

**Speech by
Rep. Henry A. Waxman
American Jewish Committee
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Thank you for inviting me to speak today.

As many of you know, for the past two years Congress has been debating energy legislation that would affect all aspects of the nation's energy production and consumption. The legislation would have pronounced impacts on our economy, our environment, and, yes, even global affairs.

I commend the American Jewish Committee for your efforts to examine our energy policy from both a domestic and international perspective and for letting your voice be heard for a sound policy.

As a member of the House Energy and Commerce Committee and dean of the California House delegation, I have worked hard to try to push this legislation in the right direction. Unfortunately, I have been very disappointed with the energy policy proposals advanced by the Administration and the House Republicans.

The House of Representatives is expected to begin this debate again as soon as next week, so this meeting is particularly well-timed.

I want to talk about one aspect of our energy policy, an aspect that is particularly relevant to Iraq and other nations in the Middle East. I want to talk about U.S. dependence on oil. Over the years, you've heard policymakers talk of this dependence. Usually they say "dependence on foreign oil." But I am leaving the "foreign" part out, because the reality is that as long as we are dependent on oil, we are dependent on foreign oil.

Because of the allocation of resources on earth, the United States can simply not maintain its oil consumption levels and free itself of this dependency. The U.S. possesses only about 3 percent of the world's oil, yet consumes almost 25 percent on an annual basis. It is an unsustainable equation.

From the U.S. point of view, we have an economy dependent on a fuel source which we do not control. A policy that exacerbates our heavy dependence on oil also creates grave risks to national security and higher costs for national defense. Saddam Hussein is powerful and a threat because other countries want his oil.

Our oil dependence is just as stifling to political and economic progress in the oil exporting nations. The Arab Human Development Report released by the United Nations this past summer showed that oil nations were the richest countries in the world with the poorest most disenfranchised people. Today, more than 70% of all exports and investment in the Arab world are tied to the oil industry and the governments have had no incentive to invest in other

industrial sectors, in education, or to diversify the workforce with women. The unwillingness to modernize is a driving force behind the unemployment, unrest, and resentment feeding into Islamic extremism.

An oil-based energy policy is also terribly damaging to the environment. Oil drilling threatens to destroy pristine wilderness areas. Offshore oil development and tanker spills damage coastal habitats and beaches. Oil-based transportation emits approximately a third of the air pollution nationwide. And burning gasoline emits large quantities of carbon dioxide, which is causing global warming.

Finally, we know that a transition away from oil must take place at some point in the future because there simply is not an endless supply of oil. According to a presentation by a major oil company recently made to Congress, we will begin to face depleting conventional oil reserves as we move into the second half of this century. Although the oil industry hopes to develop nonconventional sources of oil and is banking on new technology, whether this will be a successful strategy is a very serious question.

From a political, economic, and environmental point of view: the sooner we plan and begin a transition away from oil the better off we'll be.

Such a transition is no small task. It will require tremendous effort from government and business. And, it will require broad acceptance from the general public.

And yet a consensus is growing that this needs to happen and will happen. For example, Saudi Arabia's former oil minister Sheik Ahmed Zaki Yamani has said, "The stone age came to an end not for a lack of stones, and the oil age will end, but not for a lack of oil." The obvious implication is his belief that the world will transition away from oil before we run out of it.

In fact, the debate seems to be subtly shifting from "will we transition?" to "when will we transition?"

You have to look no further than the President's State of Union address to see evidence of this. President Bush called for some increased funding for research in order to begin a transition to hydrogen to power transportation.

While the rhetoric is good, unfortunately, the President's long-term initiative is far too modest. The President has said, "it jeopardizes our national security to be dependant on sources of energy from countries that don't care for America." But under his approach, we would likely be importing more oil in 2040 than we do today.

And the President's short and medium-term proposals are clearly counterproductive. He has proposed an insignificant increase to our fuel economy standards, known as CAFE standards, while at the same time expanding loopholes in the law so that no increased fuel efficiency actually occurs.

Automakers have the technology right now to improve motor vehicles' fuel economy dramatically. But the nation's fleet-wide fuel economy hit a 20-year low last year. EPA has reported that the average fuel economy for the new 2003 model year vehicles is about 6% worse than what we achieved back in 1987. And only 4% of the new vehicles get more than 30 miles per gallon, even though they can meet this with readily available conventional vehicle technology. There's no question that the manufacturers have continued to improve almost every aspect of vehicle technology since the 1980s. But on fuel economy, we're stuck in 1982.

We should also encourage new technologies. One exciting example is the hybrid vehicle technologies which can run more than twice as far on a gallon of gasoline than the average vehicle. A forward-looking short to mid-term energy policy would provide incentives not for drilling oil, but for developing and using new technologies. We should give consumers tax incentives for purchasing cutting edge products such as hybrid vehicles to help move these vehicles into the market.

Again, the President's budget fails in this respect. He proposes to dramatically expand a tax break for small businesses that encourages them to purchase luxury SUV's instead of fuel efficient vehicles.

Let me give you an example of how the President's tax proposal would work. A Hummer H2 is a massive SUV that is reported to get 11 miles per gallon. A Toyota Prius is a four-door, five passenger vehicle using hybrid technology that can achieve over 50 miles to the gallon while meeting the most rigorous air emission standards. Without question, encouraging the purchase of vehicles such as the Prius over the H2 would help meet the dual goals of clean air and decreased oil dependence.

Unfortunately, the Bush plan increases incentives for vehicles such as the H2, instead of energy efficient vehicles like the Prius. If the Bush plan were adopted, a small business could deduct the entire price of the \$55,000 H2 in the first year it is put into service. The business could only deduct about one-half of the \$20,000 Prius in the first year. And the Prius would remain subject to the luxury car tax.

This backwards approach is consistent with the energy bill in Congress. The energy bill developed by the Republican majority in the House encourages our dependence on fossil fuels. It assumes that we keep driving the same vehicles, the same way, on the same fuel. Rather than trying to reduce demand, the bill's approach is to increase oil production, and the bill tries to achieve this by giving the oil companies tax breaks and exemptions from environmental laws. This approach may produce additional oil, or it may just increase oil companies' profits. Either way, it has tremendous costs.

In fact, as it was adopted in the House, the energy bill's subsidies to the oil industry alone will cost taxpayers over \$19 billion. That's a huge amount of money that could go towards health care, schools, parks, or national defense, but instead is going to very large oil companies.

I will work hard to improve this legislation, and I know you will too. It will be a very difficult struggle, but we have no choice. Continuing on the path laid out by the Bush

Administration threatens to push the United States into a corner where our policy decisions will be further constrained by the political agendas of countries like Iran, Iraq, Saudi Arabia, and Libya that are hotbeds of terrorism and anti-American sentiment.

Experience shows that when we tackle tough challenges, we really can make things better – for the nation, for the environment, for our communities, and for the world as a whole. This won't be an easy fight, but we must hold true to sound policy and persevere until we are successful.

Thank you.