{As Prepared for Delivery}

Pennsylvania Renewable Energy Conference
Harrisburg, Pennsylvania
June 19, 2006

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Remarks

Good afternoon. It is a distinct pleasure to be with you today. I want to thank Senator Santorum for making this Conference possible, and all of you for turning out this morning to discuss renewable energy.

Renewable energy is a critical issue for America – and an extraordinary opportunity for America's farmers and rural communities. It's good to be here to talk about it. Thank you, Senator, for inviting us.

As a key member of the Senate Agriculture Committee, Senator Santorum has been deeply involved over the years in our efforts at USDA Rural Development to increase economic opportunity and improve the quality of life in rural America.

USDA Rural Development is, in essence, an investment bank for rural America. This year we will invest over $17 billion in infrastructure, housing, community facilities, businesses, and job creation.

Since 2001 and the beginning of the Bush Administration, we have invested over $63 billion -- up significantly from the levels of the 1990's -- and we have created or saved over 1.1 million jobs in rural communities all over this country.

Renewable energy has a very important -- and growing -- role to play in these efforts. It is an enormous opportunity for farmers and rural America. And this couldn't come at a more important time.

Energy is obviously a major strategic challenge -- not only for the United States, but for the world. $70 a barrel oil hits <u>ALL</u> of us every time we gas up – just as it hits our friends from London to Tokyo, from Nairobi to Buenos Aires, from Copenhagen to Sydney, Australia. This is a global issue. No one is immune. The price of oil is high, <u>worldwide</u>.

But where there is a problem, there are also opportunities. The United States has extensive supplies of clean, safe energy. These include significant reserves of conventional oil, natural gas, and coal. We have the technology to recover these resources in an environmentally safe manner. If we're serious about reducing oil imports and reducing costs for American consumers, we should do so.

We have the technology today to build low emissions coal plants as well as safe, highly efficient nuclear plants. We should do so.

We are developing the technology for near-zero atmospheric emissions coal plants and a new generation of nuclear energy technologies. This has great potential.

We are significantly accelerating research on wind and solar power, on hydrogen and fuel cells, on battery technology for hybrid and plug-in hybrid vehicles. All of this plays a part. It's a comprehensive effort.

President Bush has been way out in front on this. It is ancient history now, but it's worth remembering that a comprehensive energy bill was one of President Bush's first priorities after taking office in 2001.

Obviously there was some political opposition. That's nothing new -- on energy, there is always opposition to anything. If you want a big political fight in Washington just say the word "energy" -- and then look for cover.

President Bush worked for 5 years to get an energy bill passed last summer. Once that was done, he followed up immediately with the Advanced Energy Initiative focused on conservation, transportation fuels, and better ways to power our homes and businesses.

The President's strategy is straightforward. The United States will, in the long run, deal from strength, not weakness. We do have a costly addiction to imported oil. But we can kick that addiction if we make up our minds to do so. The President is determined to do just that.

Energy from agriculture isn't the entire solution – but it IS a critically important PART of the solution. Clean, renewable, domestically produced energy is a win-win-win-win proposition. It's good for our national security. It's good for the environment. It's good for our balance of payments and economic competitiveness.

But in addition, it also has enormous potential for the rural economy – for farmers and small towns all across America.

For rural America, renewable energy doesn't just mean an extra 5 or 10 cents a bushel on corn or soybeans. It means creating new markets, new industries, and new jobs. It is not only our newest cash crop … it is rural America's biggest new growth opportunity in many years.

When my grandfather was farming, the rural economy was still driven by farming, ranching, forestry, and mining. That was still true when my father started out -- and it was still substantially true when I took over the family farm. But things certainly have changed.

Today, out of roughly 60 million people living in rural America, 58 million DON'T farm. In fact, as we begin the 21st century, fully 96% of the income in rural America is from non-farm sources.

About 160,000 larger farms -- most of them family owned -- account for roughly three-quarters of our food and fiber, while most of America's 2 ¼ million farmers work a full time job in town and farm in the evenings and on weekends.

As a result, if you look at ALL farm operations from the largest to the smallest, 85-95% of FARM FAMILY income is from off-farm jobs.

This is one of the points Senator Santorum was making. Rural America is diversified, dynamic, and integrated into the global economy. New products, new markets, and entrepreneurial drive are the keys to the future … and renewable energy combines all three.

In some parts of the country, this isn't a new idea. In Iowa, where I'm from, this is old hat. I'm a lifelong farmer. I've spent most of my life growing what you grow in Iowa – corn, soybeans, and hogs.

As just about anyone in Iowa can tell you, nowadays corn, soybeans, and hogs are just another way of saying ethanol, biodiesel, and methane.

The potential is enormous. Ethanol production in the U.S. last year approached 4 billion gallons. It is already blended into 30% of U.S. gasoline, and that figure is growing. This year, ethanol will absorb 20% of the corn crop. We are now actually refining more corn than we are exporting.

That's big news in the grain belt – and it's good news for the entire country. I'm sure all of us look forward to the day when we can fill up our cars with biofuels from the Midwest rather than oil from the Mideast. That's something we all can cheer.

In other parts of the country, the recipe is a little different but the story is the same. Biodiesel is still in its infancy but it is growing even faster. You don't grow a lot of corn in Pennsylvania, but you <u>DO</u> have biodiesel -- four plants already with a fifth under construction -- and I fully expect it to grow very rapidly.

Right now, Germany is the world leader in biodiesel, just as Brazil is in ethanol. The United States is on track to surpass both. That's not a certainty – they're moving pretty fast too, developing new capacity, as are many other countries – but it's a real possibility.

Other technologies are in play as well. $70 a barrel oil changes the cost equation on a lot of things. Methane gas recovery from farms and landfills has great potential. There are new opportunities, for example, in solar. Wind power is taking off.

In these areas, the resource is distributed. We're not talking about a handful of large plants owned by giant corporations. Large companies can get into these markets, to be sure – but so can everyone else. Rural landowners can capitalize on an emerging technology.

Wind, solar, biomass, and methane aren't just kilowatts pumped into the grid; they are mechanics and construction workers, linemen, repairmen, supply houses, new businesses and new opportunities in small rural communities that may not have seen a new business in 20 years.

Right here in Pennsylvania since we began implementing our Renewable Energy Program in 2003, USDA Rural Development has financed a pioneering open loop geothermal system and funded five anaerobic digesters. This is just a start.

There will be more to come. Pennsylvania has an enormous forest resource, which can be made available for direct combustion of forest waste. A few years down the road, it is likely to be a major feedstock for the production of cellulosic ethanol, which is a major goal of President Bush's Advanced Energy Initiative.

To make that happen, President Bush has proposed $150 million in 2007 – a 65 percent increase – in research funding on ways to produce ethanol cost effectively from cellulosic feedstocks like corn stalks, forestry byproducts, and switchgrass.

It's possible that as much as a third of America's current transportation fuel needs can be met from renewables by 2030. Pennsylvania can be a

player in that market. The range of new options for rural investment and wealth creation is almost unlimited.

I won't go into great detail about USDA Rural Development's activities in this area because Georg Shultz is coming up in a few minutes on the program. Georg is one of the primary architects of our Renewable Energy program. He's one of the people at the nuts-and-bolts level who are responsible for making the renewables revolution happen.

To give credit where credit is due, it's one thing for politicians and policymakers to say bright and bold things about renewable energy. It's another thing entirely to turn those goals into technical requirements, rules, regulations, and procedures.

Most things in government are a collaborative effort involving many, many people -- but to the extent that you can point to something as a personal achievement, Georg and his colleague Joseph BenIsrael deserve very high recognition for turning the Renewable Energy mandate from the 2002 Farm Bill into a working program.

I've sometimes joked that we need a rule at USDA against Georg and Joseph getting into a car or on an airplane together, because if anything ever happened to both of them, we would be up the proverbial creek without a paddle. I'm very glad Georg is able to be with us today.

As he will discuss, USDA Rural Development is now a comprehensive developer of renewable energy. Ethanol, biodiesel, other biomass, wind, solar, geothermal, hydrogen, or hybrids – we do them all.

The Department of Energy has the lead on research and development, and we collaborate very closely with DOE. But when it comes to moving new technologies from the lab into the field, USDA has a very large role to play.

From 2001 through 2005, we have invested over $356 million in 650 renewable energy and energy efficiency projects. That commitment has leveraged an additional $1.26 BILLION in private investment.

Those numbers are growing fast. This year, in the Section 9006 Program alone, we have received 616 applications for energy related

grants, loans, or loan guarantees. About 60% of these are from small businesses. The remainder are from agricultural producers.

Very clearly, the demand is strong and growing -- and we are eager to do more, in Pennsylvania and everywhere else across rural America.

In closing, it is clear that we are in the very early stages of a fundamental shift in our nation's – and indeed, the world's – energy resource base. This won't happen overnight. But it <u>will</u> happen … and there are remarkable opportunities ahead for individuals, for businesses, for States, and for nations that are prepared to lead.

President Bush is prepared to do just that. It is a privilege for me to serve as a member of his team. Renewables will be a big part of the energy solution – and I am excited by what that means for Pennsylvania, and all of rural America. The future is bright. Let's get to work. Thank you.