WRITTEN STATEMENT
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Introduction

Chairman Ros-Lehtinen, Ranking Member Deutch, and members of the Subcommittee,

Thank you for the opportunity to testify before you today. It is an honor and a privilege to appear before you not only because the issues of energy and the Middle East are so crucial at this moment, but because I began my career serving on the HFAC committee staff. It is good to be home.

Energy resources play a critical role in the Middle East and North Africa; as you know, for decades the fortunes of governments and societies in that region have been closely tied to the availability of energy resources and their ability to bring them to market. Today we find ourselves living in a transformational era for energy markets and the capacity of any country to be dynamic and play in this changing global context will determine its success going forward. We are familiar with the energy debate at home, including implications from the U.S. shale boom. That boom, together with Russia's deplorable actions in Ukraine, has highlighted the implications of energy for Europe's security and economic competitiveness. In my testimony today, I would like to address how countries in the Middle East and North Africa fit into this global energy puzzle, and how the United States, and particularly the State Department, is working to encourage the development of global liquefied natural gas (LNG) markets, build energy linkages in the Eastern Mediterranean, stabilize Libya's oil and gas sector, and support commercial opportunities in Algeria. Energy in the Middle East is a big topic and 5 minutes will only allow me to touch on these subjects. I look forward to discussing them during the Q & A.

Global Shifts in Supply and Demand

Energy demand around the world is changing rapidly. Consumption growth has shifted away from the traditional OECD consuming countries and moved increasingly towards the world's emerging economies. Even as Europe, North America, and the advanced economies in Asia reach increasing levels of efficiency in the use of energy, high growth rates in China and elsewhere have led to inexorable rises in energy consumption. Increasingly we are in a world where prices and commodity flows are driven by the demands of the emerging non-OECD consumers.

Around the world, new energy suppliers are entering the market. We are moving from a world with a small number of well-defined producers, many of them in OPEC countries, to a world that welcomes new supplies and production increases from North America, Africa, and Asia. New technology and improved production methods have unlocked previously inaccessible energy resources, fundamentally altering the energy landscape. West Africa and North America are seeing major increases in oil production, and recent discoveries in East Africa and the Mediterranean are frontier areas with bountiful natural gas resources. New suppliers are emerging, including countries such as Israel that were until very recently assumed to be bereft of energy resources. As all of you are keenly aware, the United States is at the heart of this supply shift. We have added 2 million barrels per day (bpd) in oil production in the last two years, an amount greater than Nigeria's crude oil production. We have become the world's largest producer of natural gas, and now the EIA anticipates the United States will become a net exporter of LNG in 2016 and an overall net exporter of natural gas by 2018.

Because these shifts in demand and supply have major global implications, the United States can and should continue to play a role in ensuring the stable and reliable flow of energy resources to all consumers. So it is striking to me how often I am asked whether increasing production levels in the United States means we are becoming "energy independent" and therefore will disengage from the Middle East. Let me be clear: nothing could be further from the truth. Our relations and interests in the Middle East have always been – and will continue to be – strong, multifaceted, deep, complex, and strategic. We live in an international global economy with interdependent energy markets. And even if all products we consume would originate beneath our own soil and oceans, we would still not be "independent." A disruption *anywhere* in the world would have consequences *everywhere,* including here at home. The American economy is integrally linked to the global market and we are dependent on the prosperity of others, just as they are dependent on us. As a major oil and gas producer, the United States will continue to have a vested self-interest in maintaining market stability because disruptions anywhere affect prices everywhere, even in the U.S.

Developments in the Middle East

The Middle East is adapting to this new dynamic. We have already seen changes in OPEC, which has shifted from an exclusive focus on maximizing prices to an organization that is increasingly interested in overall market stability. The United States, as one of the world's largest oil and gas producers, shares this interest and this creates opportunities for future engagement. Within this context, Iraq has emerged from decades of mismanagement and sanctions to resume its role as a major oil supplier. The country is still developing, but we are intensely focused on helping Iraq build in improved reliability in its energy sector, and to sharing best practices related to oil and natural gas production, distribution, and export.

In the Persian Gulf, Qatar established its massive liquefaction facilities, transforming LNG from a niche commodity into a globally traded product. Even though most natural gas still moves by pipeline, the growth in the LNG trade has been enormous. This has given all consumers an increasingly viable alternative to coal, oil, and pipeline gas. The ability to ship an LNG cargo anywhere in the world has made natural gas, which has lower greenhouse gas emissions than coal or oil, a more viable option for consumers who had previously hesitated due to worries about the reliability of supplies. Due to the breakthroughs in LNG processing and shipping by Qatar, LNG imports are a fundamental part of strategic energy planning and a core ingredient in the future energy mix of many countries, particularly in Asia and Europe.

One area where I have personally focused a lot of my work is in the Eastern Mediterranean. New discoveries of gas offshore Israel and Cyprus and great potential in Lebanon, Greece, Egypt, and the Palestinian Authority have great promise for not only economic growth, but for new regional cooperation. In February of this year, a State Department-facilitated landmark agreement was announced in which Houston-based Noble Energy will sell natural gas from Israel's offshore fields to Jordan starting in 2016. The deal is a strong first step toward providing Jordan with critically needed affordable energy supplies after losing supplies from Egypt due to repeated terrorist attacks on the Sinai pipeline and due to the changing nature of Egypt's production and consumption patterns. Collaboration will enable development of these resources in the most economically viable manner, while also building new bridges for potential future cooperation on a wider range of issues. Companies operating offshore Israel and Cyprus now face decisions on how best to monetize their remarkable investments. This is where geopolitical realities and economic imperatives need to converge. We will continue to work with Israel, Cyprus and the other countries in the region to assist in any way we can.

Developing frontier resources is a risky and capital-intensive undertaking. Companies will be deterred from making the necessary investments if they believe that the risk is too high. When investments can be made in places like North Dakota with little legal or political risk, it becomes very hard for developers to find investors for projects in countries with less developed political and judicial systems. A case in point is Libya, which is among a handful of countries blessed with giant, low-cost, and easy to extract oil and natural gas deposits. Unfortunately, political instability and pervasive insecurity have had a devastating effect, and the country's production potential suffers from massive underinvestment. At 150,000 bpd, Libya is only producing 10 percent of what it had achieved just over a year ago, and even the previous amount of 1.5 million bpd is still well below what would theoretically be achievable in a better investment climate.

Also in North Africa, Algeria is pursuing the next phase of development in its mature oil and gas fields and producing from its offshore and unconventional resources, but has to get the investment conditions right. With the correct incentives in place, Algeria has the unique opportunity to reinforce its role as one of Europe's most reliable suppliers, a point of critical importance as one component in a multifaceted solution to Europe's energy diversification efforts. This will require new infrastructure, new exploration, and new ideas. The United States Government and U.S. companies are eager to help wherever we can to provide the most useful assistance to Algeria.

Conclusion

In conclusion, there are exciting developments in the Middle East, in the Arabian Gulf, in the Eastern Med, and in North Africa. It is in our national interest, for reasons of security and economic growth, to do all we can to make sure these opportunities are realized and that we promote cooperation in this field. We also strive to ensure these resources are developed in a way that will benefit all people in the countries involved.

Thank you again for the opportunity to testify before you today and I look forward to any questions you may have.