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**Before the Committee on Energy & Commerce**
**Energy & Power Subcommittee**
**U.S. House of Representatives**

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**Rayburn House Office Building, Washington D.C.**

**Regarding H.R. 3301**
**The North American Energy Infrastructure Act**

Mr. Chairman, members of the Committee, the North American Energy Infrastructure Act comes at a critical juncture. It comes at time when it is clear that much more needs to be done to revitalize the American economy.

It comes at time of a transformation in the energy landscape that almost no one anticipated. Only a few short years ago everyone was talking about peak oil and gas and about the imperative to find energy resources beyond hydrocarbons.

Instead, we find ourselves today in a world awash in the potential to produce enormous new quantities of oil and natural gas. And the epicenter of that transformation is North America. In a stunningly short time the U.S. has emerged to become the world's fastest growing producer of oil and natural gas, vaulting North America to the absolute dominant global position in hydrocarbon energy production.

Imagine what our nation would look like today in the counter case -- if the new technologies of oil and gas, and the tens of thousands of small and mid-sized businesses had not deployed that technology to release the hydrocarbon riches locked up America's vast shale fields. The numbers make it clear that *but for* the hydrocarbon shale revolution, America may have slipped into Depression. Consider the facts.

Increased domestic production has contributed over $400 billion a year to the U.S. economy and attracted nearly $200 billion in foreign direct investment in America over the past five years alone. It has already driven a 45% reduction in oil imports radically shrinking the GDP-robbing trade deficit. The U.S. is now a *net exporter* of refined hydrocarbons for the first time since 1949, and is on track to become a major exporter of natural gas. And for the coming decade the EIA forecasts some $2 trillion in *private* sector investment in America's oil and gas sector.

This is a total reversal of fortunes from a continent condemned to energy dependence to one awash in production. It is epitomized by the literal physical reversals in the direction of flows in oil and gas pipelines that now carry fuel from the heartland to the coasts, instead of vice versa. We have also seen the mission of liquid natural gas terminals reverse from import to export, a reversal in refineries from retirements to expansions, a reversal in shipyard construction, and reversal in a dozen-plus states from shrinking to expanding tax receipts and jobs.

The hydrocarbon sector is the single most dramatically expanding part of the entire U.S. economy and has been a shining light of growth and high-value full-time job creation – growth that has come without federal stimulus or new subsidies or preferences. This stands in stark contrast to slow or stagnant growth across nearly every sector of the economy reflected in the extraordinarily slow recovery in jobs and especially for well-paid middle-class full-time jobs.

The U.S. is now on track to become energy independent in economic terms. But that is only part of the story and only a first step towards a far more valuable opportunity. In combination with our North American allies, Canada and Mexico, this continent can quickly become the world's largest supplier of hydrocarbons. The economic and geopolitical implications are far-reaching.

All this begs the obvious question: why wouldn't we be doing everything possible to encourage and accelerate the North American hydrocarbon revolution? Especially in the context of the role of hydrocarbons in high-value manufacturing jobs -- a sector at the very core of the kinds of employment growth so eagerly sought by citizens and their elected representatives.

There is a renaissance in manufacturing now underway and it is not isolated to businesses needed to build the tools, hardware and services specifically for oil and gas extraction, transportation, and processing. The abundance of low-cost energy is also driving a massive resurgence of investments into the energy-intensive manufacturing sector from plastics to fertilizers. The American Chemical Council has catalogued nearly 100 chemical industry investments valued at over $70 billion due to come on line in the next few years alone, and generate over one million jobs and add over $300 billion to the GDP.

And the energy-intensive manufacturing ecosystem's expansion will spill over into and catalyze other manufacturing both upstream and downstream where other businesses will take advantage of the proximity to low-cost high-reliability supplies and suppliers, of the growth in local labor force skills, and benefit from the collateral advances and investments in new underlying technologies. That's how industrial and economic ecosystem's work. This is precisely what policymakers hope will happen when they try to "stimulate" such outcomes.

No fiscal stimulus is required to unleash all these benefits. The key to unlocking the opportunity is to revise – perhaps the better word is "revitalize" – regulations and legislation.

It is inconceivable that the regulatory and legislative structures put in place over the past 40 years are still relevant or constructive in the New Normal of North American energy abundance. Legislation is needed not just to avoid unintended but needless impediments to the efficient (and safe) operation of America's productive hydrocarbon industries, but also to encourage and accelerate further expansion. And, critically, legislation is needed to permit industry to economically rationalize and optimize the capital-intensive energy infrastructure without regard to the borders with our neighbors – Canada and Mexico - - where we share common resources and compatible cultures.

It bears noting that the dramatic growth in American oil and gas production has not arisen from new discoveries or the opening up of off-limits federal lands, but from new technologies and techniques that manufacture liquid and gaseous hydrocarbons from solid shale rock. Widely reported as "fracking" – hydraulic fracturing – the story is one of deep industrial innovation, digital technologies and software, driven and deployed largely by small businesses not Big Oil. It is a quintessentially American success story and a permanent secular shift in the energy landscape.

Imagine what would be possible with a bold North American initiative to optimize and rationalize each nation's projects and infrastructure. The North American continent has more than double the oil and gas resources of the entire Middle East. Unleashing North America's capabilities would ignite jobs and growth from the Yucatan Peninsula to the Arctic Circle. In less than two decades North America could surpass Middle Eastern production and become the dominant player in global energy markets.

In order to make that happen, I have earlier proposed that we should emulate the 1994 North American Free Trade Act (NAFTA) and create a North American Common Energy Market. Unlike NAFTA, there isn't a free flow of economically sensible cross-border energy projects, from pipelines to transmission lines. Special government permission is often required for activities as ridiculously trivial as a change in corporate name to logical expansion or new construction of pipelines – such as the Keystone XL pipeline which would let Canada essentially displace unfriendly heavy crude imported from Venezuela.

NAFTA has been a resounding economic success for all three nations and a crowning example of American political bipartisanship. As valuable as NAFTA has been, a North American Common Energy Market is potentially bigger.

The North American Energy Infrastructure Act is a vital first step towards this goal and the opportunity to accelerate the deep economic benefits unfolding from the hydrocarbon revolution.

I should note the obvious that America's future is not exclusively anchored in hydrocarbons of course. We won't be choosing between growth from the tech sector versus the hydrocarbon sector. They have grown together and will continue to do so, and it is growth that is increasingly synergistic as technology lies at the core of the oil and gas revolution.

But the American hydrocarbon sector not only contributes more to the GDP than does Silicon Valley, it has also contributed more to the reduction in the trade deficit, added more jobs, and generated more widespread wealth in more states and thus contributed more revenues and economic recovery.

I am long-term deeply bullish on and have frequently written about the prospects for a new great secular growth cycle arising from emerging technologies. But the oil and gas sector offers the single largest opportunity near-term fuel for more rapid growth – and more jobs across the economy and in dozens of states.

Economic growth is the solution to essentially every problem facing the nation faces today from deficits to entitlement funding, from housing to political dysfunction.

Pundits that say we are at a pivotal point in history are correct. But they are quite wrong about the direction of the change. The New Normal is one of opportunity for expansion and growth. The North American Energy Infrastructure Act can prime that pump.

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