

**THE CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES**

**ENERGY POLICY AND NATIONAL SECURITY**

**FEATURING**

**SENATOR JOHN MCCAIN (R-AZ)**

**INTRODUCTION BY  
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DR. JOHN HAMRE: Ladies and gentlemen, welcome. We're delighted that you are here today. This is a program that CSIS has to bring to the American people the presidential candidates who are right now seeking our votes. And we're looking forward to hearing one of the most interesting and premier candidates that we've got, Senator John McCain.

You are all here to hear Senator McCain, not me, but I do want to indulge, if I may, Senator, just one little story. You all know the great accomplishments of this man. I want to share with you a very little thing, but I experienced it personally. This was when, back in 1996, I was at the time the chief financial officer for the Defense Department. I was being criticized very sharply on the floor of the Senate by a senator who said that – who didn't understand what it was, but he called me a criminal on the floor of the Senate. And only two senators came to my defense to confront this senator, and one of them was John McCain.

I learned something from that. He didn't get a thing out of that. There was nothing that he could have possibly accomplished or gotten for himself by standing up and speaking the truth on my behalf. And it's a part of history that's disappeared, thankfully. But it taught me a lesson about true greatness, and I want to thank you for that, Senator, and I want to introduce to you now Senator John McCain, a great, great American.

(Applause.)

SENATOR JOHN MCCAIN (R-AZ): Thank you, John. Thank you for your kind words, thank you for your service in many ways to our nation, and thank you for your stewardship of this wonderful organization. And I appreciate the opportunity and invitation to talk with all of you about a great and urgent challenge -- breaking our nation's critical dependence on foreign sources of oil, and making America safer, stronger and more prosperous by modernizing the way we generate and employ energy.

Oil is often called the lifeblood of our economy -- the indispensable commodity that keeps commerce humming and America on the move. But in today's world, our dependency on foreign oil and the way we use hydrocarbons is a major strategic vulnerability, a serious threat to our security, our economy and the well being of our planet.

Fortunately, there are times in a nation's history when great challenges coalesce with great moments of opportunity. We are at such a moment today. We have the urgent need and the opportunity to build a safer and thriving future with more diverse, reliable, and cleaner energy. But it will take another indispensable commodity to make it happen: American leadership. I'm running for president to help provide that leadership. And I

want to talk a little today about the direction I want to lead us and why.

Oil is a vital resource and we will always need it. But we account, as you know, for 25 percent of global demand and possess less than 3 percent of proven reserves. Most of the world's known reserves are in the Persian Gulf in the hands of dictators or nationalized oil companies. Its availability and price are manipulated by a cartel of countries where our values aren't typically shared and our interests aren't their first priority.

By mid-century there will be three-and-one-half billion cars worldwide -- over four times the number today. Most of the growth will take place, as we know, in the developing world, in India and China, but the increase in fuel prices, pollution, and climate impacts will be felt over the entire globe.

As world demand for oil soars, higher prices, severe economic volatility, and heightened international tensions follow. These unpredictable forces could seriously circumscribe our future if we let them. Great nations don't leave the "lifeblood" of their economy in the hands of foreign cartels or bet their future on a commodity located in countries where authoritarians repress their people and terrorists find their main support.

Terrorists understand the seriousness of our vulnerability. Al Qaeda plans for attacks on oil facilities in the Middle East to destroy the American economy. A little over a year ago, a suicide attack at a major Saudi Arabian oil refinery came close to disabling its target. Had it succeeded, it would have driven the world price of oil above \$150 dollars a barrel -- and kept it there for a year.

We're one successful attack away from an economic crisis. The flow of oil has many checkpoints -- pipelines, refineries, transit routes, and terminals -- most of them outside our jurisdiction and control. Our enemies understand the effects on America of a significant disruption in supply: a crippled transportation system, gasoline too expensive for many Americans to purchase, and businesses closed.

Al Qaeda must revel in the irony that America is effectively helping to (firm ?) both sides of the war they caused. As we sacrifice blood and treasure, some of our gas dollars flow to the fanatics who build the bombs, hatch the plots, and carry out attacks on our soldiers and citizens. Iran made over \$45 billion from oil sales in 2005, and it is the number one state sponsor of terrorism.

The transfer of American wealth to the Middle East helps sustain the conditions on which terrorists prey. Some of the most oil-rich nations are the most stagnant societies on earth. As long as petro-dollars flow freely to them, those regimes have little incentive to open their politics and economies so that all their people may benefit from their countries' natural wealth.

The Middle East example is spreading to our own hemisphere. Venezuela's Hugo Chavez is using his country's oil revenues to establish a dictatorship, bully his neighbors,

and succeed Castro as Latin America's leading antagonist of the United States. The politics of oil impede the global progress of our values and restrains governments from acting on the most basic impulses of human decency. There is only one reason China has opposed sanctions to pressure Sudan to stop the killing in Darfur: China needs Sudan's oil.

The burning of oil and other fossil fuels is contributing to the dangerous accumulation of greenhouse gases in the earth's atmosphere, altering our climate with the potential for major social, economic and political upheaval. The world is already feeling the powerful effects of global warming, and far more dire consequences are predicted if we let the growing deluge of greenhouse gas emissions continue, and wreak havoc with God's creation.

A group of senior retired military officers recently warned about the potential upheaval caused by conflicts over water, arable land and other natural resources under strain from a warming planet. The problem isn't a Hollywood invention nor is doing something about it a vanity of Cassandra-like hysterics. It is a serious and urgent economic, environmental and national security challenge.

National security depends on energy security, which we cannot achieve if we remain dependent on imported oil from Middle Eastern governments who support or foment -- by their own inattention and inequities -- the rise of terrorists or on swaggering demagogues and would-be dictators in our hemisphere.

There's no doubt it's an enormous challenge. But is it too big a challenge for America to tackle; this great country that has never before confronted a problem it couldn't solve? No, it is not. No people have ever been better innovators and problem solvers than Americans. It is in our national DNA to see challenges as opportunities, to conquer problems beyond the expectation of an admiring world.

America, relying as always on the industry and imagination of a free people, and the power and innovation of free markets, is capable of overcoming any challenge from within and without our borders. Our enemies believe we're too weak to overcome our dependence on foreign oil. Even some of our allies think we're no longer the world's most visionary, most capable country or committed to the advancement of mankind. I think we know better than that. I think we know who we are and what we can do. Now let's remind the world.

George Gershwin wrote that good music reflects its people and times. "My people are Americans," he said. "My time is today." That's what made his music memorable. That's what made all America's best accomplishments memorable. We were capable and confident, we aspired to greatness and we understood our times. Our time is today, my friends, and the achievements of our storied past will shine no brighter than those we accomplish right now in our time if we meet our problems confidently and honestly, if we trust in the strength and ideals of free people, if we aspire to greatness.

As president, I'll propose a national energy strategy that will amount to a declaration of independence from the fear bred by our reliance on oil sheiks and our vulnerability to the troubled politics of the land they rule. When we reach the limits of military power and diplomacy to contain the dangers of that cauldron of burning resentments and extremism, energy security is our best defense. We can't achieve it tomorrow, but we must achieve it in our time.

The strategy I propose won't be another grab bag of handouts to this or that industry and a full employment act for lobbyists. It will promote the diversification and conservation of our energy sources that will in sufficient time break the dominance of oil in our transportation sector just as we diversified away from oil use in electric power generation thirty years ago, and substantially reduce the impact of our energy consumption on the planet. It will rely on the genius and technological powers of American industry and science. Government must set achievable goals, but the markets should be free to produce the means. And those means are within our reach.

Energy efficiency by using improved technology and practicing sensible habits in our homes, businesses and automobiles is a big part of the answer, and is something we can achieve right now. And new advances will make conservation an ever more important part of the solution. Improved light bulbs can use much less energy, smart grid technology can help homeowners and businesses lower their energy use, and breakthroughs in high tech materials can greatly improve fuel efficiency in the transportation sector.

We need to dispel the image of conservation that entails shivering in cold rooms, reading by candlelight, and lower productivity. Americans have it in their power today to contribute to our national security, prosperity and a cleaner environment. They understand the dangers we face, and are prepared to respond to appeals to patriotism that explain how we can free ourselves from them.

We need not wait for another age, in which science fiction becomes every day reality. Flexible-fuel vehicles aren't futuristic pie in the sky. We can easily deploy such technology today for less than \$100 per vehicle; and we must develop the infrastructure necessary to take full advantage.

We were able to overcome the challenge of putting seatbelts, airbags, and computer technology in practically every car. We can provide fuel options and improve the fuel efficiency of our vehicle fleet by making them out of high tech materials that improve their strength and safety. We are doing that very thing right now to beat our foreign competitors in the aerospace industry.

Alcohol fuels made from corn, sugar, switch grass and many other sources, fuel cells, biodiesels derived from waste products, natural gas, and other technologies are all promising and available alternatives to oil. I won't support subsidizing every alternative or tariffs that restrict the healthy competition that stimulates innovation and lower costs. But I'll encourage the development of infrastructure and market growth necessary for

these products to compete, and let consumers choose the winners. I've never known an American entrepreneur worthy of the name who wouldn't rather compete for sales than subsidies.

America's electricity production is for the most part petroleum free, and the existing electric power grid has the capacity to handle the added demand imposed by plug-in hybrid vehicles. We can add more capacity and improve its reliability in the years ahead. Nuclear energy, renewable power, and other emission-free forms of power production can expand capacity, improve local air quality and address climate change. I'll work to promote real partnerships between utilities and automakers to accelerate the deployment of plug-in hybrids.

With some of the savings from cutting subsidies for industries that can stand on their own, we can establish a national challenge to improve the cost, range, size, and weight of electric batteries for automobiles. Fifty percent of cars on the road are driven 25 miles a day or less. Affordable battery-powered vehicles that can meet average commuter needs could help us cut oil imports in half. The reward will be earned through merit by whomever accomplishes the task, whether a laboratory in the Department of Energy, a university, a corporation or an enterprising young inventor who works out of his family's garage.

There is much we can do to increase our own oil production in ways that protect the environment using advanced technologies, including those that use and bury carbon dioxide, to recover the oil below the wells we have already drilled, and tap oil, natural gas, and shale economically with minimal environmental impact.

The United States has coal reserves more abundant than Saudi Arabia's oil reserves. We found a way to cut down acid rain pollutions from burning coal, and we can find a way to use our coal resources without emitting excessive greenhouse gases.

We have in use today a zero emission energy – a zero emission energy that could provide electricity for millions more homes and businesses than it currently does. Yet it has been over twenty-five years since a nuclear power plant has been constructed. The barriers to nuclear energy are political not technological. We've let the fears of thirty years ago and an endless political squabble over the storage of nuclear spent fuel make it virtually impossible to build a single new plant that produces a form of energy that is safe and non-polluting.

If France can produce 80% of its electricity with nuclear power, why can't we? Is France a more secure, advanced and innovative country than we are? Are France's scientists and entrepreneurs more capable than we are? I need no answer to that rhetorical question. I know my country well enough to know otherwise.

Let's provide for safe storage of spent nuclear fuel, and give host states or localities a proprietary interest so when advanced recycling technologies turn used fuel into a valuable commodity, the public will share in its economic benefits.

I want to improve and make permanent the research and development tax credit. I want to spend less money on government bureaucracies, and where the private sector isn't moving out of regulatory fear, to form the partnerships necessary to build demonstration models of promising new technologies such as advanced nuclear power plants, coal gasification, carbon capture and storage, and renewable power so we can take maximum advantage of our most abundant resources. And I'll make it a national mission to develop a catalyst capable of breaking down carbon dioxide into useful chemical building blocks, and rendering it a new source of revenue and opportunity.

America competes in a global economy where innovation and entrepreneurship are the pillars of prosperity. The competition is stiff and the stakes are high. We have the opportunity to apply America's technological supremacy to capture the export markets for advanced energy technologies, reaping the capital investment and good jobs it will provide. Our innovators, scientists, entrepreneurs and workers have the knowledge, resources, and drive to lead the way on energy security, as we have in so many other world-changing advancements. The race has always been to the swift, and America must be first to market with innovations that meet mankind's growing energy and environmental needs. Again, government should set the standards, and leave it to the marketplace to win the race.

I have proposed a bipartisan plan to address the problem of climate change and stimulate the development and use of advanced technologies. It is a market-based approach that would set reasonable caps on carbon and other greenhouse gas emissions, and provide industries with tradable credits. By reducing its emissions, a utility or industrial plant can generate credits it may trade on the open market for a profit, offering a powerful incentive to drive the deployment of new and better energy sources and technologies; for automobiles to develop new ways to lower pollution and increase mileage; for utilities to generate cleaner electricity and capture carbon; for appliance manufacturers to make more efficient products; and for the nation to use energy with maximum efficiency -- building conservation into the economy in a manner that produces financial and environmental benefits. Dupont Corporation has reaped \$2 billion dollars in energy savings and reduced its greenhouse gas emissions by 72 percent since 1990.

As it always does, the profit motive will attract the transformational power of venture capital and unleash the market to more clean alternative fuels and advance energy technologies from the margins into the mainstream.

Some urge we do nothing because we can't be certain how bad the problem might become or they presume the worst effects are most likely to occur in our grandchildren's lifetime. I'm a proud conservative, and I reject that kind of live-for-today, "me generation," attitude. It is unworthy of us and incompatible with our reputation as visionaries and problem solvers. Americans have never feared change. We make change work for us.

In the coming months, other proposals will be offered to establish a national

climate policy. I welcome this. But let's not let urgency breed rashness and irresponsibility. I claim no monopoly on the best answers. Let the marketplace of ideas flourish.

But as there is great reward in the responsible policy, there's also enormous risk in the wrong way forward. The policy must include mechanisms to control costs and protect the economy. Just as there is danger in doing too little, there is peril in going too far, too fast, in a way that imposes unsustainable costs on the economy. I believe “cap and trade” is the best way to manage cost and maximize benefits, but we must look at other market-based means to give added assurance that our policies are an instrument of job creation, economic progress, and environmental problem solving.

Climate change is a global problem that requires a global solution. But we know America has both an obligation and a compelling national interest in fulfilling our historic leadership role. China's carbon emissions will soon exceed ours. As president, I will invite a collaborative relationship with China to make coal use cleaner and climate friendly. But we should address the problem on our terms and bring others into the fold of a common sense effort to solve it, while we sell to the world the technologies needed to do it.

Answering great challenges is nothing new to America. It's what we do. We built the rockets that took us to the moon -- not because it was easy but because it was hard. We sent space probes into the distant reaches of the universe. We've harnessed nuclear energy, mapped the human genome, created the Internet and pioneered integrated circuits that possess the computing power of Apollo spacecraft on a single silicon chip you can barely see. In twenty years – twenty years, we've gone from using this cell phone, a \$4000 toy for the wealthy, to this cell phone, an inexpensive and virtually universal means of communication.

We can solve our oil dependence. You can't sell me on hopelessness. You can't convince me the problem is insurmountable. I know my country. I know what we're capable of. We're capable of unimaginable progress, unmatched prosperity, and vision that sees around the corner of history. We've always understood our times, accepted our challenges and made from our opportunities another better world.

My people are Americans. Our time is today. That is the country I ask to lead.

Thank you very much.

(Applause.)

(END)