearly is looking at ways to reduce carbon dioxide emissions, and I think now, here at the City Club and similar kinds of discussions around the

country, we can start thinking through the issues, the important issues these new developments have brought.

And to illustrate how quickly our country has moved from importing energy to exporting energy, I wanted to take you through just a couple of recent Oregon newspaper headlines.

In 2008 and 2009, on the Oregon coast, papers were full of articles about the pros and the cons of importing natural gas through the ports on the Oregon coast. On December 4, 2008, the Daily Astorian reported on a meeting on energy imports in Clatsop County that got so rowdy, two people had to be escorted out of the building by Sheriff's deputies.

Now, just a short time later, we're having some of the same, let us say spirited, debates about whether or not to export natural gas.

So, last October, the Astorian reported, and I quote: "Emotions were high and the Warrenton Community Center was packed to the seams." People wanted their say on LNG exports.

So as billions of dollars were spent around the country building these import facilities, now we're having a debate about whether we ought to spend billions of dollars more in setting up export facilities.

The Energy Information Agency, in particular, is a study worth thinking about. They're the smart people who look at all the numbers and all the trends.

And the Energy Information Administration estimated in 2007 that the U.S. would be importing more and more natural gas each year. Those are our experts folks. In 2007, said we were going to import more and more natural gas each year.

It wasn't until last year that that agency, the designated set of experts for the government, did an about face and started predicting that America would have enough natural gas to send it overseas.

Now my own view is natural gas is a strategic advantage for we've got it and other countries want it. Today natural gas has become a strategic advantage for the United States. We've got it, and other countries want it.

Employers in the U.S. pay about five times less for natural gas than their competitors in Asia. Carbon emissions are falling as utilities retire old coal plants and rely more on cleaner natural gas-fired power.

The implications of the natural gas trend ripple all the way through our economy. I want it understood that I believe there are significant environmental issues associated with natural gas. Fracking is one, methane gas is a second, underground aquifers would be a third. But there is no question that when the Energy Information Agency says that CO2 emissions have dropped and that the evidence indicates that it is primarily due to plants shifting from dirtier coal to natural gas, that this is something we ought to think through, as a country and as a Congress.

The business press is reporting, for example, that a number of U.S. companies that have set up operations overseas are talking about coming back in order to have job growth in the United States tied to those low energy prices.

Gregg Kantor, who heads North West Natural Gas here at home tells me that even in our community, industrial customers are coming to North West Natural with new opportunities to expand industrial production because of new North American natural gas supplies.

And this trend is not just about natural gas, the trend to energy exports. The United States exported finished oil products last year for the first time in fifty years. For the first time in fifty years, we exported finished oil products, and now experts are predicting that within a few years we are going to export crude oil.

Let me just repeat that: after all of these years of imports, now we have predictions that the United States might be exporting crude oil.

So given these very dramatic developments in the space of just a few years, what should the policy of our government be? And here's the question that I think is front and center, and that is: Are there policies that could help our country find an energy sweet spot for the future?

For example: are there policies that allow some natural gas to be exported to keep American gas plants operating, while keeping gas prices affordable for our businesses and consumers, and at the same time providing a path to greater use of renewable energy?

I want to tell you that the Senate Energy and Natural Resources Committee is going to spend a lot of time looking for that sweet spot.

Now, this debate about energy exports, and what I call the sweet spot associated with those policies, is taking place against the backdrop of what is unquestionably the premiere environmental issue of our time – and that is the urgency of climate change.

Oregonians know it. At one of my recent town meetings over the last couple of weeks, six of the first eight questions were about climate change.

And Oregonians are right.

Climate change is real. I know that there are some who don't see it that way. I am not one of them.

The planet is getting warmer, the droughts are getting worse, the forest fires are getting more catastrophic and the storms are getting bigger.

My view is inaction on climate change is not an option.

Last week 13 federal agencies issued a draft of the U.S. National Climate Assessment. Among other things, they looked at the impacts in different parts of the country from climate change.

The assessment makes it very clear that as Americans we are going to have our hands full. Bigger swaths of our forests are going to burn. Our fish are going to be swimming in warmer, more acidic waters, and the Pacific Ocean along the Oregon coast is projected to rise by two feet by 2100.

At a recent hearing that was held looking at the oceans there were several experts there and they kept looking at Maria Cantwell of Washington and myself. So this is not an abstract issue for the Pacific Northwest.

A warmer Pacific Northwest also means less snow on the mountains, which means less water for the farmers and people who boat and fish, fewer days for folks to ski and snowboard, and less hydropower.

But there is also substantial good news for us.

I really do see a role for natural gas as transitioning our country to an economy that no longer relies almost exclusively on fossil fuels, but does, as you will hear us talk often in the Energy Committee, does considerably more to promote a low-carbon economy.

A smart beginning would be to change federal tax policy on energy tax incentives so those incentives are technology neutral. It just doesn't make sense to have one tax credit for wind, another for solar, a third for geothermal power, and then a whole array of breaks for oil and gas.

I also serve on the finance committee so we'll have a chance to pursue this intersection between energy policy and tax policy but in a nutshell what I think is in Oregon's interest with respect to federal tax incentives on energy is neutrality and parity.

If we have that, not only will we start creating more competition that will be good for consumers, but I can see the day in Oregon, where someone pulls up to what I call an energy filling station, not a gas station, an energy filling station, and the consumer gets to choose between electric, or natural gas, or biofuels, or gasoline, or flexfuels. And the endgame is more competition, a real marketplace, and a cleaner economy. That's the kind of future I see for us.

A second response where Oregon can lead on the climate change question is in the area of energy efficiency.

Since 1980, the Northwest has acquired some two Grand Coulee Dams worth of energy efficiency – that's two Grand Coulee's worth of coal plants or gas plants we didn't have to build because we invested in saving energy instead.

And the Northwest Power and Conservation Council says there's at least another couple of two Grand Coulee's worth of energy efficiency – another 6,000 average megawatts – still to be captured over the next 20 years, and at bargain prices.

Related to that question of energy efficiency is the critical issue that has just begun to get some attention, and that's the issue of energy storage. We need to do more to store energy, and particularly renewable energy, which of course is intermittent power. It runs when the weather is right, so we ought to be doing more to store it.

The Bonneville Power Administration especially can play a key role because storage is so critical crucial if we're going to tap in Oregon the full potential of

wind and solar, and we're all thrilled as we drive eastward in our state to see the opportunities particularly for wind power. Energy storage is critically linked to our ability to tap those opportunities, and Bonneville's role is essential.

Also east of the Cascades, biomass is an area where, again, Oregon can lead. We have a company, Zechem, which has a demonstration refinery in Boardman. They're creating cellulosic ethanol and other bio-based products that are going to reduce the amount of oil the United States would again be looking at having to bring from other countries.

This is the kind of innovative project the federal government ought to be encouraging, and is another step on the path to what I've described as the low-carbon economy.

And I was pleased this morning to see in the paper that our state is really coming together to promote wave energy, and to look at the oceans as an important source of power as well. It's an energy innovation which of course is a natural for us with our coast.

Oregon State University has been one of the pioneers in this area, of testing wave power sites near Newport and ocean power. And I heard that Oregon State is out in force, where are the Beavers? Let's give them a big round of applause for the work they're doing to help us get some of the first commercial wave projects in the country.

I want to wrap up this part of the program talking about one of the biggest challenges that is facing rural communities across the country.

And we see it here at home in what is called the county payments law. Where, again, going back in time to when the federal forest system was created. We were told we would get money for schools and our roads and our police, tied to cutting timber on federal lands.

That worked pretty great for about 90 years, and then as the environmental laws changed we had to take steps to fill in that money, and probably the most important law I've written in my time in Congress has been that timber payments law that's brought Oregon about two and a half billion dollars since 2000.

We're hurting in rural communities, and schools and roads and police, and we're worried about what's going to happen with Curry County, and Douglas and Coos

and the others. Even with that two and a half billion dollars there's a world of hurt out there, and we're not alone. And I want to kind of paint a bit of a picture here, because all over the United States, there are communities that adjoin federal land and federal water that are having almost the same discussions we're having in Oregon. There are very pragmatic people in all these communities, basically sitting trying to figure out how they can come up with policies that will help create more good-paying jobs in resource dependent communities, and at the same time protect our land and water and our treasures.

So it's almost as if there's a natural coalition out there that can work together to get rural America and Rural Oregon off this fiscal rollercoaster they have been in these past years.

And one of the things we're going to try to do on the Energy and Natural resources Committee is to try to build a coalition of communities across the country, and lawmakers who represent those communities, so that everybody who's got a stake in a balanced, sustainable set of policies in these areas with federal land and federal water, can make common cause.

A coalition where the mill worker in Roseburg, the oil rig worker in Louisiana, the Sierra Club member in Colorado, and fishing families and wind energy developers in New England can sit down together and find a way to come up with sensible, balanced resources policies and get some of the revenue that is generated from those policies, so that those rural communities don't become ghost towns. That is the challenge.

And I'll just close – if Pat's on his feet that means I'm supposed to be either off mine or wrapping up – with one kind of thought.

I started describing where we've been, and I hope you've got a little bit of a sense of where we can go, how we're poised to make history again.

We need to make energy in Oregon and America. And we need more sensible natural resources policies. And I think we can do it in a way that produces cleaner, more renewable energy for the environment and the economy.

And what it comes down to is whether we are willing to step up and do what Oregon has done best. What we have done best, is lead in the area of natural resources and energy policies for decades now. And it's time to do it again.

Thanks for having me.