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4 QUADRENNIAL ENERGY REVIEW AND RELATED DISCUSSION DRAFTS

5 TUESDAY, JUNE 2, 2015

6 House of Representatives,

7 Subcommittee on Energy and Power

8 Committee on Energy and Commerce

9 Washington, D.C.

10           The Subcommittee met, pursuant to call, at 10:04 a.m.,  
11 in Room 2123 of the Rayburn House Office Building, Hon. Ed  
12 Whitfield [Chairman of the Subcommittee] presiding.

13           Members present: Representatives Whitfield, Olson,  
14 Barton, Shimkus, Pitts, Latta, Harper, McKinley, Pompeo,  
15 Kinzinger, Griffith, Johnson, Long, Ellmers, Flores, Mullin,  
16 Upton (ex officio), Rush, McNerney, Engel, Green, Capps,  
17 Castor, Welch, Loeb sack, and Pallone (ex officio).

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18           Also present: Representative Cramer.

19           Staff present: Nick Abraham, Legislative Associate,  
20 Energy and Power; Gary Andres, Staff Director; Will Batson,  
21 Legislative Clerk; Sean Bonyun, Communications Director;  
22 Leighton Brown, Press Assistant; Allison Busbee, Policy  
23 Coordinator, Energy and Power; Karen Christian, General  
24 Counsel; Patrick Currier, Counsel, Energy and Power; Graham  
25 Dufault, Counsel, Commerce, Manufacturing, and Trade; Tom  
26 Hassenboehler, Chief Counsel, Energy and Power; Peter  
27 Spencer, Professional Staff Member, Oversight; Dan Schrieder,  
28 Press Secretary; Jeff Carroll, Democratic Staff Director;  
29 Caitlin Haberman, Democratic Professional Staff Member;  
30 Ashley Jones, Democratic Director, Outreach and Member  
31 Services; Rick Kessler, Democratic Senior Advisor and Staff  
32 Director, Energy and Environment; John Marshall, Democratic  
33 Policy Coordinator; and Tim Robinson, Democratic Chief  
34 Counsel.

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35           Mr. {Whitfield.} I would like to call the hearing to  
36 order this morning. And the title today is the hearing on  
37 the Quadrennial Energy Review and Related Discussion Drafts,  
38 including Title III, Energy Diplomacy. We will have two  
39 panels of witnesses this morning. And, of course, on the  
40 first panel we have our Secretary of Energy, Mr. Moniz, who  
41 is no stranger to this committee or to Congress. So we  
42 appreciate him being with us very much, and look forward to  
43 his opening statement. And then we will have some questions  
44 relating to his testimony, as well as other issues.

45           And at this time, I would like to recognize myself for 5  
46 minutes for an opening statement.

47           Everyone is very much aware that this subcommittee and  
48 the Congress has been working on a bipartisan energy bill for  
49 several months now. Many people are even asking, not  
50 surprisingly, is there enough common ground between our  
51 efforts and the Obama Administration to enact meaningful  
52 energy legislation. And I do believe that this question was  
53 answered with a clear yes when the Department of Energy's  
54 first installment of its Quadrennial Energy Review was  
55 released last April. This detailed study focuses on the

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56 infrastructure implications of America's new energy boom, and  
57 many of its recommendations overlap with provisions of our  
58 draft energy bill.

59         And so we are excited that Mr. Moniz is here today, so  
60 that we can explore the perspective of the Department of  
61 Energy as the country makes dramatic changes in its energy  
62 distribution, production, transmission system. We have a lot  
63 of infrastructure needs. We are focusing on the diplomatic  
64 diplomacy aspects of energy, which is becoming more and more  
65 important to our friends in the European Union, who find  
66 themselves reliant on natural gas coming from Russia. And so  
67 we have many opportunities in the United States to come forth  
68 with a good energy policy. And I think that most of the  
69 provisions that we are focused on in this energy bill,  
70 democrats and republicans agree that they need to be  
71 addressed, and one of the biggest is infrastructure needs,  
72 and trying to improve the permitting process, for an example.

73         So I look forward to the testimony of all of our  
74 witnesses today. And we have a real opportunity here and we  
75 don't want to drop this ball, so we are getting close to the  
76 end of drafting this legislation, coming up with a final  
77 product, and we look forward to move it in a meaningful way.

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78 [The prepared statement of Mr. Whitfield follows:]

79 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

80           Mr. {Whitfield.} And at this time, I would like to  
81 recognize the gentleman from Illinois, Mr. Rush, for his  
82 opening statement.

83           Mr. {Rush.} I want to thank you, Mr. Chairman, for  
84 holding this important hearing today on the QER, and--as well  
85 as on a variety of other energy issues covered in the  
86 discussion draft.

87           Mr. Chairman, let me first begin by welcoming the  
88 Honorable and distinguished Secretary of Energy, Mr. Moniz,  
89 here to the subcommittee today. Welcome, Mr. Secretary. Mr.  
90 Secretary, let me commend you for the outstanding work you  
91 have been involved in on a myriad of different issues, all  
92 important to the American people. Mr. Chairman--Mr.  
93 Secretary, you might not accept this, you might not--you  
94 might think that this is a--not something that you see, but  
95 in my mind and in the mind of a number of my constituents,  
96 you are indeed a superstar Secretary. We are proud of your  
97 work on behalf of our Nation. Mr. Secretary, from your  
98 leadership in the historic nuclear talks with Iran, to  
99 establishing the much-needed Minorities and Energy Initiative  
100 at DOE, to overseeing the development of the comprehensive

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101 QER, are among your more important accomplishments. And I  
102 have no doubt that you will go down as one of the most  
103 significant and effective Energy Secretaries of modern time.  
104 You see, I am a fan, Mr. Secretary.

105 Mr. Secretary, as you may be aware, I have a bill that I  
106 will soon be introducing that will amend the Department of  
107 Energy Organization Act to replace the current requirement  
108 for a biannual energy policy plan with a quadrennial energy  
109 review. It is my hope that this bill, like its Senate  
110 counterpart that was recently introduced by Secretary Coons  
111 of Delaware and Senator Alexander of Tennessee, will attract  
112 bipartisan support. In fact, Mr. Secretary, I have held off  
113 on introducing the bill as of yet so that my office can  
114 continue to hold talks with the majority side in order to  
115 find language that both sides can agree on. And, Mr.  
116 Chairman, I will continue to reach across the aisle for  
117 support on this nonpartisan issue of codifying a quadrennial  
118 energy review, and I hope that we can find common ground.

119 Mr. Chairman, the QER addresses many areas that are also  
120 covered in the discussion draft of the Comprehensive Energy  
121 Bill we have all been working on. Issues such as increasing  
122 the resilience, reliability, and safety of the grid are

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123 discussed in both packages. Additionally, there are many  
124 similarities in both the QER and in the discussion draft  
125 regarding integrating North American energy markets,  
126 modernizing the grid, and enhancing employment and workforce  
127 training. However, Mr. Chairman, there is still much work to  
128 be done in bridging the gap in areas where there are some  
129 disagreements, such as in signing and permitting and  
130 addressing the environmental aspect of transportation--or  
131 transmission rather, storage, and distribution  
132 infrastructure. Specifically, in the discussion draft before  
133 us today, I have some concerns regarding the cross-border  
134 approval process described in Section 3104. In this section,  
135 the burden is shifted away from farming companies and onto  
136 agency officials to issue so-called certificates of crossing,  
137 unless the official finds the project, and I quote, ``is not  
138 in the public interests of the United States.''

139 Another concern that I have, Mr. Chairman, is in Section  
140 3102, which sets up an interagency taskforce to evaluate  
141 North American energy flows. However, the task is noticeably  
142 missing representatives from either the Council of  
143 Environmental Quality, the Environmental Protection Agency,  
144 as well as the Departments of Interior or Transportation,

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145 among others who may weigh in on environmental issues.

146           Mr. Chairman, as we move forward with the goal of  
147 putting forth a truly bipartisan energy bill, it is my hope  
148 that the majority side will work with us to find common  
149 ground on most of these issues, and put precedence in doing  
150 the right thing above doing it quickly.

151           Mr. Chairman, I thank you, and I yield back the balance  
152 of my time.

153           [The prepared statement of Mr. Rush follows:]

154 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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155           Mr. {Whitfield.} Thank you, Mr. Rush, for that opening  
156 statement.

157           At this time, I would like to recognize the chairman of  
158 the full committee, Mr. Upton, for 5 minutes.

159           The {Chairman.} Well, thank you, Mr. Chairman. I just  
160 want to say in response to Mr. Rush's comments, I look  
161 forward to working with him and Mr. Pallone, and all of our  
162 members on both sides of the aisle, to do this right. And  
163 appreciate those kind words.

164           We are delighted to welcome back Secretary Moniz to the  
165 committee to discuss the first installment of the Quadrennial  
166 Energy Review that focused on energy transport and  
167 infrastructure; something we need to do. America's energy  
168 picture is rapidly changing, and our laws and regulations  
169 need to change with it. Longstanding concerns about  
170 declining domestic energy output have been erased by rapidly  
171 rising oil and natural gas production. 2013 alone, according  
172 to the QER, the U.S. added 1.2 million barrels per day of  
173 production, a record increase by one country in 1 year.  
174 Domestic production of natural gas and related liquids has  
175 experienced equally dramatic increases. 2014, the U.S.

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176 became the world's number 1 energy-producing nation, and it  
177 is time we start acting like it.

178       Unfortunately, the scarcity mindset is still embedded in  
179 our national energy policy. Rising energy production  
180 requires more energy infrastructure; what I have called the  
181 architecture of abundance. Both the energy legislation and  
182 the QER include a number of ideas for upgrading and expanding  
183 the Nation's energy infrastructure. And in light of the  
184 recent pipeline spill in California, I would add that both  
185 aim to ensure that this new infrastructure is built with  
186 state-of-the-art technologies that reduce the environmental  
187 and safety risks. But our energy abundance can be more than  
188 just an economic success story; it can be--it, indeed, can be  
189 a foreign policy success story as well. And that is why  
190 recently released discussion draft of our energy diplomacy  
191 title is so important.

192       This--the discussion draft builds on the extensive work  
193 done by this subcommittee on LNG exports. At numerous  
194 hearings over the last couple of years, we heard from many of  
195 our allies around the globe who said they would rather get  
196 their natural gas from us than the likes of Russia or Iran.  
197 That message was underscored last month when I led a high-

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198 level delegation to several of our European allies, including  
199 Ukraine, and we came away with a profound new understanding  
200 of just how vital these partnerships can be. In established  
201 parts of the EU, leaders are coming together to promote a  
202 unified energy market because of its potential for security,  
203 affordability, and innovation. In Ukraine, where the  
204 commitment to freedom and democracy is hard-fought each and  
205 every day, their energy aspirations are fundamental to their  
206 dreams for a peaceful future.

207       While our discussion draft encourages North American  
208 energy cooperation and cross-border infrastructure,  
209 opportunities for energy diplomacy extend well beyond our own  
210 continent. For example, there is broad recognition that U.S.  
211 LNG exports will benefit the U.S. economy, our consumers, and  
212 yes, our allies. While the same could be said for oil  
213 exports, a statutory ban has prevented us from pursuing these  
214 benefits for the last 4 decades. And it is time that  
215 Congress considers revising the ban on crude oil exports.

216       {Voice.} Amen.

217       The {Chairman.} As with natural gas, America now has  
218 enough oil production to make increased exports feasible,  
219 especially the lighter grades of crude that the QER notes

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220 have experienced the most rapid supply increases. Economic  
221 and foreign policy experts across the political spectrum  
222 believe that expanding the markets for American oil would be  
223 a net jobs creator at home, while enhancing our geopolitical  
224 influence abroad. And at the same time, reports from the  
225 GAO, CBO, and Energy Information Administration all point to  
226 reductions in the price of gas as a result of increased oil  
227 exports. In other words, oil exports can be a win for the  
228 American people and a win for our allies.

229       The energy sector has been the Nation's most significant  
230 job creator in recent years, but with the drop in oil prices,  
231 as many as 100,000 energy industry positions have been lost.  
232 The case for creating more jobs by expanding the market for  
233 American oil is a key reason why oil exports should be on  
234 this committee's agenda this year. And while we are not  
235 currently considering any such provisions in this pending  
236 legislation, I do look forward to working with my good  
237 friend, Mr. Barton, and others on both sides of the aisle to  
238 ensure that we get the policy right.

239       I yield back the balance of my time.

240       [The prepared statement of Chairman Upton follows:]

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241 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

242 Mr. {Whitfield.} Gentleman yields back.

243 At this time, recognize the gentleman from New Jersey,  
244 Mr. Pallone, for 5 minutes.

245 Mr. {Pallone.} Thank you, Chairman Whitfield and  
246 Ranking Member Rush.

247 Let me begin by welcoming Secretary Moniz back to the  
248 committee, and congratulating you on completing the first  
249 installment of the Quadrennial Energy Review. It is a truly  
250 comprehensive look at our Nation's energy infrastructure, and  
251 its recommendations will help us chart a path forward in the  
252 rapidly changing energy sector.

253 This installment relates to the transportation, storage,  
254 and distribution of energy. These TS&D connections between  
255 suppliers and users can impact our energy reliability and  
256 security, and affect our ability to meet environmental and  
257 economic goals. TS&D infrastructure is vulnerable to a wide  
258 and expanding array of threats from natural disasters to  
259 physical and cyberattacks, so it is important we thoroughly  
260 understand these vulnerabilities and how to mitigate their  
261 impacts. At the same time, its modernization can help  
262 achieve meaningful greenhouse gas reductions and other

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263 environmental goals, while enhancing safety, security, and  
264 reliability. Ultimately, the OER represents the forward-  
265 thinking we need to ensure a smarter, more resilient, cost-  
266 effective, and environmentally sound energy system for the  
267 future. And I look forward to working with you, Mr.  
268 Secretary, to translate these important ideas into  
269 legislation and law.

270 I wish I could be as upbeat in discussing the majority's  
271 Energy Diplomacy Discussion Draft. Rather than building on  
272 a--on the strong relationships with our North American  
273 neighbors, the majority has chosen to resurrect controversial  
274 legislative proposals that have already drawn democratic  
275 concerns and presidential veto threats. For example, the  
276 bill would eliminate the current presidential permitting  
277 process for liquid and gas pipelines, and electric  
278 transmission lines that cross the U.S. border with Mexico and  
279 Canada, and it replaces the process with one that effectively  
280 rubberstamps permit applications and eliminates any  
281 meaningful environmental review.

282 While it now would only take effect after President  
283 Obama leaves office, and specifically excludes the Keystone  
284 Pipeline, it still appears to allow TransCanada to avail

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285 itself of the new process by reapplying with a revised route.  
286 The provision also limits federal approval and environmental  
287 review to the small segment of the project that physically  
288 crosses the national border. It also creates a rebuttal  
289 presumption that these projects are in the public interest;  
290 shifting the burden of proof to project opponents. This all  
291 but guarantees permit approval, and virtually eliminates the  
292 opportunity for protective permit conditions.

293         The draft bill also recycles LNG export language  
294 designed to address nonexistent delays at the Department of  
295 Energy. In fact, DOE recently testified, and I quote, that  
296 ``Right now, there are zero applicants sitting in front of us  
297 for a decision. The last application that came out of FERC,  
298 we turned that around in 1 day.''' Nonetheless, the bill  
299 would make changes to an otherwise successful process.

300         And finally, another provision would create a taskforce,  
301 burdening federal energy regulatory actions with additional  
302 red tape, and undermining environmental considerations. In  
303 fact, it speaks volumes that the very agencies tasked with  
304 natural resource and environmental management, like EPA and  
305 DOI, are excluded from the taskforce.

306         So I hope this committee can start to work towards

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307 consensus legislation instead of resurrecting problematic  
308 issues of the past.

309 But thank you, Mr. Chairman. I yield back.

310 [The prepared statement of Mr. Pallone follows:]

311 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

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|

312 Mr. {Whitfield.} Gentleman yields back.

313 That concludes the opening statements for today. And,

314 Mr. Secretary, once again, thank you for joining us. We do

315 look forward to your insights on these important issues. And

316 I would like to recognize you for 5 minutes for your opening

317 statement.

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318 ^STATEMENT OF HON. ERNEST MONIZ, SECRETARY, DEPARTMENT OF  
319 ENERGY

320 } Secretary {Moniz.} Well, thank you, Chairman Upton and  
321 Whitfield, and Ranking Members Pallone and Rush.

322 Mr. {Whitfield.} I am not sure the microphone is on,  
323 but--

324 Secretary {Moniz.} The light is--yeah. Okay. Start  
325 again.

326 Okay. Well, again, Chairman Upton and Whitfield, and  
327 Ranking Members Pallone and Rush, distinguished members of  
328 this subcommittee, thank you for the opportunity to be with  
329 you again today. And I really appreciate the leadership that  
330 this committee has shown in working towards comprehensive and  
331 bipartisan energy legislation that includes many of the  
332 topics in the QER first installment. I look forward to  
333 working with you to move these ideas forward, and really  
334 appreciate in the opening remarks the statements about common  
335 ground and the opportunities we have to work together.

336 As was already stated, the U.S. has reaped enormous  
337 benefits from our energy revolution the last several years

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338 which, I point out, includes, of course, hydrocarbon  
339 production, but also dramatically increased renewables  
340 deployment to energy productivity gains. This revolution,  
341 however, has produced changes that are challenging our energy  
342 infrastructure. And to be direct, we need to modernize and  
343 transform our energy infrastructures and our shared commodity  
344 infrastructures. This will require major new investments,  
345 and we have to get it right.

346       We should acknowledge that, while the choices we make  
347 and the decisions we take today and in the near future are  
348 critical, we also have to acknowledge that the choices and  
349 decisions that we fail to take in a timely way are very  
350 important for generating our infrastructure for the 21st  
351 century.

352       To help guide these investment choices, the QER provides  
353 recommendations based on a 15-month, multiagency process that  
354 included 14 public meetings across the country, and  
355 consultations with Canada and Mexico. The QER focuses on  
356 TS&D, including the network of pipelines, wires, storage,  
357 waterways, railroads, and other facilities that form the  
358 background--the backbone of our energy system.

359       I ask the chairman's permission to submit the summary

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360 version of the QER into the record.

361           The full QER is available online, and you have my  
362 written testimony, so let me just take the opportunity to  
363 highlight five crucial tasks that we need to take.

364           First, our infrastructure and investments can and must  
365 serve energy security in a broader sense than the oil-centric  
366 focus of the last several decades. An example is found in  
367 the definition of energy security that the U.S. and our G7  
368 allies developed after the Russian aggression in Ukraine that  
369 includes seven critical elements in a modern view of energy  
370 infrastructure. Supply diversification, for sure, but also  
371 transparent markets, greenhouse gas emissions reductions,  
372 enhanced efficiency, clean energy, infrastructure  
373 modernization, and emergency response. This doesn't mean  
374 that global oil disruptions are not a concern. Indeed, in  
375 the context of the QER and its recommendations, modernizing  
376 the SPRO both from a physical distribution standpoint, as  
377 well as the authorities for its use, is a major area of  
378 focus. Through its analysis of resilience and infrastructure  
379 modernization, the QER goes beyond global oil supply  
380 disruptions as the single focus of energy security policy,  
381 leading, for example, to recommendations related to regional

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382 fuel disruptions, as we have seen across the country. More  
383 coordinated state planning is also essential. And most  
384 notably, we feel that state planning grants to help states  
385 update and expand their emergency preparedness and security  
386 strategies and exercises to enhance electricity reliability,  
387 to accommodate several changing factors, are all critical.  
388 Other ways to improve energy security include programs to  
389 make our energy infrastructures more resilient to a range of  
390 hazards and vulnerabilities. These are addressed in part  
391 through the QER's recommendation for a pre-disaster hardening  
392 grant program, options for transformer reserves, and a  
393 systematic program to replace aging unsafe natural gas  
394 distribution pipes.

395         Second, QER and its recommendations underscore the  
396 indispensable role of states. These really are test beds.  
397 We need to advance studies such as a new framework for  
398 evaluating energy services to help things like rate structure  
399 development.

400         Third, the QER analysis showcases the importance and  
401 complexity of how our energy revolution challenges our shared  
402 transport infrastructures. Frankly, when we started the QER,  
403 we did not anticipate that we would end up with this as a

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404 major area of focus. However, the dramatic oil production  
405 increases in unconventional locations, coupled with things  
406 like the RFS and pending exports of natural gas, have placed  
407 strains on those transport infrastructures; rail, barge,  
408 locks, port facilities, and the like. The QER includes  
409 recommendations focused on innovative funding mechanisms for  
410 these infrastructures and, for example, recommends a program  
411 for port connectors being stressed by new energy supplies.

412 Fourth, the QER recommends coordinated efforts for  
413 skills training, and recruitment of works to build and staff  
414 our modernized energy infrastructure system, and support jobs  
415 for working families. A national job-driven skills training  
416 system with rigorous curricular and standards that includes a  
417 special emphasis on training for veterans, on minorities and  
418 energy, is critical to our energy future. I might note that  
419 yesterday, 85 minority interns started working at DOE for the  
420 summer. I also created the Job Strategy Council to look at  
421 how we can capture the energy sector opportunities that we  
422 have for new jobs.

423 And finally, fifth, we need to acknowledge the critical  
424 federal role in incentivizing our energy infrastructure  
425 investments. While the bulk of the QER recommendations fall

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426 under this committee's jurisdiction, the Congress has other  
427 committees with equities in energy infrastructure, especially  
428 in shared infrastructure and North American energy  
429 integration.

430 I would just note in closing that the Administration's  
431 most recent budget request includes a down payment for  
432 funding some of the QER's key recommendations at about half a  
433 billion dollars, however, in the current budget environment  
434 where sequestration has placed artificial caps on spending,  
435 DOE's programs and the shared infrastructure programs for the  
436 Corps of Engineers and others, frankly, placed these critical  
437 programs in competition with very restricted budget  
438 allocations. And so, for example, the House Appropriations  
439 mark does not meet our needs for energy infrastructure.

440 In closing, Department of Energy and all the agencies  
441 that developed this report and its recommendations see great  
442 potential for benefit, and we look forward to working with  
443 this committee again to find bipartisan ways of advancing our  
444 TS&D infrastructure.

445 Thank you, and I would be pleased to answer questions.

446 [The prepared statement of Secretary Moniz follows:]

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447 \*\*\*\*\* INSERT A \*\*\*\*\*

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448 Mr. {Whitfield.} Well, thank you, Secretary Moniz.

449 And at this time, I will recognize myself for 5 minutes  
450 of statements and questions.

451 We all recognize that the Clean Energy Plan has been at  
452 the very center of President Obama's initiatives, and I think  
453 everyone recognizes that the tension between the Obama  
454 Administration and republicans in the House and Senate, as  
455 well as elsewhere, has been--many of us feel that the  
456 President is moving so quickly through regulations without  
457 adequate communication with the legislative body, and while  
458 we all recognize the need for an all-of-the-above policy  
459 emphasizing clean energy, we look at Europe and we see how  
460 some policies over there in which countries like Germany have  
461 made decisions to eliminate nuclear energy, has created low  
462 wholesale prices, extremely high retail prices, and as a  
463 result, Europe has some really--some real economic problems.  
464 So what we want to be sure about in America is, we made this  
465 mad rush for change, that we do so in a way that we can  
466 protect the reliability, the affordability, so that America  
467 can continue to be competitive in the global marketplace.

468 Mr. McKinley, who left, was just telling me that in West

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469 Virginia, they have lost 45 percent of their coal jobs. And  
470 so this economic impact affects all of us, and that is why we  
471 are trying to move this energy bill. That is why the  
472 Quadrennial Energy Review is so important to look at all  
473 aspects of everything because it is--everyone knows that we  
474 are fortunate, we have an abundant energy supply, natural gas  
475 particularly, we--and oil as well, but we have infrastructure  
476 needs. And it is very difficult to get permits, it takes  
477 years, and so as we are shutting down coal plants through  
478 regulatory orders, we don't always have the capability to get  
479 the energy product to where it needs to go. And so that is  
480 what this is all about.

481       So one of the things I just wanted to ask you, you were  
482 talking about the development of this first installment was a  
483 colossal undertaking with at least 22 agencies involved and  
484 more than a year of work. And if this is the first  
485 installment of the QER, will there be a new installment each  
486 year for the next 3 years, and then the process will begin  
487 all over again? Is that what your understanding is? No--  
488 yeah, there you go.

489       Secretary {Moniz.} I apologize. The--so this first  
490 installment, frankly, did take us a few more months than we

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491 had hoped. We are now in the process of working across the  
492 government to settle on the next installment. We would like  
493 to get something into your hands early next year again, and  
494 then again at the end of 2016.

495 Mr. {Whitfield.} Um-hum. Now--

496 Secretary {Moniz.} And clearly--I might just--and  
497 clearly, this will be now expanding into the supply and  
498 demand ends of the energy sector.

499 Mr. {Whitfield.} Yeah. And the--my time is already  
500 running out here. I want to focus on one issue because--  
501 maybe because I was in the railroad industry, but railroads  
502 provide a vital transportation network for all sorts of  
503 commodities in America, and historically railroads have  
504 generated lots of income from moving coal. And the coal  
505 shipments have dropped dramatically, even though our coal  
506 exports are up, even--despite problems with trying to open up  
507 coal export facilities in Washington State. But many people  
508 are genuinely concerned about the financial viability of the  
509 railroad industry with this extreme reduction in coal  
510 transportation. Was that discussed in the quadrennial review  
511 process from your personal knowledge? Was there any  
512 discussion about that at all?

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513 Secretary {Moniz.} Yes, Mr. Chairman. Of course, the  
514 Department of Transportation would have prime responsibility  
515 in that area, but there were discussions because we did see  
516 in some cases, especially in the upper Midwest, some coal  
517 shortages for a while, but it was not because the trains  
518 weren't operating, they were just carrying other commodities  
519 which, my understanding, may have had a higher margin of--for  
520 them.

521 So one of the initiatives that we have taken, and the  
522 DOE EIA is working with the Surface Transportation Board at  
523 DOT, is to--first of all, to try to get more data and  
524 understanding of how commodities, including energy  
525 commodities are moving on the railroads, because it is coal,  
526 it is obviously oil, and it is--and ethanol competing, in a  
527 certain sense, with a whole variety of other commodities.

528 Mr. {Whitfield.} Yeah.

529 Secretary {Moniz.} But I think data--more data and data  
530 transparency will be very important--

531 Mr. {Whitfield.} Yeah.

532 Secretary {Moniz.} --for federal and state planning.

533 Mr. {Whitfield.} Yeah. Because we do have to have a  
534 strong financial railroad sector just because of the impact

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535 it has on our entire economy.

536 So my time has expired. At this time, I would like to  
537 recognize Mr. Rush for 5 minutes.

538 Mr. {Rush.} Thank you, Mr. Chairman.

539 Mr. Secretary, as I asserted in my opening statement, I  
540 believe that you will go down as one of the most  
541 consequential Energy Secretaries of our time. And again, I  
542 want to commend you on your fine work and the initiatives  
543 that you have established during your tenure. And as you  
544 know, Mr. Secretary, when one attempts to change the culture  
545 and the practices of institutions that have been doing things  
546 a certain way for a long time, then inevitably there will be  
547 resistance and apprehension when those entities are asked to  
548 change. And it is with this in mind, Mr. Secretary, that I  
549 ask you to follow up with me to gage where we are with some  
550 of the initiatives that you and I have discussed before in  
551 the past. Specifically, I would like to discuss with you the  
552 issue of inclusiveness and outreach at the publicly funded  
553 national labs including, but not limited to, Argonne and  
554 Fermi in my state. And my office will be in touch with you  
555 to schedule a meeting for some time in the very near future  
556 between you and I. It is my opinion, Mr. Secretary, that

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557 they are--Argonne and Fermi specifically, are faking and  
558 fumbling on the issues of inclusiveness and outreach. It  
559 seems to me that they are trying to run out the clock on you  
560 and I. They are not seriously taking our requests and our  
561 initiatives and our discussion to heart.

562 Mr. Secretary, on another issue, I would like to get  
563 your thoughts and feedback on the QER legislation that was  
564 introduced in the Senate. And I--as I said before, I will be  
565 offering a companion bill in the House soon. As you know,  
566 Mr. Secretary, this bill will simply amend the DOE  
567 Organizational Act to replace the current requirement for  
568 biannual energy processing plan with a quadrennial energy  
569 review. And can you give the subcommittee some feedback on  
570 this bill? From your understanding, would DOE take the lead  
571 in addressing a QER, and is there a need for legislation such  
572 as what I previously discussed?

573 Secretary {Moniz.} Thank you, Mr. Rush. Yes, the--by  
574 the way, on the most--on the consequential issue, I hope they  
575 are positive consequences. And I might also at this point  
576 say that I think our energy policy and Systems Analysis  
577 Office did a heroic job in marshaling this huge QER forward.

578 On your first question, and culture, et cetera, I might

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579 add that there is a wonderful expression by Peter Drucker,  
580 the famous management consultant, that culture eats strategy  
581 for breakfast. We can change rules but it is harder to  
582 change culture. But I think we are certainly making  
583 advances, certainly on the issue of minorities and energy,  
584 and if you know otherwise, I would like to discuss it with  
585 you because I do see enthusiasm going forward. Argonne, for  
586 example, one of their initiatives is in terms of making sure  
587 that minority businesses are quite aware of the opportunities  
588 for procurement. We also have, and Dot Harris has been a  
589 leader in our place-based initiative. So a good example is  
590 working, in this case, in southwest Louisiana with the  
591 enormous construction going on driven by natural gas, for  
592 training minorities to get some of those jobs. In terms of  
593 research collaborations, another example would be our  
594 Jefferson Lab, working closely with Hampton University. I  
595 mentioned the interns already. So we are going to keep  
596 pushing on all these fronts, and I want to work with you on  
597 that, and if you find problems, let me know because I will be  
598 sure to--

599 Mr. {Rush.} I certainly will--

600 Secretary {Moniz.} Okay.

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601 Mr. {Rush.} --Mr. Secretary.

602 Secretary {Moniz.} Thank you. The--secondly, on the  
603 QER and the possibility of legislation, let me say that I  
604 certainly share the driver of this, which is that I think--  
605 and by the way, the initial reaction to the QER, including in  
606 this hearing, I think is--suggests that institutionalizing  
607 this could really be very important for continuing a  
608 bipartisan Administration-Congress discussion, so I am happy  
609 to work with both chambers in terms of how that might go  
610 forward. I would say that Department of Energy, in this  
611 first installment, clearly did provide kind of the analytical  
612 horsepower for it, but I do want to note that the Executive  
613 Office of the President also played a crucial role in being  
614 able to convene 22 agencies to come together to work on it.  
615 So anyway, we would be happy to discuss that further.

616 Mr. {Rush.} Thank you.

617 Mr. {Whitfield.} Gentleman's time has expired.

618 At this time, recognize the gentleman from Michigan, Mr.  
619 Upton, for 5 minutes.

620 The {Chairman.} Thanks again, Mr. Chairman.

621 Mr. Secretary, in my opening I reaffirmed the desire of  
622 this committee to work with you and the Administration to

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623 find areas of mutual agreement on some QER legislative  
624 recommendations, and we look forward to that, and receiving  
625 technical assistance on some of the other sections of the  
626 bill as well.

627       One of the areas that I wanted to zero-in on is SPRO  
628 this morning. As I note in your response to the committee  
629 yesterday, the SPRO was established in 1975 and it is the  
630 largest government petroleum reserve in the world. It has  
631 been used successfully on multiple occasions to respond to  
632 different types of energy supply disruptions. But it is now  
633 2015 and global and domestic oil markets have changed  
634 significantly, we would all recognize that, and SPRO needs to  
635 be modernized.

636       So as you know, the committee recently voted a--to drawn  
637 down a limited amount of SPRO oil to pay for our 21st Century  
638 Cures package beginning in 2018. And as you conduct the  
639 ongoing study to recommend the new size and role of SPRO  
640 going forward, would you support an additional change that  
641 would allow the President to draw down and sell surplus SPRO  
642 crude oil in order to use the funds to pay for operations and  
643 maintenance in line with the DOE budget request and potential  
644 modernization plans? In other words, using what we call

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645 mandatory savings to provide for the modernization and need  
646 improvements that really have to take place in the next  
647 number of years. And I would imagine that would be a pretty  
648 small draw down.

649 Secretary {Moniz.} Mr. Chairman, well, first of all, as  
650 you know, I have a--some considerable concern about using the  
651 SPRO for anything other than energy security and resilience  
652 issues, for which it was--for which it is intended. Now, the  
653 issue of--first of all, I have to say, the issue of what is  
654 or might be called surplus, I think, is really part of the  
655 study going on because we understand that there are certain  
656 IEA requirements, but that may or may not be the metric for  
657 us to use. That is the first thing. Secondly, we did  
658 identify, of course, in the SPRO--in the QER, excuse me,  
659 needs right now for modernizing the SPRO for--well, there are  
660 issues of maintenance, there are issues of modernization, and  
661 the particular issues of addressing distribution systems for  
662 getting SPRO oil onto water, in particular, in an emergency.  
663 We estimated that as \$1-1/2 to \$2 billion. That is part of  
664 the discussion with Congress, how to address that. Clearly,  
665 what you propose is--would be a case in which, if one were to  
666 do that, it would be being used, I would argue, for the

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667 energy security intent of the petroleum reserve.

668           The {Chairman.} So as you know, the QER recommends more  
669 flexibility and anticipatory authority to initiate a SPRO  
670 drawdown. Do you envision a greater role for SPRO to  
671 moderate global prices?

672           Secretary {Moniz.} The motivation for recommending  
673 somewhat greater anticipatory authority is not motivated by a  
674 desire to use the SPRO to manipulate oil prices. The issue  
675 is that the current anticipatory authorities are highly  
676 restrictive. Thirty--up to 30 million barrels, and only if  
677 that keeps you above 500 million barrels. So there are  
678 issues there, and we feel that should a larger drawdown be  
679 required, or if the SPRO were at 500 million barrels, one  
680 shouldn't have to wait to see the consequences on consumers  
681 of a spike in global oil prices before one can act. So I  
682 think that is the spirit, as opposed to manipulating oil  
683 prices.

684           The {Chairman.} So I would note, as the QER discusses,  
685 the last time SPRO had a major release was--in reaction to  
686 Libya was back in 2011. Seems like yesterday, but it was  
687 2011. Since then, the supply situation has greatly changed  
688 for sure, as demonstrated in the test sale this last year.

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689 If there is an interruption somewhere in the world that  
690 doesn't impact the supply to U.S. refiners, would it make any  
691 sense at all to export SPRO crude?

692 Secretary {Moniz.} Well, once again, I would say that  
693 that should be part of the study that--studies really, that  
694 we are--are going on, but I might say that it is hard to see  
695 how a major global disruption would avoid impacting our  
696 imports, because again, we still import 7 million barrels a  
697 day, and--only because with a major disruption, even if that,  
698 let's say, country is not directly importing to us right now,  
699 there would probably be a redistribution of the market that  
700 would impact our imports. But nevertheless, hypothetically,  
701 if that were the case, I think there would still be an issue  
702 of putting SPRO out would have the effect of backing our  
703 imports that would then equilibrate in the global market. So  
704 we could discuss that further.

705 The {Chairman.} My time has expired. Thank you very  
706 much--

707 Secretary {Moniz.} Yeah.

708 The {Chairman.} --for your appearance again today.

709 Mr. {Whitfield.} At this time, recognize the gentleman  
710 from New Jersey, Mr. Pallone, for 5 minutes.

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711 Mr. {Pallone.} Thank you, Mr. Chairman.

712 Secretary, climate change, as you know, is real and we  
713 are already feeling its effects across the country. The  
714 damaging impacts range from heatwaves and droughts, to  
715 reduced crop yields and increased wildfires. Every region in  
716 the country and every part of the globe is affected. I am  
717 concerned about impacts of extreme weather events and sea  
718 level rise that are already, you know, problems that we have  
719 with our energy infrastructure. So my question is, the QER  
720 outlines a number of findings in this area, how is your  
721 energy transmission, storage, and distribution, or TSE&D  
722 [sic] infrastructure, vulnerable to the impacts of climate  
723 change?

724 Secretary {Moniz.} Thank you, Mr. Pallone. The--  
725 Chairman Pallone. The--first of all, as the data in the QER  
726 show, we have been seeing increasing impacts, probably  
727 impacting the economy, at the order of \$25 billion a year on  
728 average over the last decade. And with rising sea level, the  
729 effects of storms, major tropical storms, for example, are  
730 amplified. So we feel it is very important now to address  
731 the hardening of these infrastructures, not only coastal, but  
732 coastal is one major issue, and that is why we recommend a

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733 joint set of initiatives. One is to provide energy assurance  
734 grants for states to do planning, and to provide a basis for  
735 the states to then compete for what we recommend as a several  
736 billion dollar opportunity for these hardening kinds of  
737 activities. I will give one example. It happens to be in  
738 New Jersey. It was not part of the recommendations here, but  
739 in New Jersey, there was the case where we cost-shared with  
740 the state, a study on implementation of a very significant  
741 micro grid to protect electrified transportation corridors.  
742 The state then used that study to compete for Sandy recovery  
743 money, and in fact, got several hundred million dollars to  
744 implement that. That is the kind of thing. Do these studies  
745 get technical assistance, and then have the opportunity to  
746 move forward with cost sharing major resiliency projects.

747       Mr. {Pallone.} Well, I appreciate your mentioning our  
748 New Jersey grant because, you know, obviously, we did have a  
749 lot of vulnerabilities during Super Storm Sandy. We saw a  
750 breakdown of the infrastructure and services, both  
751 electricity and water supply.

752       But in terms of this competitive grant program that, you  
753 know, is going to promote innovative solutions for  
754 infrastructure resilience, reliability, security, just give

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755 me a little more information about how that program would  
756 work. I know you mentioned the New Jersey program, but what  
757 other kinds of projects would be eligible for those grants?

758 Secretary {Moniz.} Well, it could be, again, any kind  
759 of project that hardens infrastructure. The electric grid  
760 is--has clearly shown vulnerability to storms. So it could  
761 be things like I mentioned with micro grids. It could be the  
762 use of advanced technologies. I could mention some things  
763 like synchrophasors that would allow system operators to  
764 respond much more quickly to something that is happening, to  
765 protect spreading of a blackout, for example. It could be in  
766 terms of fuels requirements. One of the recommendations that  
767 we have in there is to expand analyses of what different  
768 kinds of regional product reserves might do. Now, this is a  
769 case where, again, in the northeast and New Jersey--

770 Mr. {Pallone.} Right.

771 Secretary {Moniz.} --we have already moved there, but  
772 there are issues in California, there are issues in the  
773 southeast, there could be issues in the upper Midwest. And  
774 so we recommend that. And there could be opportunities there  
775 for new resiliency projects.

776 Mr. {Pallone.} All right. Thanks a lot. I just--I do

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777 want to applaud you for your efforts to strengthen, you know,  
778 these vulnerable and critical energy infrastructures,  
779 especially in the face of global climate change. So thanks  
780 again.

781 Thank you, Mr. Chairman.

782 Secretary {Moniz.} If I--

783 Mr. {Whitfield.} At this time--

784 Secretary {Moniz.} If I may, I might just add that this  
785 is an example of the importance of the broader view of energy  
786 security, including resilience of our infrastructure.

787 Mr. {Pallone.} Yeah, exactly. Thank you.

788 Mr. {Whitfield.} Thank you. At this time, I will  
789 recognize the gentleman from Texas, Mr. Barton, for 5  
790 minutes.

791 Mr. {Barton.} Well, thank you, Mr. Chairman. And, Mr.  
792 Secretary, welcome back.

793 Mr. Rush and you seem to have a mutual admiration  
794 society going. Superstar Energy Secretary. I wouldn't go--

795 Mr. {Rush.} Don't get jealous.

796 Mr. {Barton.} Say what?

797 Mr. {Rush.} Don't--do not get jealous.

798 Mr. {Barton.} Do not get jealous? Well, I wouldn't go

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799 quite so far as superstar, but my daughter has a saying that  
800 she learned in college, when something is really cool, it is  
801 money. And I would--it is money. When you say it is money,  
802 it means that, man, that is hot and it is cool and it is  
803 right on the bean. Well, I would say Moniz is money. So not  
804 superstar but money.

805 Now, you know what I am going to--

806 Secretary {Moniz.} I asked for this.

807 Mr. {Barton.} I am going to give you a chance to show  
808 just how money you are. What do you think I am going to ask  
809 you right now?

810 Secretary {Moniz.} I don't know but I am covering my  
811 wallet.

812 Mr. {Barton.} You heard the chairman's opening  
813 statement. He talked about oil exports and, you know, as you  
814 well know, Mr. Secretary, back in the '70s we had the Arab  
815 OPEC Embargo, and this committee and the Congress passed a  
816 lot of legislation to deal with that, most of which has been  
817 repealed. We had price controls on the wellhead natural gas  
818 prices, we had price controls on crude oil, we had even  
819 retail price controls on gasoline. We limited what natural  
820 gas could be used for. That has all been repealed. The only

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821 thing that hasn't been repealed is the ban on crude oil  
822 exports.

823           Now, the U.S. is number one in the world in oil  
824 production; over 10 million barrels a day. World use is  
825 somewhere around 94, 95 million barrels a day. Would you  
826 agree that if we were to let our domestic oil potentially be  
827 exported, that it would, at a minimum, keep prices from going  
828 up on world markets, and it is a possibility that the world  
829 oil price might go down? Would you agree with that?

830           Secretary {Moniz.} I think the key issue, Mr. Barton,  
831 is whether or not in a country like ours, that still imports  
832 7 million barrels a day, the question would be whether that  
833 did or did not stimulate any appreciable additional  
834 production. And that would be the issue in terms of global  
835 price. Internally, there would be an issue as to how rents  
836 are shared between, say, refiners and producers, but in terms  
837 of the economy-wide, the real issue was whether there is more  
838 production, and certainly in today's market, it is hard to  
839 imagine that happening. Now, in a future market--

840           Mr. {Barton.} I am not a Harvard economics professor--

841           Secretary {Moniz.} Nor am I.

842           Mr. {Barton.} --but I took--I did go to graduate

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843 school, and if we want to talk about sharing of rents, our  
844 refiners are taking those rents and putting them in their  
845 pockets today. They are not sharing those with the retail  
846 consumers. If we let the producers have the option of  
847 putting that oil on the world market, the consumer in the  
848 United States could potentially benefit from the world price  
849 going down, and is--I think you will agree with me that  
850 retail gasoline prices are basically set based on the world  
851 price for crude. You will agree with that.

852 Secretary {Moniz.} Absolutely, yes.

853 Mr. {Barton.} So--

854 Secretary {Moniz.} EIA has confirmed that.

855 Mr. {Barton.} So I have a list here of studies where  
856 they have looked at what the price would--what would happen  
857 to the price in the United States at retail for gasoline, and  
858 the Brookings Institute, NERA, Resource for the Future,  
859 Council on Foreign Relations, Bipartisan Policy Center, Baker  
860 Institute, Center for Global Energy Policy at Columbia  
861 University, Energy Policy Research Institute, Aspen  
862 Institute, Progressive Policy Institute, IHS Energy, ICF  
863 International Heritage Foundation, American Council for  
864 Capital Formation, Congressional Budget Office, Energy

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865 Information Administration, General Accounting Office,  
866 Federal Reserve Bank, have all concluded that if we allowed  
867 our oil to be exported, there would be no increase in the  
868 domestic price of--for gasoline, and in most cases it might  
869 go down. Now, those aren't oil company hacks; those are  
870 bipartisan usually, I would say, objective institutes. Have  
871 you--are you aware of--you have to be aware of some of those  
872 studies.

873 Secretary {Moniz.} Well, yes. And again, I think they  
874 are all in agreement with the fundamentals that, again, the  
875 issue is whether or not such a move would lead to an increase  
876 of production of any appreciable magnitude. If it doesn't--

877 Mr. {Barton.} Well, if you will send--

878 Secretary {Moniz.} If it doesn't, then there is  
879 essentially no impact on price.

880 Mr. {Barton.} Yeah. My time has expired--

881 Secretary {Moniz.} Yeah.

882 Mr. {Barton.} --but if you will send one of your crack  
883 aids to the Republican Study Committee Taskforce on Energy  
884 Seminar this afternoon, you will hear 4 or 5 experts all say  
885 that if we allow our oil to be exported, U.S. production will  
886 stabilize and probably go up.

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887 Secretary {Moniz.} And that--

888 Mr. {Barton.} So--

889 Secretary {Moniz.} Again, that is the key issue. We--

890 Mr. {Barton.} Yeah.

891 Secretary {Moniz.} I think we all agree on the facts.

892 Mr. {Barton.} Okay. Thank you, Mr. Secretary. Thank  
893 you, Mr. Chairman.

894 Mr. {Whitfield.} At this time, the chair recognizes the  
895 gentleman from California, Mr. McNerney, for 5 minutes.

896 Mr. {McNerney.} Thank you, Mr. Chairman.

897 Mr. Secretary, I do appreciate the big effort that went  
898 into producing this QER document. Nice work. The document  
899 does recommend legislation actions. Would you elaborate on 1  
900 or 2 of the most urgent actions that would be required?

901 Secretary {Moniz.} Well, certainly, I think one of  
902 them--one of the very important ones, as I already mentioned,  
903 is this issue of providing funding, particularly for states,  
904 to compete for good projects that will provide resiliency of  
905 infrastructure. I think that is a very important one.

906 Another one is we recommend a fund that again would allow for  
907 competition for accelerating the modernization of natural gas  
908 distribution infrastructure for both environmental and safety

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909 reasons. Clearly, the Federal Government should not and  
910 cannot pay for what may be a quarter trillion dollar bill,  
911 but what we recommend is acceleration in which the Federal  
912 Government could help absorb any great increase for low  
913 income families. Those are two examples of the number.

914 Mr. {McNerney.} Very good. One of the things that is  
915 discussed is the potential for energy storage and grid  
916 modernization, grid resilience. Do you think that there is a  
917 short-term potential for that energy storage to be useful in  
918 grid resilience and in, you know, lowering the cost and  
919 improving access for renewables and so on?

920 Secretary {Moniz.} Yes. Well, in fact, we all know  
921 California is in the lead, as if often the case--

922 Mr. {McNerney.} Right.

923 Secretary {Moniz.} --in terms of storage. And clearly,  
924 except for the places geographically where pumped storage is  
925 available, we still need to bring down the costs of storage,  
926 but they are coming down. They could be a game changer in  
927 terms of large-scale, variable renewables, but also  
928 distributed storage--

929 Mr. {McNerney.} Yeah.

930 Secretary {Moniz.} --at the household or commercial

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931 enterprise level could be another game changer, particularly  
932 in terms of distributed generation enablement.

933 Mr. {McNerney.} Are we pretty close to having the  
934 technology available?

935 Secretary {Moniz.} Well, the technology is available.  
936 It is the cost. And we probably need another factor of two  
937 to three reduction in the cost to make it wide-spread  
938 available.

939 Mr. {McNerney.} Well, thank you. Do you feel that the  
940 regional grid reliability would be put at risk by the Clean  
941 Power Plan?

942 Secretary {Moniz.} Well, we don't see any evidence in  
943 our analyses yet that this could not be managed in a pretty  
944 normal way. For example, we did a specific analysis in terms  
945 of the natural gas transmission infrastructure because of the  
946 issues raised in terms of, you know, dramatically expanding  
947 gas use in the power sector, and that found that while one  
948 would probably have some regional issues to develop, that  
949 there was--it was not like we needed a massive program  
950 because we actually have been building out that  
951 infrastructure pretty substantially for the last 15 years,  
952 and frankly, there is overcapacity. So we don't see that as,

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953 you know, as a particularly difficult issue.

954 Mr. {McNerney.} Any way to deal--what would be the best  
955 way to deal with the regional question then that you just  
956 referred to of grid reliability?

957 Secretary {Moniz.} I think it would be just in the  
958 normal process. As the supply distribution is understood in  
959 that region, the companies would go through the usual FERC  
960 process for, let's say, interstate gas transmission pipes.

961 Mr. {McNerney.} Well, there seems to be a patchwork of  
962 transmissions citing initiatives across federal agencies.  
963 The QER highlights a need to improve coordination between all  
964 the stakeholders for transmission-permitting processes. Do  
965 you believe that the Rapid Response Transmission Team has  
966 been effective, and should its role be expanded?

967 Secretary {Moniz.} I believe that it is--what I would  
968 say is I think it has really gained traction. It has been--  
969 in my view, I will be honest, I think it is a little bit slow  
970 getting going, but I think now the whole pre-application  
971 standardization has kind of come into play, and I think that  
972 we do need to, in fact, keep up the pace and, if anything,  
973 strengthen it, yes.

974 Mr. {McNerney.} Okay, thank you.

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975 Mr. Chairman, I yield back.

976 Mr. {Whitfield.} Gentleman yields back.

977 At this time, recognize the gentleman from Texas, Mr.  
978 Olson, for 5 minutes.

979 Mr. {Olson.} I thank the chair. And welcome, Secretary  
980 Moniz.

981 My first question is about the Federal Power Act. Under  
982 Section 202(c), DOE, you, can order a power plant to stay  
983 running during a grid crisis. In following your order, the  
984 plant might squeak past their clean air permits. Unfairly,  
985 that plant can be fined and sued by others for doing so. One  
986 regulator says go, another says stop. That plant has to  
987 decide whether they want to acquiesce in a power shortage,  
988 maybe a brownout or blackout, or cut a check, breaking the  
989 permit for just a few days, maybe a few hours. I have a  
990 bipartisan bill with Representative Doyle and Green to fix  
991 this in the energy package we are working on. This is not  
992 about a company riding roughshod over environmental laws; we  
993 are talking about days or hours in a crisis.

994 The other week, FERC and NERC endorsed our bill. Your  
995 predecessor, Secretary Chu, told me in this committee that he  
996 is ``very supportive'' of the idea. The bill has passed this

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997 committee three times now, and the whole House twice, in the  
998 110th--I am sorry, the 112th and 113th Congress.

999           And so my question to you is, can I count on your  
1000 support in the 114th Congress, will you be very supportive of  
1001 the bill like your predecessor?

1002           Secretary {Moniz.} And, Mr. Olson, thank you. You have  
1003 asked me this question before, and let me say that the answer  
1004 is basically yes. I know our DOE staff has worked with both  
1005 sides on this, and I think we are quite comfortable with it.  
1006 Thank you.

1007           Mr. {Olson.} Great, thank you for that clarification.  
1008 As you know, my home State of Texas has 1/2 our southern  
1009 border, over 1,200 miles with our neighbor to the south,  
1010 Mexico, and we know how important that relationship with  
1011 Mexico is for our trade. Your QER points out that we trade  
1012 tens of billions of dollars in energy each year with Mexico.

1013           Secretary {Moniz.} Sixty-five.

1014           Mr. {Olson.} Sixty-five. I like that even better. In  
1015 fact, some of Texas' only power line connections outside of  
1016 ERCOT come from our neighbor to the south, Mexico. You might  
1017 recall that those lines prevented rolling blackouts and  
1018 brownouts with crises in the fall--I am in sorry, in the

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1019 spring--the early winter of 2011 and August of that same  
1020 year. My question is, we know this oil plays--we know that  
1021 oil and gas--those plays--shale plays don't stop at the  
1022 southern border. The new Administration in Mexico is  
1023 reforming its energy economy, and I think those opportunities  
1024 will expand in the future. Your QER on our energy package  
1025 will address the topic North American energy. I believe  
1026 better coordination and trade will be critical in the years  
1027 ahead. My question is, can you please tell me what you see  
1028 as the next major opportunities for North American energy and  
1029 where that relationship is headed?

1030 Secretary {Moniz.} In particular, the--I would say  
1031 actually last week, I spent four, I want to emphasize,  
1032 workdays in Mexico with Western Hemisphere and other energy  
1033 ministers. The energy reform in Mexico, I think, offers  
1034 tremendous opportunities for us. Clearly, in the hydrocarbon  
1035 sector. We know that. Our companies are going to Mexico in  
1036 the current auctions, and are prepared to offer lots of  
1037 technical assistance to get engaged in the shale plays as  
1038 well. However, in discussions with Minister Joaquin, the  
1039 Energy Minister of Mexico, he has emphasized something that I  
1040 agree with, and that is that the reform of the electricity

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1041 sector may actually offer qualitatively new opportunities  
1042 because the reform, I think, will bring our systems of  
1043 regulation, et cetera, and standards much more into  
1044 alignment, as we have with Canada, where we have a completely  
1045 integrated electricity system.

1046         So we are looking forward to that. It is going to be a  
1047 major focus. We have both a bilateral working group that I  
1048 chair on the American side with the--it is a multiagency  
1049 group, with the Minister of Environment in Mexico, Minister  
1050 Guerra. And then I also am one of the three chairs of  
1051 Canada, U.S. Mexico trilateral energy ministers, and we are  
1052 already well along into a trilateral data cooperation. And  
1053 just last week, we--we have a release that went out, I would  
1054 be happy to get it to you--

1055         Mr. {Olson.} Yeah, thank you.

1056         Secretary {Moniz.} --where the three of us announced  
1057 that we are now going to expand the cooperation--

1058         Mr. {Olson.} Right.

1059         Secretary {Moniz.} --with a full agenda laid out, which  
1060 will include things like emissions and hydrocarbon  
1061 production, and energy infrastructure issues. So it is a  
1062 very, very active--

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1063 Mr. {Olson.} Thank you, sir. I am out of time. I want  
1064 to extend an invitation to come down and see the work at MIT  
1065 in your current position, the Petra Nova Project in  
1066 Thompsons, Texas, the only viable carbon capture and  
1067 ancillary recovery project in the whole world. Come down and  
1068 see it. You will love it.

1069 I yield back.

1070 Mr. {Whitfield.} At this time, recognize the gentleman  
1071 from Texas, Mr. Green, for 5 minutes.

1072 Mr. {Green.} Thank you, Mr. Chairman. Mr. Secretary,  
1073 you will get an overdose of Texas.

1074 I see my colleague, Joe Barton, is not here, but I don't  
1075 know if our members heard that his mom passed away last week,  
1076 and--

1077 Secretary {Moniz.} Sorry.

1078 Mr. {Green.} --I just wanted to express regret to Joe.

1079 Mr. Secretary, welcome back. According to the DOE Web  
1080 site, for projects that cross the U.S. international border,  
1081 DOE must comply with NEPA requirements to consider  
1082 environmental consequences of a proposed project. Mr.  
1083 Secretary, are you familiar with that requirement?

1084 Secretary {Moniz.} Um-hum, yes.

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1085 Mr. {Green.} When making cross-border decisions, does  
1086 DOE adhere to NEPA regulations and guidelines set forth by  
1087 the Council on Environmental Quality?

1088 Secretary {Moniz.} Um-hum.

1089 Mr. {Green.} Does this include cumulative indirect  
1090 impacts?

1091 Secretary {Moniz.} I am sorry, Mr. Green--

1092 Mr. {Green.} Does that--

1093 Secretary {Moniz.} --can you modify the question?

1094 Mr. {Green.} When the--making these decisions, does DOE  
1095 adhere to NEPA regulations and guidelines set forth by CEQ,  
1096 and you said yes, but does that analysis include cumulative  
1097 and indirect impacts? Does the NEPA process include that?

1098 Secretary {Moniz.} I guess I am not quite sure if that  
1099 is actually part of the NEPA process or not.

1100 Mr. {Green.} Okay. CEQ--

1101 Secretary {Moniz.} I mean clearly--

1102 Mr. {Green.} --requires--

1103 Secretary {Moniz.} Clearly, there are, in general, when  
1104 we make public interest determinations--

1105 Mr. {Green.} Yeah.

1106 Secretary {Moniz.} --cumulative impacts are part of

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1107 that.

1108 Mr. {Green.} Okay. CEQ requires an environmental  
1109 impact for major federal actions significantly affecting the  
1110 quality of human environment. It is reasonable for--to  
1111 conclude that DOE would require an environmental impact for a  
1112 cross-border project, an EIS?

1113 Secretary {Moniz.} Absolutely. We always require an  
1114 EIS, yes.

1115 Mr. {Green.} Would DOE consider approval of a cross-  
1116 border project a major federal action? I am getting down to  
1117 the whole--

1118 Secretary {Moniz.} Yes. Yes, all right.

1119 Mr. {Green.} CEQ has determined that NEPA applies to  
1120 significant federal actions and can't be avoided by  
1121 segmenting a project. So that means that a project coming  
1122 across from Texas to Mexico, not just a cross-border crossing  
1123 but the project itself, would DOE decision-making on cross-  
1124 border segments of a cross-border project require compliance  
1125 with NEPA?

1126 Secretary {Moniz.} Certainly. I mean we always  
1127 require, yeah, NEPA compliance.

1128 Mr. {Green.} The discussion draft in the bill would

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1129 eliminate the presidential permit process and grant cross-  
1130 border decision-making to DOE for electric transmission  
1131 facilities. If this draft would become law, the DOE will be  
1132 charged with promulgating a rule to implement the granted  
1133 decision-making. Is it reasonable to conclude that any DOE  
1134 issues, new regulations, these regulations, would include  
1135 NEPA requirements about the cross-border--a cross-border  
1136 project?

1137 Secretary {Moniz.} Well, if I might take a step back.  
1138 I think there are two principles that we would always insist  
1139 upon. I mean, one is proper environmental review--

1140 Mr. {Green.} Um-hum.

1141 Secretary {Moniz.} --and secondly would be a judgment  
1142 that this is in the public interest. I mean I think those  
1143 are the two basic principles.

1144 Mr. {Green.} Okay. The--there is language in Section  
1145 3104 of the bill that would limit the department's ability to  
1146 fully comply with NEPA requirements. Do you believe that  
1147 that language is needed?

1148 Secretary {Moniz.} Well, again, clearly, I think we  
1149 need to make sure that the environmental requirements are  
1150 met. So if the bill--if the proposal would curtail that,

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1151 then obviously I would not support it.

1152 Mr. {Green.} Okay. Are you familiar with what is  
1153 called the federal NEPA small handle issues?

1154 Secretary {Moniz.} No, I am not.

1155 Mr. {Green.} Okay. If federal small handle issues  
1156 relate to how much federal control should be exercised over a  
1157 private project, specifically whether a full NEPA review is  
1158 required, when the federal agencies control only a small  
1159 segment in an otherwise private project. Courts have  
1160 determined if an otherwise private project cannot proceed  
1161 without federal permits, then federal agencies are required  
1162 to satisfy NEPA requirements.

1163 Mr. Secretary, is it possible for a cross-border project  
1164 to proceed without a presidential permit under current law  
1165 now?

1166 Secretary {Moniz.} I really had better check that with  
1167 my general counsel.

1168 Mr. {Green.} Okay.

1169 Secretary {Moniz.} I would have thought not, but I--I  
1170 am--

1171 Mr. {Green.} Well, my concern is that we have been  
1172 trying to set a standard in this bill and previous

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1173 legislation on cross-border electric transmission, natural  
1174 gas pipelines, and of course, crude oil pipelines. And in  
1175 this case, the Department of Energy would have the authority  
1176 over electric transmission--

1177 Secretary {Moniz.} Wires.

1178 Mr. {Green.} --and whether Department of Energy would  
1179 use the NEPA project--process to approve those cross-border--

1180 Secretary {Moniz.} Yeah. Well, again, I--my assumption  
1181 is that, again, the two principles are there. The  
1182 environmental impact, which is the NEPA process, certainly  
1183 for the part in the United States, and the determination of  
1184 public interest. Those are the two requirements and the two  
1185 principles that I would uphold.

1186 Mr. {Green.} Well, I am out of time, but I appreciate--  
1187 you know, I know DOE, if we pass this bill with this  
1188 particular section in it--

1189 Secretary {Moniz.} Yeah.

1190 Mr. {Green.} --would have that authority, and I just  
1191 wanted to see what the regulatory process would be with DOE.

1192 And I yield back, Mr. Chairman.

1193 Secretary {Moniz.} Okay, and I would be happy to  
1194 discuss that.

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1195 Mr. {Whitfield.} The gentleman's time has expired, but  
1196 are you saying that under 3104, our legislation would not  
1197 require a NEPA review?

1198 Mr. {Green.} It does require a NEPA review.

1199 Mr. {Whitfield.} Okay, because I--

1200 Mr. {Green.} And that is what I was wondering, because  
1201 there has been some confusion on our legislation that we have  
1202 done separately that NEPA review is not required--

1203 Mr. {Whitfield.} Yeah.

1204 Mr. {Green.} --and I want to make sure folks understand  
1205 that it is--

1206 Mr. {Whitfield.} It is.

1207 Mr. {Green.} --it is in this bill--

1208 Mr. {Whitfield.} It is required.

1209 Mr. {Green.} --it was in the previous bill we passed  
1210 out of the House last session--

1211 Mr. {Whitfield.} Right.

1212 Mr. {Green.} --and on cross-border issues, not just for  
1213 DOE.

1214 Secretary {Moniz.} Okay.

1215 Mr. {Green.} Thank you, Mr. Chairman--

1216 Mr. {Whitfield.} Thank you.

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1217 Mr. {Green.} --for clarifying.

1218 Mr. {Whitfield.} At this time, I will recognize the  
1219 gentleman from Illinois, Mr. Shimkus, for 5 minutes.

1220 Mr. {Shimkus.} Thank you, Mr. Chairman. Mr. Secretary,  
1221 welcome.

1222 You know, the--your department really was developed and  
1223 instituted based upon our nuclear heritage, as you know, and  
1224 also is focused on our nuclear future, and then you have to  
1225 deal with a lot of legacy issues. That is not really part of  
1226 the hearing, but I--the introduction is just to let you know  
1227 I appreciate the support I receive from your professionals  
1228 down at Savannah River, which I visited yesterday, and the  
1229 contractors there, and they took good care of me--

1230 Secretary {Moniz.} Great.

1231 Mr. {Shimkus.} --and I just want to put that on the  
1232 record.

1233 The--now to the QER. The QER devotes an entire chapter  
1234 to improving North American energy integration, but makes no  
1235 mention of issues belying cross-border presidential  
1236 permitting in general, or the Keystone XL Pipeline in  
1237 particular. It is kind of some of the questions I think Mr.  
1238 Green was alluding to. Do you agree that the, and I quote,

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1239 ``ad hoc or siloed permitting process'', as the QER puts it,  
1240 creates significant uncertainty?

1241 Secretary {Moniz.} Yes, it certainly can in many cases,  
1242 um-hum.

1243 Mr. {Shimkus.} Has the inability to render a decision  
1244 on Keystone Pipeline impacted other energy projects in  
1245 Canada? Do you know of--

1246 Secretary {Moniz.} I am not aware of it, but--um-hum.

1247 Mr. {Shimkus.} Yeah. And if--can you check back with  
1248 us? Obviously, there might be, otherwise I wouldn't be  
1249 asking this question.

1250 Secretary {Moniz.} Well, only in the sense that,  
1251 obviously, I have seen discussions about other pipelines to  
1252 take out things east or west, for example, but--

1253 Mr. {Shimkus.} Right. The--I think the public and--as  
1254 a whole, I don't think they really--I--sometimes I put up the  
1255 transmission system on a map just to identify how many cross-  
1256 border pipelines and transmission lines we already have, both  
1257 north and south, and--

1258 Secretary {Moniz.} Yeah, I think it is like 74  
1259 pipelines or something.

1260 Mr. {Shimkus.} Right. And the--obviously, just

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1261 curious, we have problems with 1, and the debate is will we  
1262 have problems with the future or has this uncertainty kind of  
1263 slowed down the process.

1264         The cross--and that--and so part of the legislation  
1265 which the chairman is pointing to talks about this cross-  
1266 border energy infrastructure language, in the committee's  
1267 energy diplomacy discussion draft, would attempt to address  
1268 unnecessary delays in the permitting of cross-border  
1269 pipelines and transmission lines. Have you looked at this,  
1270 and is there room for improvement when we are talking about  
1271 pipelines or wires?

1272         Secretary {Moniz.} Well, obviously, as was already  
1273 stated, the pipelines, as you know, are not in our  
1274 jurisdiction, the wires are, and I think it is going pretty  
1275 straightforwardly. I might add that just the projects  
1276 discussed over the last 5 years for new transmission lines  
1277 would total about 5 gigawatts of additional capacity coming  
1278 into the northeast.

1279         Mr. {Shimkus.} Yeah, and we had a hearing just a week  
1280 ago, I think, on the--really the desert--really the natural  
1281 gas desert of the New England States, we had the Governor of  
1282 Maine here, which would address, obviously, pipeline

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1283 infrastructure and probably cross-border also with them. I  
1284 mean I--it is--I think a lot of people would kind of shake  
1285 their head understanding that we still heat with fuel oil in  
1286 some major states in our union, where access to natural gas  
1287 pipelines might help them transition--

1288 Secretary {Moniz.} Um-hum.

1289 Mr. {Shimkus.} --especially with the abundance that we  
1290 seem to be having now with our production.

1291 Secretary {Moniz.} May--if I may just--

1292 Mr. {Shimkus.} You may.

1293 Secretary {Moniz.} About a week and a half ago, we did  
1294 approve for potential FTA re-export a project to Canada--a  
1295 natural gas project to Canada.

1296 Mr. {Shimkus.} The energy diplomacy discussion draft  
1297 also talks about improving the process for permitting major  
1298 energy projects. Do you agree that it would bring greater  
1299 clarity and predictability to the process, and help in this  
1300 energy diplomacy part?

1301 Secretary {Moniz.} Could you clarify? If we did what  
1302 exactly?

1303 Mr. {Shimkus.} Well, the formulation of coordinated  
1304 procedures and criteria balance energy security impacts with

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1305 environmental consideration. So you have to--especially in  
1306 energy diplomacy, Shimkus is ethnically Lithuanian, a lot of  
1307 people here have heard that before. I have toured the LNG  
1308 Terminal. This energy diplomacy for our friends around the  
1309 world, whether it is Japan or whether it is the eastern  
1310 European countries, is really critical to give them choices  
1311 of energy. And so the question is cost benefit analysis, and  
1312 how can you expedite it, and I think your quadrennial review  
1313 addresses this a little bit.

1314 Secretary {Moniz.} Well, again, as I said earlier, the  
1315 whole issue of energy security is we are looking at it in a  
1316 broader sense than the traditional way. And by the way,  
1317 maybe not here, but if you would like we would be happy to  
1318 come to your office and discuss the work on Ukraine  
1319 specifically, since that seems to be an interest potentially.

1320 Mr. {Shimkus.} That would be of great interest to many  
1321 many members of the--

1322 Secretary {Moniz.} We would be happy to do that--

1323 Mr. {Shimkus.} Thank you.

1324 Secretary {Moniz.} --but we--yeah, we--anyway, we are  
1325 trying to expedite these issues.

1326 Mr. {Whitfield.} At this time, the chair recognizes the

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1327 gentlelady from Florida, Ms. Castor, for 5 minutes.

1328           Ms. {Castor.} Thank you, Mr. Chairman. Good morning,  
1329 Mr. Secretary.

1330           I would like you to elaborate a little bit more on the  
1331 transmission, storage, and distribution, beyond what you have  
1332 already testified to, because America's energy infrastructure  
1333 is aging, it is not well-matched with the new sources of  
1334 supply, it is exposed to increasingly dangerous extreme  
1335 weather events associated with climate change, such as sea  
1336 level rise. In my neck of the woods, we are concerned about  
1337 more intense electrical storms, and then drought and  
1338 wildfires. And I know you are sensitive to the potential for  
1339 cyber and physical attacks as well. And part of America's  
1340 policy right now is to encourage these new clean energy  
1341 supplies, and greater energy efficiency such as the  
1342 availability of rooftop solar that holds great promise for  
1343 powering households and businesses across the country, and  
1344 our growing energy efficiency sector that will rely on smart  
1345 meters, a smart grid distributed generation, but these run  
1346 completely counter to the traditional electric utility model.  
1347 Now, you have testified already today about, well, energy  
1348 assurance grants for states. Maybe you need to go into

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1349 greater detail on the micro grids. I don't--I have never  
1350 heard of a synchrophasor. What else really must we be  
1351 looking for to modernize America's grid and infrastructure  
1352 going forward?

1353 Secretary {Moniz.} Well, in terms of the grid,  
1354 including both the transmission and distribution systems, I  
1355 think one major theme is that we need to really push forward  
1356 on what we have just barely started, and that is real  
1357 integration of information technology into the grid and all  
1358 of the associated requirements to take the data to be  
1359 analyzed, of course. Synchrophasors are a part of that. I--  
1360 we can discuss that some other time.

1361 Ms. {Castor.} Okay.

1362 Secretary {Moniz.} But sensors, control systems,  
1363 coupling information technology into distributed decision-  
1364 making so that the grid can respond--can be--can respond  
1365 quickly if there is something developing on the reliability  
1366 side, for example. So that really is, I would say, the  
1367 overarching theme, more and more information technology  
1368 integration into that system. The--that does, of course,  
1369 potentially exacerbate another thing you mentioned which is  
1370 the cyber risk that we have to stay ahead of. And I would

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1371 say there, I just might add that under the leadership of our  
1372 deputy secretary, we head something called the Energy Sector  
1373 Coordinating Council which has EEI and a number of CEOs that  
1374 meet 3 times a year to discuss these kinds of risks to the  
1375 infrastructure, to the grids especially. On the grid, there  
1376 are some other issues besides those I mentioned, such as the  
1377 role of potentially DC--long-distance DC transmission where  
1378 that is much more prevalent in other parts of the world right  
1379 now, but again, IT, I would say, number 1 in terms of where  
1380 we have to go.

1381 Ms. {Castor.} And back on your energy assurance grants,  
1382 are they--would they be open only to states, or would local  
1383 communities and businesses be able to tap into those grants?

1384 Secretary {Moniz.} I think the--there is still really a  
1385 lot of program design to do, and we would be happy to talk  
1386 with the members about that. I think the way we have been  
1387 envisioning it is principally through the states, but hoping  
1388 that the states, to be competitive, would be working with  
1389 localities and tribes in the appropriate states, for example.  
1390 But that is all a detailed program design that--

1391 Ms. {Castor.} I would hope you would open it up to  
1392 local collaboratives or regional collaboratives. Sometimes

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1393 you have recalcitrant states, even--there is an unwritten  
1394 state policy in Florida right now, you can't even say climate  
1395 change, so that doesn't bode well for our ability to compete  
1396 for those grants. And I have--

1397 Secretary {Moniz.} Okay, we will take that under  
1398 consideration.

1399 Ms. {Castor.} Great.

1400 Secretary {Moniz.} Yeah, it has been raised before in  
1401 terms of cities wanting to be able to have--be direct  
1402 applicants.

1403 Ms. {Castor.} Absolutely. There has been some  
1404 discussion today about exports of oil and gas. How much--you  
1405 have used a number today, how much right now is America  
1406 importing in petroleum and gas?

1407 Secretary {Moniz.} I think we are still importing close  
1408 to 7 million barrels a day of crude oil--

1409 Ms. {Castor.} Okay.

1410 Secretary {Moniz.} --although we are net exporters of  
1411 about 2-1/2 million barrels of oil products. So our net  
1412 imports are maybe 4-1/2 million barrels.

1413 Ms. {Castor.} Doesn't the export heavy focus run  
1414 counter to America's policy imperative to reduce carbon

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1415 pollution?

1416 Secretary {Moniz.} Well, as I said, frankly, I think in  
1417 our current situation where we are still major importers,  
1418 relaxation of export is probably likely to more or less just  
1419 swap around different oil quality--oil qualities in different  
1420 places, as opposed to lead to tremendously increased  
1421 production or demand. That is my view.

1422 Ms. {Castor.} So you do not think that exporting  
1423 additional carbon fuels would exacerbate the problem of  
1424 carbon pollution--

1425 Secretary {Moniz.} I think the--

1426 Ms. {Castor.} --across--

1427 Secretary {Moniz.} I think the key is that even as we  
1428 are producing more, and we--and this debate is going on in  
1429 terms of exports, I think the important thing is, and we  
1430 satisfy this, is keep your eye on the ball for reducing oil  
1431 dependence. And that means we are aggressive on efficient  
1432 vehicles, we are aggressive in terms of developing low carbon  
1433 fuel alternatives, like next generation biofuels, and we are  
1434 aggressive in supporting the move towards electrification of  
1435 vehicles with clean electricity supplying those vehicles.  
1436 So--

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1437 Mr. {Whitfield.} Gentlelady's time--no, go ahead.

1438 Secretary {Moniz.} No, I was just going to say, so if  
1439 you--and if you look at it, we are, I think, succeeding. For  
1440 example, in the last--I think it is 5--I forget, some number  
1441 of years, maybe a decade, even as our population has  
1442 increased, as our GDP has increased 13 percent, we have  
1443 actually decreased petroleum fuel use.

1444 Mr. {Whitfield.} Okay. Gentlelady's time has expired.

1445 At this time, recognize the gentleman from Pennsylvania,  
1446 Mr. Pitts, for 5 minutes.

1447 Mr. {Pitts.} Thank you, Mr. Chairman. Thank you, Mr.  
1448 Secretary, for coming today.

1449 Chairman Upton mentioned his interest in Ukraine and the  
1450 meetings over there with the Ukrainian Parliament, the EU,  
1451 getting resources over there. You said something that you  
1452 are doing a lot with Ukraine. Would you care to elaborate  
1453 please?

1454 Secretary {Moniz.} I would be pleased to. The--  
1455 starting in middle of 2014, the G7 energy ministers together  
1456 with the EU met to discuss energy security issues, and that  
1457 included specifically the Russia-Ukraine situation. Out of  
1458 that came a commitment to work with Ukraine for that winter.

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1459 And so DOE led a team of several U.S. agencies, plus Canadian  
1460 experts, that went to Ukraine several times and guided them  
1461 to a winter contingency plan for energy. So that occurred.  
1462 Including, by the way, a tabletop exercise at the level of  
1463 the deputy prime minister. Then we are back there helping  
1464 them again look forward to next winter, but other things as  
1465 well. For example, we pointed out the dependence not only on  
1466 natural gas, but on Russian nuclear fuel. And you may have  
1467 seen now that has led to Westinghouse now has a contract to  
1468 be a fuel supplier for the Russian reactors in Ukraine. This  
1469 has caught the attention of some, breaking a monopoly again.  
1470 So we are working in a number of ways to help Ukraine on the  
1471 energy situation.

1472 Mr. {Pitts.} Thank you. The Department of Energy has  
1473 made progress on a few LNG export applications, but the fact  
1474 of the matter is that more than 30 applications still await  
1475 final decision from DOE. And I realize that you decided to  
1476 reconfigure the process to allow FERC to go first with its  
1477 environmental review, but the process as a whole remains  
1478 complicated, unpredictable, especially for U.S. allies who  
1479 are unfamiliar with the bureaucratic process between DOE and  
1480 FERC. My question is, when will DOE finalize its follow-on

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1481 economic study of exports in the 12 to 20 billion cubic feet  
1482 per day range?

1483 Secretary {Moniz.} I can't give you an exact date, but  
1484 I expect it quite soon. So I mean I don't think it is going  
1485 to be an impediment because today, we are--I forget, 8-1/2 I  
1486 think BCF per day. Approved for non-FTA countries.

1487 Mr. {Pitts.} Would the transpacific partnership or the  
1488 transatlantic trade and investment partnership clear the way  
1489 for automatic LNG export approvals?

1490 Secretary {Moniz.} I think that will depend on the  
1491 specifics of how it is negotiated, but it may very well  
1492 provide FTA status to more countries, in which case the  
1493 approval is, you know, more or less automatic. Although I  
1494 would caution, because this statement is also often raised  
1495 with regard to TTIP and Europe, that the reality is that the  
1496 market prices probably have a bigger impact than whether you  
1497 are labeled FTA or non-FTA.

1498 Mr. {Pitts.} Do you support the provisions within the  
1499 discussion draft which would effectively give DOE 60 days to  
1500 act on an application following the FERC environmental  
1501 review?

1502 Secretary {Moniz.} Well, we have made our statements

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1503 very clear on that, in particular, in a hearing in the  
1504 Senate, that we, frankly, find it unnecessary. We have been  
1505 acting quite quickly. It is workable. We have said it is  
1506 workable. We can work with it, but we don't think it is  
1507 necessary.

1508         Mr. {Pitts.} U.S. oil production has risen rapidly in  
1509 the last several years, and imports are falling. In fact,  
1510 only about 1/4 of the petroleum consumed in the U.S. is  
1511 imported from foreign countries, which is the lowest level in  
1512 30 years. When asked about lifting the ban on oil exports,  
1513 you have made the point that the U.S. still imports oil,  
1514 which is a fact, but given our role in the global market,  
1515 would it make sense to both import and export oil?

1516         Secretary {Moniz.} Well, again, we need--or I mean I  
1517 imagine we are going to meet our needs, and so if we--right  
1518 now, if we export a barrel, we are going to import a barrel  
1519 to replace it. So as I said earlier, the only real issue in  
1520 terms of the exports is whether that would lead to any  
1521 material increase of production as opposed to just, in  
1522 effect, swapping oil. There could be some issues there in  
1523 terms of oil quality. For example, the Mexicans have  
1524 specifically petitioned for a swap in which we would send

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1525 light oil to Mexico in return for heavier oil coming back.  
1526 That is an example of a swap. But I have to say it is not as  
1527 though we have not been able to absorb all of the oil  
1528 production today in the United States. It has been--you  
1529 know--so anyway--

1530 Mr. {Pitts.} Thank you. My time has expired.

1531 Mr. {Whitfield.} Gentleman's time has expired.

1532 At this time, recognize the gentlelady from California,  
1533 Mrs. Capps, for 5 minutes.

1534 Mrs. {Capps.} Thank you, Mr. Chairman, for holding this  
1535 hearing. And I thank you, Mr. Secretary, for your testimony.

1536 The discussion of our Nation's energy infrastructure is  
1537 very important, and the--as is the Administration's work on  
1538 the Quadrennial Energy Review. I am particularly interested  
1539 in the pipeline safety aspect of it. Over my years on this  
1540 committee, I have referenced very many times the Santa  
1541 Barbara oil spill of 1969. That oil spill had tremendous  
1542 local and national ramifications, giving birth to our modern  
1543 environmental movement, in many ways, and changing much of  
1544 the way our Nation as a whole has viewed the environment and  
1545 oil development. Sadly, the Santa Barbara community was  
1546 recently hit with another terrible oil spill along the coast.

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1547 On May 19, more than 100,000 gallons of crude oil spilled  
1548 from the ruptured Plains All American Pipeline along the  
1549 treasured Gaviota Coast just north of Santa Barbara. The oil  
1550 quickly flowed under the highway, onto the beach, and into  
1551 the ocean, where the oil slick spread south for miles along  
1552 the coastline. While the exact causes of this spill are  
1553 still being investigated, it is already clear that woefully  
1554 inadequate federal pipeline safety standards have played a  
1555 significant role. It turns out that the Plains All American  
1556 Pipeline is the only federally regulated pipeline in Santa  
1557 Barbara County. It is also the only transmission pipeline in  
1558 the county that does not have an automatic shutoff valve  
1559 built into its system, and this is not a coincidence. Every  
1560 other comparable oil pipeline in Santa Barbara County has an  
1561 automatic shutoff valve because the county has required it,  
1562 but the federal Pipeline and Hazardous Material Safety  
1563 Administration, or PHMSA as it is called, does not make this  
1564 requirement of pipeline operators. While an automatic  
1565 shutoff valve may not have prevented this spill, it certainly  
1566 could have minimized it. Plains was actually allowed to  
1567 squirrel away tens of millions of dollars into what they  
1568 called a contingency fund for when their pipeline would

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1569 inevitably fail, yet they weren't even required to spend a  
1570 fraction of that amount on installing basic spill prevention  
1571 technologies. This, to me, defies commonsense, and it cannot  
1572 be allowed to continue. And this is just one example of lax  
1573 safety standards. My constituents are understandably angry,  
1574 and I share their anger. With all due respect for my  
1575 seatmate, Mr. Green, who appropriately isn't here right now,  
1576 oil and gas development at its core is dangerous and dirty  
1577 business. The mere fact that Plains and other companies have  
1578 oil spill contingency funds shows that there is no such thing  
1579 as a safe pipeline. Spills do happen, and they will continue  
1580 to happen as long as we depend on fossil fuel for our energy  
1581 needs. We obviously cannot end this dependence overnight,  
1582 but we clearly need to take bigger and bolder actions to  
1583 achieve the clean energy future that we all know is needed.

1584 Secretary Moniz, I appreciate the President's and your  
1585 strong commitment to pursuing renewable energy. The  
1586 objectives of QER are important. We cannot build a clean  
1587 energy future without modernizing our infrastructure and  
1588 preparing for new challenges, but we must also do everything  
1589 in our power to ensure that this infrastructure is as safe as  
1590 possible. Congress has repeatedly directed PHMSA to

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1591 strengthen its standards, and yet PHMSA has done very little.  
1592 The QER specifically mentions all--a draft PHMSA rule in  
1593 development that would help strengthen some of these  
1594 standards, but PHMSA first be taking--began taking comment on  
1595 this rule nearly 5 years ago, and nothing has been published  
1596 so far. And in 2011, Congress enacted legislation explicitly  
1597 directing PHMSA to issue a rule requiring automatic shutoff  
1598 valves on new pipelines by January of last year. Still not  
1599 even a proposal let alone a final rule. I find this really  
1600 inexcusable. I know DOE does not have direct control over  
1601 this agency, Transportation does, or rulemaking, but what is  
1602 the point of replacing aging pipelines and building new ones  
1603 if they are all built using ineffective and outdated safety  
1604 standards? The pipeline that burst in my district was not  
1605 even 30 years old, so age is clearly not the only factor  
1606 here.

1607         So, Mr. Secretary, my question for you, and I would  
1608 appreciate if you can get back to me because I have taken  
1609 most of this time, but what is the Administration going to do  
1610 now to ensure--there is a lot of attention focused on this  
1611 topic, to ensure that a new pipeline infrastructure is as  
1612 safe as possible?

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1613           Secretary {Moniz.} Well, again, as you said, PHMSA  
1614 obviously is in the Department of Transportation, and I would  
1615 certainly be happy to talk with Secretary Fox and get back to  
1616 you, but obviously, the QER focus is, we have to rebuild  
1617 infrastructure in a way that is reliable and resilient, and I  
1618 would say this is an example of resilience by having the  
1619 kinds of safety systems in place that maybe cannot avoid but  
1620 can dramatically limit the impacts. So this is just part of  
1621 why we need this discussion, I think.

1622           Mrs. {Capps.} Thank you very much.

1623           Secretary {Moniz.} Thank you.

1624           Mr. {Whitfield.} At this time, recognize the gentleman  
1625 from Ohio, Mr. Latta, for 5 minutes.

1626           Mr. {Latta.} Thank you, Mr. Chairman. And, Mr.  
1627 Secretary, welcome back to the committee. It is always good  
1628 to have you here.

1629           If I could just follow up what the gentleman from  
1630 Pennsylvania, Mr. Pitts, was asking, and you mentioned about  
1631 the swap--the light versus heavy with Mexico. Maybe some  
1632 folks might not understand why you would have to have a swap.  
1633 Why is that? That you would have to swap light for heavy  
1634 crude. Is--

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1635 Secretary {Moniz.} I just mentioned that that is what  
1636 the Mexicans have petitioned for because, I think in the--  
1637 currently, we do not have authorities for exporting oil  
1638 directly to Mexico, so they recommend--so I--my understanding  
1639 is--it isn't at DOE, of course, but my understanding is they  
1640 asked for this kind of idea of a swap.

1641 Mr. {Latta.} Thank you.

1642 Secretary {Moniz.} Which is under consideration, I  
1643 believe, at the Department of Commerce, I believe.

1644 Mr. {Latta.} Okay, thanks very much. You know, another  
1645 issue not only has this subcommittee taken up but also  
1646 especially the Telecom Subcommittee, in regards to  
1647 cyberattacks and physical attacks that could occur to our  
1648 infrastructure in this country. And so it is really a--not  
1649 only a growing concern but a great concern that we all have  
1650 as to what could happen. The committee's discussion draft on  
1651 energy reliability and security provides the Secretary of  
1652 Energy the authority to take emergency measures to protect  
1653 the bulk power system from grid security emergencies. Are  
1654 you generally supportive of the DOE having grid security  
1655 emergency authority?

1656 Secretary {Moniz.} Well, I believe we have that--we

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1657 have the authorities, but only under emergency conditions.

1658           Mr. {Latta.} Well, let me ask, what other grid security  
1659 recommendations you would make to this committee that we  
1660 should consider at this time?

1661           Secretary {Moniz.} Well, I don't know what is  
1662 appropriate for statutory direction, but I think utilities,  
1663 for example, on physical security. Many of them have taken  
1664 significant steps since the California incident. They are  
1665 not always advertised for obvious reasons, but they have been  
1666 doing that. Similarly by the way, many of the utilities--but  
1667 the reason we need to complete a study on the transformer  
1668 issues, whether it is because of a physical attack or just,  
1669 you know, wear and tear, a number of utilities have really  
1670 moved in terms of their backup there, but it is not uniform.  
1671 And, of course, we have very, very different utility  
1672 structures, organizational structures, so it is very  
1673 different for IOUs versus co-ops, et cetera. So I think  
1674 there is some--that is an example where, maybe after a study,  
1675 some statutory action could be called for in terms of how do  
1676 we provide appropriate resilience to the low probability but  
1677 very high consequence of not having access to big  
1678 transformers.

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1679 Mr. {Latta.} Let me ask this. Are--how concerned are  
1680 you about electromagnetic pulses against the grid system?

1681 Secretary {Moniz.} Well, that is another risk that we  
1682 identified. There are studies on that. The National Academy  
1683 has studied that. I would say it is, once again, an example  
1684 of a probably low probability but significant consequence  
1685 possibility.

1686 Mr. {Latta.} When you say--

1687 Secretary {Moniz.} And there has been--

1688 Mr. {Latta.} When you--

1689 Secretary {Moniz.} There has been--

1690 Mr. {Latta.} When you say low probability, how--what  
1691 percent probability would you put that at?

1692 Secretary {Moniz.} Well, I am not going to give a  
1693 number, but it is just--it is low.

1694 Mr. {Latta.} Okay. Well, you know, because--

1695 Secretary {Moniz.} But again, there has been hardening  
1696 done by many to keep transformers, et cetera.

1697 Mr. {Latta.} Okay, thank you. Could you explain the  
1698 importance of the--of information sharing and public-private  
1699 partnerships as it relates to security the electric grid?

1700 Secretary {Moniz.} I am sorry, could you--

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1701           Mr. {Latta.} Yeah. Could you explain the importance of  
1702 information sharing and public-private partnerships as it  
1703 relates to securing the electric grid?

1704           Secretary {Moniz.} I think that is very important.  
1705 Once again, the Energy Sector Coordinating Council that our  
1706 deputy secretary heads is part of that public-private  
1707 partnership. And by the way, I have to say groups like EEI  
1708 have been just excellent partners in that. And in terms of  
1709 information-sharing, just one particular example, there is a  
1710 lot of information-sharing in terms of reliable operations,  
1711 et cetera, but one area I would highlight that this council  
1712 does is including through providing selective security  
1713 clearances sharing cyber threat data with the private sector.

1714           Mr. {Latta.} Okay. And finally, in the very short  
1715 period of time I have, in analyzing recent power plant  
1716 retirements, the QER mentions market factors, low cost of  
1717 natural gas, and changing coal prices as the driving factors  
1718 behind the retirements. Would you agree that environmental  
1719 regulations like the Mercury Air Toxics Standard and the  
1720 proposed Clean Air Power Plan also played a role in the  
1721 retirement of some of our electric generator units?

1722           Secretary {Moniz.} Well, certainly, things like mercury

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1723 restrictions obviously raise costs, and that is always the  
1724 cost calculation. But again, I think by far the dominant  
1725 issue over these last years has been, you know, gas prices of  
1726 \$2.50. And for certainly inefficient coal plants, even the  
1727 variable cost is beat by the--by natural gas combined cycle.

1728 Mr. {Latta.} Thank you. Mr. Chairman, my time has  
1729 expired. I yield back.

1730 Mr. {Whitfield.} At this time, the chair recognizes the  
1731 gentleman from Vermont, Mr. Welch.

1732 Mr. {Welch.} Okay, thank you very much.

1733 I have one comment and four questions, so I will go  
1734 lickety-split. And I think I will ask them all four so you  
1735 can answer them.

1736 The comment, you have been getting praised for being a  
1737 great Secretary of Energy, and sideline as a nuclear  
1738 negotiator, but I don't think people know that you do the  
1739 best imitation of Luis Tiant, his windup, delivery, and  
1740 pitch. And I think all members should ask for a  
1741 demonstration. The--but--

1742 Secretary {Moniz.} Including the look to God.

1743 Mr. {Welch.} The look to God. The whole thing.

1744 But the questions, one, this committee has been doing

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1745 great work on energy efficiency. And energy efficiency in  
1746 Vermont has been fully embraced, and it has led to our  
1747 transmission company, VELCO, being able to avoid about \$400  
1748 million in expenses associated with transmission lines. So I  
1749 want your comment on what we can do as a committee and the  
1750 Government--Federal Government can do to help get the  
1751 benefits of avoided cost.

1752         Second, we have been trying to get real-time information  
1753 on electricity rates in New England, in significant part  
1754 because our rates are very high, and your department has been  
1755 helpful trying to get real-time information in all the  
1756 states, and Canada and Mexico, but has been having real  
1757 challenges in actually getting that information. And I am  
1758 curious to know what you find is the reasons why it is so  
1759 tough to get that, and what the department and FERC can do to  
1760 help reduce the electricity bills for New Englanders.

1761         Third, this is a smaller issue but quite important. We  
1762 have some biomass stove manufacturers, and the standards  
1763 evolve. One of those stove companies is Hearthstone, and  
1764 they are having a real hard time getting basically an answer  
1765 on what the standards are so that they can comply. So I  
1766 need--we need--

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1767 Secretary {Moniz.} For efficiency?

1768 Mr. {Welch.} --some help on that. Yeah, that is right.  
1769 So they have a great product, but if they don't get a real  
1770 definition of what the standard is then it makes it tough for  
1771 them to stay out there on the market, and he has been having  
1772 an awful hard time with that. Small company, but important  
1773 company, and real jobs to Vermonters.

1774 And then finally, net metering. That is tough because  
1775 you have to have net metering if you really want to deploy  
1776 energy efficiency. On the other hand, it obviously has an  
1777 impact on the economic model. Vermont has gone in a  
1778 different direction than most states, led by Green Mountain  
1779 Power, our biggest utility, to embrace and promote expansion  
1780 in net metering. What could we do at the Federal Government  
1781 to help that process that is going to help deploy energy  
1782 efficiency, but also deal with the economic realities of  
1783 many--

1784 Secretary {Moniz.} Um-hum.

1785 Mr. {Welch.} --of our big power producers? Thank you.

1786 Secretary {Moniz.} Great. Well, thank you, Mr. Welch.  
1787 So the four questions--well, actually, the third question on  
1788 the emission standards of biomass stoves I think is something

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1789 that we will get back to you on because I just don't know the  
1790 answer right now, but that is one we can take care of.

1791         On the energy efficiency in Vermont, well, again, we  
1792 are--and as you know, I was in Vermont with the delegation,  
1793 and Vermont has done a fabulous job in terms of efficiency,  
1794 with novel, novel business models for supplying energy. But  
1795 I would say there, the main thing--the recommendation in the  
1796 QER of relevance to that, and to a certain extent to the net  
1797 metering discussion as well, is that we need to develop, at  
1798 at DOE we will start really delving into this much more, we  
1799 need to devise a much better way of valuing all the services  
1800 that can be provided in the electricity system. Efficiency,  
1801 storage, diversity, capacity, power quality, there are all of  
1802 these issues, and when we had the traditional business model  
1803 and it was basically one way from a central plant to a house,  
1804 well, it kind of all got lumped together. But now with much  
1805 more diversity, with storage coming in in some cases,  
1806 distributed generation, we know that energy efficiency, this  
1807 involves another hot issue right now that is in the courts,  
1808 is to what extent does end-use efficiency come back all the  
1809 way to the wholesale market, which, you know, FERC is engaged  
1810 in. So I think this issue of valuing all the services is

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1811 really core, and that is something that we want to, over the  
1812 next months, really work hard on, and that is something that  
1813 needs dialog with the members. So that is, I think, an  
1814 absolute critical recommendation.

1815         And on terms of electricity prices and real-time prices,  
1816 I would just note that the EIA has, in fact, not so long ago,  
1817 launched a new product which has much more real-time data  
1818 being collected from the ISOs and the RTOs and combined  
1819 together so that one can research it and one can understand  
1820 how prices are moving.

1821         Mr. {Whitfield.} Gentleman's time has expired.

1822         At this time, recognize the gentleman from West  
1823 Virginia, Mr. McKinley, for five.

1824         Mr. {McKinley.} Thank you, Mr. Chairman. And thank you  
1825 again for coming before us.

1826         In the last week, during that--the break, I returned to  
1827 West Virginia and was on overload of negative information  
1828 coming at us in West Virginia. The first newspaper I got  
1829 when I got back there was, dark day for miners. They just  
1830 announced that 2,268 coalmining jobs were lost. 2,268  
1831 families now are looking for jobs as a result of this mining-  
1832 -then I got--then soon thereafter we got another power plant

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1833 closed down, the Kammer Power Plant. Even though FERC has  
1834 said that--and they have testified before us, that the  
1835 concern that they have is that we are going to have rolling  
1836 blackouts in the Midwest if we don't start replacing these  
1837 power plants, but we are continuing to shut these power  
1838 plants down. And then there was another one that went on to  
1839 say, just in one community, one small community, that it is  
1840 going to--they are going to lost \$61 million in wages as a  
1841 result of this.

1842         So I am dealing with all of this crisis. We are--when  
1843 you add the additional losses, these 2,268, now we are up to--  
1844 --and I believe the chairman mentioned it earlier today, that  
1845 we have now lost in West Virginia 45 percent of our  
1846 coalminers are unemployed since 2012. Just in 3 years.  
1847 Three years we have lost--45 percent of our coalminers are  
1848 looking for work.

1849         Now, I went on--last Friday I met with the Coal  
1850 Association and I could see there, they said there is going  
1851 to be further contraction as a result of what policies and--  
1852 that are happening nationally. So they are very concerned  
1853 about what is going on with it. This loss of the Kammer and  
1854 other power plants, it challenges, you well know, the grid

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1855 stability that we have, this dependability. It also--but it  
1856 is not--it goes beyond that, you know that, and that is what  
1857 about property taxes, what about the local income tax that  
1858 people are going to pay? It--you can take away the power  
1859 plant but now you are affecting the schools, you are  
1860 affecting how a community operates with this happening.

1861 So my first question of two questions would be, what is--  
1862 --what would you suggest that would--to the coal industry to  
1863 reverse this decline?

1864 Secretary {Moniz.} Well, Mr. McKinley, first of all, of  
1865 course, you know, we all feel, for whatever reason, when  
1866 there are these major disruptions in communities, it is  
1867 obviously something that we need to pay attention to. And  
1868 the Administration does have some programs to look at some  
1869 retraining, particularly in the overlap areas with natural  
1870 gas production, the Power Plus Plan that has been put  
1871 forward, but I recognize that these don't address 45 percent  
1872 of a workforce. So they help in the right direction, but  
1873 they certainly do not ``solve the problem.''

1874 Mr. {McKinley.} Well, but keep in mind too, Mr.  
1875 Secretary, you know some--that coalminers are--average age is  
1876 going to be in their 50s. What are we going to retrain them--

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1877 -so I--my second question, since I didn't--and,  
1878 unfortunately, you don't have a quick answer either--  
1879 Secretary {Moniz.} No.  
1880 Mr. {McKinley.} --on this as to how to stop the--  
1881 Secretary {Moniz.} We--  
1882 Mr. {McKinley.} --hemorrhaging. But the second  
1883 question, so if you are sitting in the kitchen with this 55-  
1884 year-old that just lost his job, he has been working 30 years  
1885 in a coalmine, what do you tell him?  
1886 Secretary {Moniz.} Well, look, again, it is--look, I--  
1887 you know, I am completely with you. This is a very, very  
1888 difficult--it is very difficult. I think in the end, it is  
1889 about having to try to produce some other economic  
1890 opportunities. Revitalization, some retraining, and--  
1891 Secretary {Moniz.} But these are real--you understand,  
1892 these are real people that have--  
1893 Secretary {Moniz.} Yes, and I--  
1894 Mr. {McKinley.} --really lost their job--  
1895 Secretary {Moniz.} I understand. And the following--  
1896 Mr. {McKinley.} --and--  
1897 Secretary {Moniz.} And the following is not on the  
1898 right timescale for you, but I have said previously, I think

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1899 in front of this committee as well, that we do have many  
1900 programs, many different kinds of programs, that are  
1901 addressing the issue of a future of coal, even in a low-  
1902 carbon world, but that is not going to solve that gentleman's  
1903 problem tomorrow. I completely agree with that.

1904 Mr. {McKinley.} So in the 23--how--what do we tell him?

1905 Secretary {Moniz.} I think the key--

1906 Mr. {McKinley.} He has to make--he has a mortgage  
1907 payment--

1908 Secretary {Moniz.} He has to be--

1909 Mr. {McKinley.} --he has a healthcare bill, he has got  
1910 a--what are we doing for him?

1911 Secretary {Moniz.} The key has to be economic  
1912 development and providing other opportunities. And I might  
1913 just mention, Mr. McKinley, that--and I am happy to say it  
1914 here, that recently Senator Manchin has asked me to come to  
1915 West Virginia, and I would be happy to join him and you and  
1916 come to West Virginia and try to understand the situation and  
1917 what we can do.

1918 Mr. {McKinley.} Thank you, Mr. Secretary.

1919 Secretary {Moniz.} Yeah.

1920 Mr. {Whitfield.} At this time, recognize the gentleman

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1921 from New York, Mr. Engel, for 5 minutes.

1922 Mr. {Engel.} Thank you very much, Mr. Chairman.

1923 Secretary Moniz, than you for your testimony today, and thank  
1924 you for all your good work in so many things. We really  
1925 appreciate it.

1926 I would like to join everyone in applauding your  
1927 efforts--

1928 Secretary {Moniz.} I am having a hard time hearing you.

1929 Mr. {Engel.} I am--I will do this. This is better.

1930 Secretary {Moniz.} Thank you. Thank you, that is  
1931 better.

1932 Mr. {Engel.} Okay. Generally not so hard to hear New  
1933 Yorkers talk. I will just try to talk a little louder and  
1934 not slur my words.

1935 I want to applaud your efforts and the efforts of  
1936 everybody involved in producing the first report of the QER  
1937 Taskforce. I believe it really establishes a very sensible  
1938 blueprint, making our electric grid more resilient, and to  
1939 identify and improve vulnerabilities in our current energy  
1940 transmission and distribution system.

1941 As you know, Super Storm Sandy swept through my district  
1942 and the surrounding region in October 2012, knocking out

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1943 power to over 8 million people, and causing several fuel  
1944 supply and distribution problems. Some New Yorkers in my  
1945 district waited more than 2 weeks for their lights to turn  
1946 back on, and struggled the whole time to keep their families  
1947 safe and warm. So as a result, I am particularly focused on  
1948 the ability of our grid and our entire energy transmission  
1949 and distribution system to withstand future shocks, and also  
1950 to recover quickly from any outage that might occur.

1951           So could you please discuss how we are better prepared  
1952 today than we were in 2012 for a storm like Sandy, and how  
1953 the suggestions in the QER would build upon the improvements  
1954 we have made? In particular, please touch on the  
1955 establishment of the northeast reserve and the potential  
1956 expansion of distributed generation through the REV  
1957 Initiative in New York.

1958           Secretary {Moniz.} Thank you. Well, first on the  
1959 regional gasoline reserve. As you know, that has been  
1960 established with a million barrels, distributed in three  
1961 locations from the New York Harbor area, up to Portland,  
1962 Maine, and that complement to the heating oil reserve that  
1963 was established some years back. I might point out that one  
1964 of the recommendations, by the way, in--which I would put in

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1965 front of the committee is that it would be very useful if the  
1966 authorities for using those reserves could be harmonized  
1967 because they are quite different, and this would not help in  
1968 terms of a coordinated response in terms of an issue. So  
1969 that is successfully put in place. The--it is paid for as  
1970 well for 4-1/2 years of operation. And I might add, we are  
1971 currently now about 1/3 of the way through to using the  
1972 remainder of the money to repurchase 4.2 million barrels of  
1973 crude oil to go back into the reserve, because we took out 5  
1974 million, so it will be 4.2 crude, 1 million gasoline, and 4-  
1975 1/2 years of operations of the reserve.

1976         The--secondly, with regard to the grid and resiliency,  
1977 again, I would like to highlight what we consider to be one  
1978 of the most important recommendations, and that is the--  
1979 actually, two recommendations, one is to support, in our  
1980 fiscal year 2016 budget request, state assurance grants to  
1981 allow planning for hardening infrastructure. And then, and  
1982 this is a case we have to find out working with you, how to  
1983 raise the revenue, how to raise the resources, but to  
1984 establish several billion dollars for competitive resiliency  
1985 projects. That could include things like micro grids, but  
1986 designed for resiliency of the energy system.

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1987           Mr. {Engel.} Thank you. Let me ask one more question.  
1988 The QER report also recommends ways to further integrate the  
1989 energy infrastructures of the U.S., Canada, and Mexico, and  
1990 the idea is to enhance market opportunities, energy security,  
1991 and sustainability. Some transmission lines already send  
1992 hydropower from Quebec to the northeast United States, and  
1993 the potential exists, obviously, for more capacity on more  
1994 transmission lines in the region. Could you please talk  
1995 about what role, if any, these transmission lines should play  
1996 in our energy future?

1997           Secretary {Moniz.} Well, I think these are very  
1998 important. Of course, one that was approved recently was the  
1999 Champlain Hudson line that would take power to New York from-  
2000 -hydropower. And there are a variety of projects for 4 to 5  
2001 gigawatts of additional hydropower that could be available to  
2002 the northeast and upper Midwest. This, obviously, would be  
2003 clean energy and--to meet our needs.

2004           Mr. {Engel.} Thank you. Thank you, Mr. Secretary.

2005           Thank you, Mr. Chairman.

2006           Mr. {Whitfield.} Chair now recognizes the gentleman  
2007 from Virginia, Mr. Griffith, for 5 minutes.

2008           Mr. {Griffith.} Thank you very much, Mr. Chairman. I

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2009 do appreciate that.

2010 Let me reference the comments made by Mr. McKinley of  
2011 West Virginia. We have had hundreds of layoffs in my  
2012 district alone. Of course, in my neighboring State of West  
2013 Virginia and Kentucky, there have been thousands, and it has  
2014 been devastating.

2015 You referenced natural gas in relationship to the  
2016 closing of some of the coal-fired power plants as one of the  
2017 factors. Of course, it is one of the factors, but other--the  
2018 regulations coming in also, yesterday we closed down the Glen  
2019 Lyn facility in my district. It was paid for by the  
2020 ratepayers. Wouldn't cost them any additional. It was only  
2021 being used at this point for the peak periods. That is now  
2022 gone. The Clinch River facility in my district had three  
2023 EGUs, three electric generation power plants. They are  
2024 converting two of the three over to natural gas, however, the  
2025 third one is not going to be converted, and the 2/3 that used  
2026 to be there will produce about 1/2 of the electricity.

2027 I am just concerned that in the peak periods of use, now  
2028 that they are gone, how are they going to be replaced in  
2029 southwest Virginia and in other parts of the AEP footprint?

2030 Secretary {Moniz.} Well, of course, I don't know well

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2031 enough the exact geography and the distribution of power  
2032 plants. Clearly--if I talk more broadly, one of the issues,  
2033 clearly, is the continuing build-out of the transmission  
2034 system to move power around effectively. And I might say  
2035 that I was a little bit surprised, frankly, with the data  
2036 that came out in the QER that the spending on transmission in  
2037 the country has actually reached \$14, \$15 billion per year  
2038 with a continuous increase, basically, over the last 10 to 15  
2039 years. So we actually don't think that there--that--like any  
2040 significant increase in resources will be required. The  
2041 issue will be to make sure that the lines are configured, of  
2042 course, to make sure that energy gets to all the various  
2043 places.

2044 Mr. {Griffith.} And I get that, and that brings up  
2045 natural gas pipelines. And talking about all of this, and  
2046 they are building them in my district, with great opposition  
2047 from many people who don't like the pipeline concept. They  
2048 are also building them in a district just north of mine.  
2049 Pipelines are going everywhere. But I noticed in the QER you  
2050 note the need for pipeline replacements for existing  
2051 pipelines, and that you suggest a DOE-run grant program  
2052 designed to allow states to receive funds to aid in

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2053 improvements to pipeline infrastructure. I support improving  
2054 our current system for existing pipelines, and I am  
2055 interested in learning more about the details. What new  
2056 authorities do you all think you need at DOE, or do you want  
2057 at DOE in order to create this program, and will you be  
2058 providing language to the committee so that we can see about  
2059 putting that into the appropriate bill? How do you envision  
2060 the DOE replacement program working? Where would--how would  
2061 the funding get to the existing states? Would it be the  
2062 existing funding or are you going to come up with new  
2063 funding? Where is the money going to come from? What is the  
2064 timeline, and how would the states apply, et cetera? I throw  
2065 all those out at you at once. I will be glad to go back and  
2066 review them but I don't want my time to run out.

2067 Secretary {Moniz.} I think we will have to get back to  
2068 you with a lot of the detail, but let me make several points.  
2069 First of all on the resources issue, we were very clear that  
2070 we do put--we had about half a billion dollars proposed in  
2071 the fiscal year 2016 budget to address various QER  
2072 recommendations, but there were another \$15 billion of need  
2073 identified, which we were very clear we have to have a  
2074 discussion in terms of where can those resources come from.

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2075 That is over many years, but still. So specifically, the  
2076 funding for the acceleration of natural gas distribution  
2077 infrastructure replacement is not in our budget. So that is  
2078 one those cases. And they are--we have in the past, of  
2079 course, had many examples of raising resources in various  
2080 ways for major infrastructure projects. I think that is the  
2081 discussion we need to have with the Congress, are we prepared  
2082 to find these mechanisms for a significant push on energy  
2083 infrastructure.

2084 Mr. {Griffith.} And as we transition then and we use  
2085 more natural gas, then it would seem that at some point that  
2086 funding is going to have to come forward, which means it is  
2087 going to be passed on to the ratepayer, and yet another  
2088 expenses added onto one of their energy bills.

2089 Secretary {Moniz.} Right, and what are seeing today, by  
2090 the way, I have a, you know, at least for these years, I have  
2091 a place in D.C., and on my bill there is a specific surcharge  
2092 on there for replacement of the natural gas distribution  
2093 pipe. What we are saying is we think this needs to be  
2094 accelerated. I will be clear, the--I guess it is Washington  
2095 Gas, I don't know, whoever it is, the surcharge is for a 40-  
2096 year replacement program. I--that seems like an awfully long

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2097 time. So what we are arguing is we need to shorten these--  
2098 utilities are typically doing this many, many decades to keep  
2099 the rate low. We are saying, geez, we need to accelerate  
2100 this. And what we are proposing is funding that would go to  
2101 help low-income households absorb the rate hit.

2102 Mr. {Whitfield.} Um-hum. Gentleman's time has expired.

2103 At this time, recognize the gentleman from Ohio, Mr.  
2104 Johnson, for 5 minutes.

2105 Mr. {Johnson.} Thank you, Mr. Chairman. And thank you,  
2106 Mr. Secretary, for being here with us again today.

2107 I--at the risk of piling on, I want to associate myself  
2108 also with the concerns already mentioned regarding the coal  
2109 industry. My district is a district and a state heavily  
2110 dependent upon the coal industry, not only for reliable  
2111 energy, affordable energy, but also the jobs that it  
2112 represents.

2113 You know, I was on a trip to Europe just a couple of  
2114 weeks ago, and one of the statements that one of our European  
2115 colleagues in the energy sector made was that, you know, over  
2116 the last 20 years or so, they have led America in shutting  
2117 down much of their coal industry in an effort to reduce their  
2118 carbon emissions, but some of those European countries, when

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2119 we ask them what their energy profile looked like, they are  
2120 returning to a higher percentage of a use of coal. And when  
2121 I questioned them about that, I said why is that the case and  
2122 how do you think you are going to be able to reach this 40  
2123 percent reduction by 2030, and this official said, look, we  
2124 have learned, our ratepayers, our businesses and our  
2125 residential customers, have learned--have said they are no  
2126 longer willing to pay the exorbitant high prices for energy.  
2127 You know, the idea is you make coal so expensive by taxing  
2128 the carbon emissions that renewables and other alternative  
2129 forms of energy are more economically attractive. They are  
2130 going back to coal. I don't know why America, Mr. Secretary,  
2131 why we have to learn this lesson the hard way; that coal  
2132 still provides the most reliable, affordable energy on the  
2133 planet.

2134           And so let me get off of this subject because I have  
2135 some others I want to talk to you about. You expressed a  
2136 willingness to come to West Virginia with Senator Manchin and  
2137 Representative McKinley. Can you swing through Ohio at the  
2138 same time--

2139           Secretary {Moniz.} We can try to do that.

2140           Mr. {Johnson.} --that you are in the region, and I

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2141 would love to take you to talk to some of our coalmining  
2142 cooperators and some of the manufacturers who are being asked  
2143 to idle their plants because there is not enough energy on  
2144 the grid to meet the peak demand. And that is today. That  
2145 doesn't even count for what is coming.

2146 Secretary {Moniz.} Could--if I may make a suggestion  
2147 that might be useful. We have a very, very excellent person  
2148 named Dave Foster who is really the creator of our Job  
2149 Strategy Council. Perhaps a meeting with those of you with  
2150 kind of Appalachian connections in coal, just to brainstorm  
2151 around what might be other ways of going. I would be happy  
2152 to do that.

2153 Mr. {Johnson.} Can you help facilitate that?

2154 Secretary {Moniz.} Yeah, I would--

2155 Mr. {Johnson.} Good.

2156 Secretary {Moniz.} --be happy to do that.

2157 Mr. {Johnson.} Well, my office will be in touch and we  
2158 will--

2159 Secretary {Moniz.} Certainly, the two of you and Mr.  
2160 McKinley would be among those.

2161 Mr. {Johnson.} All right. We would like to do that.

2162 Let me move quickly to these other questions. In March,

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2163 William O'Keefe, the CEO of Marshall Institute, penned an  
2164 editorial in the Washington Times where he notes that the  
2165 Council of Economic Advisors' annual economic report for 2015  
2166 details the beneficial effects for LNG exports--that LNG  
2167 exports would bring for domestic employment, geopolitical  
2168 security in the energy industry and the environment. He also  
2169 makes the point that unless we act soon, we are going to lose  
2170 many of these benefits. He says, while the American  
2171 policymakers procrastinate, other countries are stepping up  
2172 to meet these needs. The United States has an incentive not  
2173 to wait. Our window of opportunity is closing.

2174         So with that in mind, what are your thoughts not only on  
2175 LNG exports, but are there any specific steps and policies we  
2176 should be putting in place today to realize this opportunity  
2177 before it is lost?

2178         Secretary {Moniz.} Well, I have to say first of all  
2179 that we are not procrastinating. The--we have--now, we have  
2180 approved--and by--this is separate from the conditional  
2181 approval that we made last week for the Alaska project,  
2182 because that is a separate gas source, but for the lower 48  
2183 we have approved roughly 8-1/2 billion cubic feet per day to  
2184 non-Free Trade Agreement countries. We have no other

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2185 applications to work on at the moment. The--and just to give  
2186 a scale, I mean the largest LNG exporter in the world is  
2187 Qatar, and they are at about 10 billion cubic feet per day.  
2188 Now, the first cargos--

2189 Mr. {Johnson.} I mean I--I hear you, Mr. Secretary.  
2190 Then why does the rest of the world, why are they still  
2191 urging America to get into the LNG export market on a global  
2192 basis? Why does the rest of the world--

2193 Secretary {Moniz.} Well--

2194 Mr. {Johnson.} --and the oil and gas industry thing  
2195 that we are not participating in the global export?

2196 Secretary {Moniz.} I think that, first of all, there is  
2197 a lot of misunderstanding, to be honest, number one. Number  
2198 two, clearly, they are sitting there with \$12, \$15 gas, and  
2199 they see us at \$2.50, and they think that looks pretty good.  
2200 Now, of course, by the time it reaches them, when you add \$6  
2201 or \$7 for the supply chain, it is not going to be our prices,  
2202 but it still beats their prices. So clearly, they have an  
2203 interest. They want to see that. Well, the fact is that if  
2204 you look at the economic studies that have been done, not by  
2205 DOE, by others, in terms of what they expect to be our real  
2206 export market, very few of them come in above, say, 10 BCF

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2207 per day, given competition in various parts of the world. So  
2208 all I know is that is for the private sector to sort out.

2209 We have approved--we have studies that take us up to a  
2210 potential 12 BCF per day. Earlier it was pointed out we have  
2211 commissioned another study that would even look at 20 BCF per  
2212 day, but in the meantime, we have approved 8-1/2. The  
2213 projects are being built. The first cargos will get on the  
2214 water probably the beginning of 2016, and then we are going  
2215 to start exporting.

2216 Another issue is, and a lot of our European friends say,  
2217 you know, they want the gas, I might just point out as an  
2218 aside, no value judgments, there are a lot of places in the  
2219 world that don't want to develop their own indigenous  
2220 resources but would like ours. Okay, well, that is fine, but  
2221 we do not direct where cargos go. We approve export licenses  
2222 to non-FTA countries, and those are commercial contracts.  
2223 Frankly, it is a constitutional issue in terms of our not  
2224 doing that.

2225 Mr. {Johnson.} Mr. Chairman, I--my time has expired.

2226 Mr. {Whitfield.} Gentleman--

2227 Mr. {Johnson.} I would submit to our committee and to  
2228 the Secretary, there is a big disconnect somewhere because

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2229 the experts tell us that our price is going to rise when we  
2230 get into the global export market. We haven't seen that. We  
2231 have heard that the global market price is going to come  
2232 down. We haven't seen that. So I don't know where the  
2233 disconnect is, but there is a big disconnect somewhere.

2234 Mr. {Whitfield.} Yeah. Thank you.

2235 At this time, I am going to recognize the gentleman from  
2236 Missouri, Mr. Long, for 5 minutes.

2237 Mr. {Long.} Thank you, Mr. Chairman.

2238 And, Mr. Secretary, the discussion draft provides the  
2239 Department of Energy with some new responsibilities beyond  
2240 your current mission. For example, we direct the department  
2241 to study the feasibility of establishing a federal strategic  
2242 transformer reserve, and arm the Department of Energy with  
2243 new authority to address certain grid security emergencies,  
2244 which I think is foremost in everyone's mind as far as grid  
2245 security. Do you believe the Department of Energy has the  
2246 expertise and capability to meet these new duties?

2247 Secretary {Moniz.} I--well, yes, sir. First of all, on  
2248 the transformer reserve, we are moving forward to study that.  
2249 We have one study already from our--from WAPA, our western  
2250 organization, but we are moving forward on that and will,

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2251 depending on the study, engage then in the appropriate  
2252 public-private partnership to make sure that we are secure.

2253         With regard to grid security emergencies, again, we  
2254 already do a lot of this. We work under the FEMA umbrella.  
2255 We are the lead agency for energy infrastructure. And so,  
2256 for example, you may have read about the typhoon going  
2257 through Guam a couple of weeks ago I think it was, well, we  
2258 had people--we had a person in Guam as part of the FEMA  
2259 response for energy infrastructure. So we are already doing  
2260 this. Now, additional authorities could be helpful.

2261         Mr. {Long.} Okay. In your testimony, you mention that  
2262 one of the key energy objectives is enhancing energy  
2263 reliability. What impact do you think that the proposed  
2264 Clean Power Plan will have on energy reliability and  
2265 transmission issues?

2266         Secretary {Moniz.} Well, again, first of all, we do--we  
2267 analyze these issues, but of course, we don't have a final  
2268 rule yet to know how to analyze it. But what we have done to  
2269 date and what we have done in terms of technical analysis  
2270 around the proposal of last year, again, suggests that  
2271 reliability will be quite manageable, but we have to wait to  
2272 get the final rule before we can really do the--

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2273 Mr. {Long.} So you don't think the proposed plan will  
2274 have a big effect?

2275 Secretary {Moniz.} Well, as I mentioned earlier, one  
2276 example of something that we did, there was an issue around  
2277 the projected significant increase of natural gas for the  
2278 power sector versus coal, and when we looked at the  
2279 infrastructure issues of the gas delivery, we just did not  
2280 find that there was likely to be any significant challenge.  
2281 There would be some work to do, but not a significant  
2282 challenge.

2283 Mr. {Long.} We--with Mr. Griffith from Virginia a while  
2284 ago, you had a discussion about money to the states and  
2285 things, and with this Quadrennial Energy Review recommend  
2286 providing state financial assistance, which I think you all  
2287 spoke about a few minutes ago, and grants and investment  
2288 plans for electric reliability and efficiency. Can you  
2289 discuss a little bit of some of the criteria, regardless of  
2290 where the money is coming from, because we know there is a  
2291 shortage of money, but can you discuss some of the criteria  
2292 the Department of Energy will require for the states to  
2293 receive this financial assistance?

2294 Secretary {Moniz.} Well--

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2295           Mr. {Long.} Assuming, again, there would be money  
2296 there.

2297           Secretary {Moniz.} Yeah, well, the money issue is  
2298 relevant, and I must say I am--I was very, very disappointed  
2299 in the appropriations mark, which did not give--provide any  
2300 funding for either the reliability or the assurance grants,  
2301 which I think is shortsighted, to be perfectly honest,  
2302 because I think the states need to have this kind of planning  
2303 capability. We would provide technical assistance. Now, in  
2304 terms of program design, that remains to be done, but what we  
2305 envision will be ultimately proposals around things like  
2306 micro grids, for example, for reliability and resilience. We  
2307 would see, again, the integration of IT and smart grids as  
2308 providing those services. And as I said, we hope in the  
2309 reliability and assurance arenas to then have funding for  
2310 competitive cost-share grants.

2311           Mr. {Long.} Would the criteria be the same from state  
2312 to state or would it change across the country?

2313           Secretary {Moniz.} I think the criteria--well, that  
2314 still remains to be worked out completely, but the criteria,  
2315 no, would be around enhanced reliability and resilience.  
2316 Those--that is the criteria.

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2317 Mr. {Long.} I understand that but I am just--my  
2318 question was whether it would be the same from state to state  
2319 across the country or whether different--

2320 Secretary {Moniz.} I think--

2321 Mr. {Long.} --different states would--

2322 Secretary {Moniz.} No, I think--

2323 Mr. {Long.} --face different criteria.

2324 Secretary {Moniz.} I think the same criteria, but the  
2325 way the projects would be structured would look very  
2326 different depending upon the regional and state resources.

2327 Mr. {Long.} Okay. I am past my time so if I had any  
2328 time I would yield back. But thank you again for your  
2329 testimony. Mr. Chairman--

2330 Mr. {Whitfield.} Yeah, at this time, I am going to  
2331 recognize the gentleman from Texas, Mr. Flores, but I also  
2332 just want to make a comment that we really appreciate your  
2333 taking the leadership with the Republican Study Group on the  
2334 forum on oil exports, and have an opportunity to examine that  
2335 more thoroughly today, so--

2336 Mr. {Flores.} Well, thank you.

2337 Mr. {Whitfield.} --you are recognized for 5 minutes.

2338 Mr. {Flores.} Thank you, Mr. Chairman. I hope

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2339 Secretary Moniz will send someone to the discussion this  
2340 afternoon.

2341 Of course, I want to talk about exports like my friend,  
2342 Mr. Barton, did. One of the things you talked about is that  
2343 there--one of the good reasons for the ability to have oil  
2344 exports is because you have a better matching of the  
2345 qualities of grades that are needed by the refineries in  
2346 different geographical areas around the world. And you  
2347 didn't go quite far enough, I don't think, because one of the  
2348 things that happens when you have that better matching is you  
2349 have economic efficiency, and economic efficiency releases  
2350 additional capital, and that additional capital, based on my  
2351 experience is--with 30 years in the business, would go back  
2352 into reinvestment, which stimulates the production. So next  
2353 time you are answering that question, if you would go all the  
2354 way through that economic cycle I think that it would be  
2355 helpful.

2356 The next thing has to do with, I guess I would call it a  
2357 safety valve question. As you know, there are multiple  
2358 versions of--or proposals for oil exports out there, and some  
2359 of them include giving the President the authority to--the  
2360 ability to suspend oil exports in the situation where we had

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2361 some sort of an energy crisis, or if it is deemed in the  
2362 national interest, or to be able to use the strategic  
2363 petroleum reserve under those same circumstances. And so  
2364 with those two safety valve features in place, doesn't that  
2365 make it more compelling to allow oil exports?

2366 Secretary {Moniz.} Well, again, the--obviously, more  
2367 flexibilities are always welcome, but I think the  
2368 fundamentals of the oil export question are those that we  
2369 discussed earlier, I think. And I agree with you, of course,  
2370 in terms of your economic argument.

2371 Mr. {Flores.} Okay. One of the things that was  
2372 interesting about timing is, while you were--your agency and  
2373 others were working on the QER, the Administration was also  
2374 involved in negotiations with Iran, and in early April your  
2375 agency estimated that a deal with--with a deal in place and  
2376 the sanctions lifted, Iran might start selling us a stockpile  
2377 of 30 million barrels or more later this year, and raise its  
2378 output by \$700,000--700,000 barrels a day by the end of 2016.  
2379 This would come at a time when we would already have a global  
2380 glut of crude oil.

2381 And so my first question is this. What analysis, if  
2382 any, has DOE performed to better understand the implications

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2383 of the entry of Iranian oil into the global markets on global  
2384 supply and demand--global supply and prices, rather?

2385 Secretary {Moniz.} Well, I think, first of all, you  
2386 have stated the basic conclusion; that one would see over  
2387 some year to 2 years, certainly, several hundred thousand  
2388 barrels per day, probably of increased production. That  
2389 would go into the 95 million barrel per day or so pool. The-  
2390 -there are so many uncertainties in that timescale; in  
2391 particular, on the demand side. For example, a recovering  
2392 European economy would put substantial then pressure on the  
2393 supply side. Clearly, the nuclear negotiation is quite  
2394 independent of that dynamic. That is about nuclear weapons  
2395 issues that we think are important to block.

2396 Mr. {Flores.} Well, no, I do understand the independent  
2397 nature of the two discussions, however--

2398 Secretary {Moniz.} Yeah.

2399 Mr. {Flores.} --the impact is the same. So I mean the  
2400 outcomes are the same.

2401 Secretary {Moniz.} Well, it is all supply and demand  
2402 and, you know--

2403 Mr. {Flores.} Exactly.

2404 Secretary {Moniz.} Right.

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2405 Mr. {Flores.} Exactly. And so I guess under these  
2406 circumstances, doesn't it seem like the President would have  
2407 a--an increasingly difficult time justifying lifting the  
2408 sanctions on Iranian oil, and at the same time keeping the  
2409 sanctions on domestic oil in place, where domestic oil can't  
2410 be sold abroad?

2411 Secretary {Moniz.} Well, I think the big difference is  
2412 that we import 700 million barrels a day of crude oil. We  
2413 are not a net exporter. We are an importer.

2414 Mr. {Flores.} Right, but we are on track to be in a  
2415 position to export, so it makes sense to lift the sanctions.

2416 Secretary {Moniz.} Well, that would be--that is quite a  
2417 few years away. I mean we are still--even if you add in oil  
2418 products, we are still at 4-1/2 million products a day.

2419 Mr. {Flores.} Okay.

2420 Secretary {Moniz.} So--

2421 Mr. {Flores.} I have no additional questions. Thank  
2422 you. I yield back.

2423 Mr. {Whitfield.} At this time, recognize the gentleman  
2424 from Oklahoma, Mr. Mullin, for 5 minutes.

2425 Mr. {Mullin.} Thank you, Mr. Chairman. And, Secretary,  
2426 thank you for being with us again today. I know--I believe

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2427 this is the second time you have been in front of this panel.

2428 Secretary {Moniz.} More than that.

2429 Mr. {Mullin.} Well, I mean--but this year, if I am not  
2430 mistaken. At least this is the second time you and I have  
2431 had an opportunity to visit. And the last time we spoke, we  
2432 talked about the lack of infrastructure with the power plants  
2433 as far as the coal-fired plants that are coming down. We  
2434 have a report from Southwest Power Pool there is going to be  
2435 12,900 megawatts lost just in their area. And just a while  
2436 ago while you were being questioned, I believe by Mr. Long,  
2437 you said that you didn't see any significant challenges to  
2438 meet those needs, but yet where is the power going to come  
2439 from?

2440 Secretary {Moniz.} Well--

2441 Mr. {Mullin.} If we are going to lose 12,000 just in my  
2442 region, then where is the extra power going to be made, or  
2443 where it is going to be produced? The gas lines aren't  
2444 there. We are seeing 4 years to take a permit, to just  
2445 simply get a permit to install a gas line. Unless there are  
2446 power plants that are being built that I am not aware of in  
2447 my region, then I believe there is going to be a significant  
2448 challenge to meet the power needs.

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2449 Secretary {Moniz.} Well, again--but first of all, let  
2450 me emphasize that I did state that what we have seen to date,  
2451 but we, of course, await a final rule. Secondly, of course,  
2452 demand--now, I am talking nationally, not in any particular  
2453 specific region--

2454 Mr. {Mullin.} Well, but the--specifically speaking, the  
2455 coal-fired plants are in a specific region.

2456 Secretary {Moniz.} No, no, sure. Well, every plant--

2457 Mr. {Mullin.} And so--I understand that, but we have  
2458 12,900 megawatts being lost in one region, and you said that  
2459 there was--you didn't see any significant challenges in  
2460 meeting those needs. Where is that extra power going to come  
2461 from?

2462 Secretary {Moniz.} Well, I mean, first of all, I made  
2463 it very clear that I--the same when I discussed the natural  
2464 gas transmission pipes, there will be local issues that have  
2465 to be resolved in some places with new infrastructure, but if  
2466 you look--again, I am--all I can do is look at the broad  
2467 picture nationally and note that, first of all, electricity  
2468 demand nationally is not going up, it is essentially flat.  
2469 We are building a significant amount of natural gas and wind,  
2470 in particular, capacity--

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2471 Mr. {Mullin.} So it is okay because--

2472 Secretary {Moniz.} --annually--

2473 Mr. {Mullin.} --the numbers aren't going up--

2474 Secretary {Moniz.} And Oklahoma, by the way--

2475 Mr. {Mullin.} --it is okay--

2476 Secretary {Moniz.} --has plenty of wind.

2477 Mr. {Mullin.} Yeah, but it is okay to bring the power

2478 down because we don't need it right now? I mean--

2479 Secretary {Moniz.} I--

2480 Mr. {Mullin.} --that is like saying--

2481 Secretary {Moniz.} I did not--

2482 Mr. {Mullin.} --let's--

2483 Secretary {Moniz.} I did not say that. All I said was

2484 that we are building substantial capacity even as out demand

2485 is flat, and secondly--

2486 Mr. {Mullin.} Where is the building--

2487 Secretary {Moniz.} --we have substantial--

2488 Mr. {Mullin.} --we are losing power, you are saying we

2489 are building significant capacity. What are we building it

2490 in? Because power cannot replace--or wind cannot replace

2491 what we have here. You can have miles and miles and miles of

2492 windfarms, which we have in Oklahoma, which I, frankly, don't

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2493 think is very pretty, I think it leaves a lot bigger  
2494 footprint than we do in anything else, but that is another  
2495 topic, but we are losing 12,900 megawatts in one area. I am  
2496 going back to what you said--

2497 Secretary {Moniz.} Right.

2498 Mr. {Mullin.} --with the gentleman from Missouri--

2499 Secretary {Moniz.} Yes.

2500 Mr. {Mullin.} --when you said you don't see significant  
2501 challenges meeting those needs. So what I think I hear you  
2502 saying, now, correct me if I am wrong, that it is okay that  
2503 we lose it because our increase for electricity isn't--the  
2504 need isn't there so it is okay that we lose it. Is that what  
2505 I am understanding?

2506 Secretary {Moniz.} No, that is--what I am saying is  
2507 that, first of all, we have about 68,000 megawatts of wind,  
2508 the--but what I am saying is that there will, obviously, all  
2509 the local planning authorities will have to be planning, but  
2510 at the macro level, we are not seeing the likelihood of  
2511 enormous challenges. We are being cautious. We have to wait  
2512 for the final rule to come into place.

2513 Mr. {Mullin.} But you guys are already moving forward  
2514 with it. And, Mr. Secretary, you are over the Department of

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2515 Energy, and you are saying that the local communities, local  
2516 areas, need to get together. What is DOE's specific plan to  
2517 meet this need? Is there not a need--

2518 Secretary {Moniz.} Well--

2519 Mr. {Mullin.} --it is just saying we are going to let  
2520 them go down--

2521 Secretary {Moniz.} I mean--

2522 Mr. {Mullin.} --and let everybody else figure it out,  
2523 it is not our problem?

2524 Secretary {Moniz.} Look, first of all, in our system,  
2525 we--I mean the private sector obviously builds the power  
2526 plants, builds--

2527 Mr. {Mullin.} But you guys are the ones that pick  
2528 winners and losers.

2529 Secretary {Moniz.} No.

2530 Mr. {Mullin.} Yeah, it is, because--

2531 Secretary {Moniz.} The--

2532 Mr. {Mullin.} --you have said coal is going out, wind  
2533 is the new thing.

2534 Secretary {Moniz.} The--obviously, there is a  
2535 responsibility of government, whether statutory or  
2536 regulatory, to set certain rules of the road in terms of

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2537 environmental protection, et cetera, et cetera. The private  
2538 sector and typically state regulatory bodies then respond to  
2539 that. So--

2540 Mr. {Mullin.} So if I am hearing correctly--

2541 Secretary {Moniz.} --that is the way it works.

2542 Mr. {Mullin.} --there is no plan. We are just going to  
2543 drop the power and let everybody else figure it out.

2544 Secretary {Moniz.} There--

2545 Mr. {Whitfield.} Gentleman's time has expired.

2546 Secretary {Moniz.} They are no more--

2547 Mr. {Mullin.} I yield back. Thank you.

2548 Secretary {Moniz.} --or no less plan than there always  
2549 has been.

2550 Mr. {Whitfield.} Um-hum. Mr. Pompeo of Kansas is now  
2551 recognized for 5 minutes.

2552 Mr. {Pompeo.} Great, thank you, Mr. Chairman. And  
2553 thank you for your patience today. You have been with us a  
2554 long time. We are getting towards the end and so a lot of  
2555 the questions have been asked. And so maybe I will open the  
2556 aperture just a little bit, starting with this. Do you  
2557 believe that the American taxpayer has received good value  
2558 for the tens of billions of dollars that have been spent on

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2559 carbon capture technologies--federal dollars that have been  
2560 spent on carbon capture technologies to date, yes or no?

2561 Secretary {Moniz.} Well, first of all, I don't think it  
2562 is tens of billions of dollars, so it is quite a bit less  
2563 than that.

2564 Mr. {Pompeo.} Okay, whatever the number is, sir--

2565 Secretary {Moniz.} But the--

2566 Mr. {Pompeo.} --do you think we have gotten good value  
2567 for--

2568 Secretary {Moniz.} Yeah.

2569 Mr. {Pompeo.} --that?

2570 Secretary {Moniz.} But I think the answer is that, yes,  
2571 it will prove to have been very, very well spent.

2572 Mr. {Pompeo.} Great, thank you. I think they look more  
2573 like slender than success, so we disagree. Yes or no, do you  
2574 agree with French Foreign Minister who has said that the  
2575 global climate change agreement that is being negotiated this  
2576 year should be worded in a way that does not require  
2577 congressional approval? Yes or no.

2578 Secretary {Moniz.} I am not aware of that statement.

2579 Mr. {Pompeo.} So--

2580 Secretary {Moniz.} The--

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2581 Mr. {Pompeo.} --do you think--I will ask it more--

2582 Secretary {Moniz.} The--

2583 Mr. {Pompeo.} --directly--

2584 Secretary {Moniz.} The--if I may say, the--currently,  
2585 obviously, the Climate Action Plan that we are executing is  
2586 based upon administrative authorities to get an economy-wide  
2587 approach eventually, but it will require legislation.

2588 Mr. {Pompeo.} The government that you are a part of is  
2589 negotiating an agreement this year, at the end of the year,  
2590 it intends to enter into an agreement, they have made that  
2591 very clear. Do you believe that the agreement that the  
2592 United States enters into ought to be submitted for  
2593 congressional approval?

2594 Secretary {Moniz.} I think we need to see what the  
2595 nature of this agreement is. There are many agreements--

2596 Mr. {Pompeo.} So I can't get you to say--

2597 Secretary {Moniz.} --that are political agreements

2598 Mr. {Pompeo.} --yes, that you think that a climate  
2599 agreement should be approved by Congress.

2600 Secretary {Moniz.} I think it very much depends upon  
2601 what the nature of the agreement is.

2602 Mr. {Pompeo.} I will take that as a no. Today, we have

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2603 had a lot of questions about crude exports. It seems to me  
2604 that the only country that you are currently advocating to  
2605 export crude oil is Iran. Is that right?

2606 Secretary {Moniz.} Excuse me?

2607 Mr. {Pompeo.} Well, you are sitting in a set of  
2608 negotiations where we are going to free-up the Iranians to  
2609 export their crude products, but you won't advocate for  
2610 Americans to be able to export their crude products. Is  
2611 that--

2612 Secretary {Moniz.} As I said earlier, the situations  
2613 are completely different, and we are a large importer of oil.

2614 Mr. {Pompeo.} The situations are identical. They--it  
2615 would benefit each country greatly to be able to access  
2616 foreign markets and sell their products at market prices  
2617 around the globe, and both consumers and exporters would  
2618 benefit from those in both countries if they are opened up.  
2619 Do you agree with that or disagree?

2620 Secretary {Moniz.} Obviously, for Iran--

2621 Mr. {Pompeo.} I mean it is a simple question--

2622 Secretary {Moniz.} Obviously--

2623 Mr. {Pompeo.} --Mr. Secretary.

2624 Secretary {Moniz.} --if Iran--

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2625 Mr. {Pompeo.} It is not a trick question.

2626 Secretary {Moniz.} --had sanctions lifted, it helps  
2627 their economy.

2628 Mr. {Pompeo.} And if we lifted ours--

2629 Secretary {Moniz.} And it indeed helps us--

2630 Mr. {Pompeo.} --it would help ours too.

2631 Secretary {Moniz.} --on the nuclear weapons side. The-  
2632 -as I said earlier, the only issue on oil exports in the  
2633 United States of large-scale relevance is whether or not  
2634 there is a significant increase in production as a result,  
2635 and I have said, in the current oil market, that may be a  
2636 difficult case to make.

2637 Mr. {Pompeo.} Right. You don't believe in supply and  
2638 demand when it comes to crude--which you think no more supply  
2639 will be lodged. So we have been through that. In 18 months  
2640 there will be a new President, although maybe not a new  
2641 Secretary of Energy. One never knows. Your QER was prepared  
2642 based on this President's vision of greenhouse gases, their  
2643 impact around the world, and America's role in diminishing  
2644 them. If the next President comes in and has a different  
2645 view with respect to that, tell me what remains of the value  
2646 of the QER work that you all did.

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2647 Secretary {Moniz.} Essentially, all of it. The QER is  
2648 really aimed clearly at facilitating more clean energy, but  
2649 it is about energy security, resilience of our  
2650 infrastructure, it is--it has--it is about energy--North  
2651 American energy, it has huge, huge implications for our  
2652 energy infrastructure, independent of the climate issues.

2653 Mr. {Pompeo.} Yeah, I just have a different view of  
2654 what is in the QER. When I stare at it, I see the analysis  
2655 and I appreciate that. I agree with your analysis of the  
2656 requirements for increased infrastructure. We don't disagree  
2657 there. But it seems to me most of what is in the QER was  
2658 aimed at federal intervention in the marketplace. You spent-  
2659 -have several references to classic market failure with  
2660 respect to public goods and negative externalities. I think  
2661 much of the conclusions in the QER about how that  
2662 infrastructure will be ultimately built out, and who will  
2663 decide which infrastructure will be built out, is heavily  
2664 dependent on this President's vision for climate change and  
2665 how the United States can impact that. And I just think--it  
2666 think it was a wonderful exercise, I am glad we did the work  
2667 with respect to infrastructure, but I think the conclusions  
2668 drawn on the QER will need to be revisited immediately by the

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2669 next Administration.

2670 With that, I yield back, Mr. Chairman.

2671 Mr. {Whitfield.} Gentleman yields back.

2672 And that concludes our questions. We have one  
2673 additional member though, Mr. Cramer of North Dakota, who is  
2674 a member of the Energy and Commerce Committee, he is not in  
2675 this particular subcommittee, but he has been so focused on  
2676 these issues that he sat here for 2-1/2 hours with us, and we  
2677 are going to give him the opportunity to ask 5 minutes of  
2678 questions.

2679 Mr. {Cramer.} Yeah, well, thank you, Mr. Chairman. And  
2680 thanks to my colleagues for the indulgence.

2681 You know what, it doesn't only take one good North  
2682 Dakotan to represent the entire state, so I spread myself  
2683 fairly thin, Mr. Secretary. So I thank the members. And I  
2684 also, Mr. Secretary, want to thank you not only for being  
2685 here, but for at least agreeing to, if not joyfully, although  
2686 I think you are a joyful person, to holding one of the  
2687 listening sessions in North Dakota. I know it was a late  
2688 request, and it was a late addition to the agenda for you and  
2689 Secretary Fox and others, but I thoroughly enjoyed the time  
2690 that you were out there.

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2691           And I notice in the QER, there is a lot of reference to  
2692 things that you learned last August in North Dakota, as--  
2693 especially as it pertains to the transportation  
2694 infrastructure, and some of the challenges particularly  
2695 reflected are the challenges for the railroads that move  
2696 multiple commodities, as you know. And you heard quite  
2697 clearly, and I think, again, indicated in the report quite  
2698 clearly, that there were challenges, but at the same time I  
2699 think--one of the things I want to do, I think, is to sort of  
2700 bring the record up-to-date a little bit. Last August, we  
2701 were following on two record winters and two bumper crops, we  
2702 had two seasons in a row that strained the infrastructure for  
2703 sure for agricultural commodities. I think one of the more--  
2704 bigger challenges was the fact that not only was it a record  
2705 crop or a bumper crop, but it was a late harvest, it was--due  
2706 to weather, it was also a late and a very wet harvest. And  
2707 so there was a consolidation of all of those commodities.  
2708 And the additional, you know, moisture creating other  
2709 transportation problems like the movement of propane, for  
2710 example, for grain drying. That perfect storm created  
2711 incredible stress on the infrastructure, and--along with, of  
2712 course, 700,000 or so barrels per day of oil being moved by

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2713 rail. So there is a fair bit of--there was a lot of  
2714 criticism last August. There is a fair bit of that reflected  
2715 in the report, but just in the last 10 months, the storm has  
2716 sort of shifted, I think, and I want to stress some of those  
2717 points, but also encourage you and the team to continue to  
2718 monitor it on a very regular basis, because some of the  
2719 things that were identified have worked. I mean the STB's  
2720 weekly--the requirement for the weekly reports, for example,  
2721 from--by the class 1 railroads has been very helpful in  
2722 transparency, allowed better planning. A warmer winter with  
2723 a more traditional harvest season, and, frankly, lower  
2724 commodity prices has--have created more normalcy. And during  
2725 which time, and I can be the railroad's worst nightmare, but  
2726 I also want to acknowledge when they have done their part,  
2727 and I have to say for BNSF, which is our--obviously, our  
2728 largest railroad by far, they have invested mightily in  
2729 personnel, locomotive, energy, cars, and certainly double-  
2730 track--double-tracking much of the Bakken region and much of  
2731 the Upper Midwest. And I just--I want to be sure that the  
2732 record is clear, but I also want to, again, encourage you to  
2733 remain flexible and update the report regularly to  
2734 acknowledge that this robust infrastructure does exist. And

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2735 it is my hope and my expectation that that additional and  
2736 more robust rail infrastructure actually enhances all  
2737 commodities.

2738 I also think it is worth noting that because of the STB  
2739 reports, we have noticed that they are pretty well caught.  
2740 Not just pretty well caught up, but caught up to the point  
2741 where there is extra capacity. And much like the electrical  
2742 grid, it doesn't hurt to have a little extra capacity, but it  
2743 also creates opportunity for growth.

2744 So, you know, I would only probably ask that, you know,  
2745 for you to comment on my comments if you would like to, but  
2746 again, express my appreciation for your attention to the  
2747 issues.

2748 Secretary {Moniz.} Well, thank you. And we certainly  
2749 appreciated, by the way, your participation in the QER field  
2750 hearing in North Dakota, along with your Senate colleagues.

2751 The--first of all, I think you have put your finger on  
2752 really what was the main driver of our discussion on this  
2753 subject in the QER, and that was the need for more data. To  
2754 be perfectly honest, the railroads have not always been the  
2755 most transparent in terms of data availability. And I think  
2756 that has certainly been improved, and certainly, the issues

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2757 around coal, for example, have been certainly relieved.

2758 There are other issues, as we know, in terms of oil by rail

2759 that are being addressed, and I might say that the--with the

2760 Department of Transportation we have now launched the next

2761 phase of the study of relevance to crude properties and rail.

2762 Mr. {Cramer.} Yes.

2763 Secretary {Moniz.} It will take about 18 months before

2764 we are ready with that. But anyway--but I think you are

2765 absolutely right. The--we have had some progress on the data

2766 front and that allows--and EIA, by the way, is playing a role

2767 in there as well.

2768 Mr. {Cramer.} Yes, they are. Yes.

2769 Secretary {Moniz.} So it is great.

2770 Mr. {Cramer.} Well, thank you. And thank you again,

2771 Mr. Chairman.

2772 Mr. {Whitfield.} Well, thank you.

2773 And that concludes the first panel. Secretary Moniz,

2774 thank you very much for your testimony and answers to our

2775 questions, and we look forward to continuing to work with you

2776 on many pressing issues as we move forward. And thanks again

2777 for your leadership. And Mr. Rush will be notifying you of

2778 the formation of the fan club, and we will be getting

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2779 together soon with that.

2780 Mr. {Rush.} Yes.

2781 Secretary {Moniz.} Well, thank you, Mr. Chairman.

2782 Thank you, gentlemen.

2783 Mr. {Rush.} Mr. Chairman, we will have our first  
2784 meeting relatively soon.

2785 Secretary {Moniz.} Okay.

2786 Mr. {Whitfield.} And there will be a huge crowd there,  
2787 so.

2788 I would like to call up the second panel of witnesses at  
2789 this time. And I want to thank them for their patience. I  
2790 know many of them came from long distances.

2791 On our second panel today we have Mr. Rudolf Dolzer, who  
2792 flew all the way to the U.S. from Bonn, Germany, to testify.  
2793 And we appreciate him being here. We have Mr. Jason Grumet,  
2794 who is the President of the Bipartisan Policy Center. And we  
2795 have Mr. Gerald Kepes, who is Vice President, Upstream  
2796 Research and Consulting. We have Ms. Alison Cassady, who is  
2797 the Director of the Domestic Energy Policy for the Center for  
2798 American Progress. We have Ms. Emily Hammond, who is  
2799 Professor of Law at George Washington University Law School.  
2800 And I am going to call on my colleague, Mr. Pitts of

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2801 Pennsylvania, to introduce one of our witnesses as well.

2802           Mr. {Pitts.} Thank you, Mr. Chairman. I am very  
2803 pleased to introduce Mr. Scott Martin, a County Commissioner  
2804 from Lancaster County, Pennsylvania, formerly chairman of  
2805 that commission, and also active in the statewide Association  
2806 of County Commissioners. An outstanding commissioner who I  
2807 am very pleased could travel down from Pennsylvania to be  
2808 with us today.

2809           Thank you, Mr. Chairman.

2810           Mr. {Whitfield.} Thank you. And, Mr. Martin, thank you  
2811 for being with us.

2812           Once again, I want to thank all of you. We really look  
2813 forward to your testimony. And I am sorry that there was  
2814 such a delay in your testifying. We had to reschedule a  
2815 little bit. But, Mr. Dolzer, I think you came the longest  
2816 distance and--from Bonn, Germany, and I think you were in the  
2817 German Parliament at the time, and you are a professor also  
2818 at the University of Bonn, and so we genuinely appreciate  
2819 your making this effort. And I am going to recognize you to  
2820 start off with for 5 minutes. And then after everyone has  
2821 concluded, we will have some questions for some of you. So,  
2822 Mr. Dolzer, you are recognized for 5 minutes.

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2823 ^STATEMENTS OF RUDOLF DOLZER, ADVISORY BOARD MEMBER,  
2824 ASSOCIATION OF INTERNATIONAL PETROLEUM NEGOTIATORS, AND  
2825 PROFESSOR OF INTERNATIONAL LAW, UNIVERSITY OF BONN; JASON  
2826 GRUMET, PRESIDENT, BIPARTISAN POLICY CENTER; SCOTT MARTIN,  
2827 COMMISSIONER, LANCASTER COUNTY, PENNSYLVANIA; GERALD KEPES,  
2828 VICE PRESIDENT, UPSTREAM RESEARCH AND CONSULTING, HIS; ALISON  
2829 CASSADY, DIRECTOR OF DOMESTIC ENERGY POLICY, CENTER FOR  
2830 AMERICAN PROGRESS; AND EMILY HAMMOND, PROFESSOR OF LAW,  
2831 GEORGE WASHINGTON UNIVERSITY LAW SCHOOL

|

2832 ^STATEMENT OF RUDOLF DOLZER

2833 } Mr. {Dolzer.} Thank you, Chairman Whitfield, Ranking  
2834 Member Rush, members of the committee. My name is Rudolf  
2835 Dolzer, I am a German national who, all together, has lived  
2836 about 8 years in the United States. In Germany, I became a  
2837 law professor. Subsequently, I was director general of the  
2838 Federal Office of the Chancellor and the Chancellor Kohl.  
2839 This is where my gray hair come from. And then I was  
2840 appointed three times to the German Parliament's Commission  
2841 of Inquiry. We have that in Germany, you can be appointed to

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2842 Parliament without the right to vote.

2843           In the U.S., I studied in Spokane, Washington, at  
2844 Gonzaga University. Then I studied for a longer period at  
2845 the Harvard Law School. I later taught at 5 U.S.  
2846 universities; the last time in Dallas in Texas. In Houston,  
2847 I am a member of the Advisory Board of the Association of  
2848 Independent Petroleum Negotiators. A month ago, I published  
2849 a larger study of international cooperation in global energy  
2850 affairs.

2851           Mr. Chairman, the era of abundance, as you say, opens up  
2852 new opportunities of leadership for the United States, and  
2853 the world is looking at the United States. This reminds us  
2854 also, at least me, that energy is not just about energy, it  
2855 is about foreign affairs, it is about national security, it  
2856 is about finances. But ultimately, energy has its own  
2857 characteristics and dynamics and, this is my first major  
2858 point, foreign affairs, national security, and also issues  
2859 such as trade must be folded into the fabrics of energy  
2860 politics and not the other way around. This is also my view  
2861 as regards climate change.

2862           Energy politics, Mr. Chairman, and when I look at your  
2863 draft on energy diplomacy, energy politics also calls for

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2864 arrangements of its own when it comes to international  
2865 cooperation. Title III of your bill--the present bill  
2866 represents an innovative modern approach, also from an  
2867 international point of view. This Title may even be  
2868 strengthened by a transatlantic trade and investment  
2869 partnership. Again, trade is not just one aspect of energy.  
2870 Recent events, and this has been addressed this morning, in  
2871 Russia and Ukraine, and Europe in general, have underlined  
2872 that energy independence will require safe energy supplies,  
2873 and will require political foresight and a robust long-term  
2874 strategy. Together, we must understand the nature of that  
2875 issue.

2876 Europe--and this is not well known, Europe as a whole  
2877 will, in the coming decade become more vulnerable as our  
2878 resources dwindle, in particular in Norway. So this is  
2879 Europe as a whole. The forums as proposed in your bill will  
2880 serve to provide a common basis, but I propose that we go  
2881 further and establish a more advanced concept which I call  
2882 the Transatlantic Energy Agenda. We need to update and  
2883 broaden existing arrangements with the new involvement, I  
2884 think of parliaments and of the private sector. We have  
2885 longstanding arrangements for cooperation in foreign affairs,

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2886 in national security, in agriculture, for example. For  
2887 energy, arrangements of this kinds are lacking at the moment,  
2888 and I think that ought to change. We need more exchange, we  
2889 need better exchange, we need to know what we are doing, and  
2890 we need exchange about best practice.

2891 America's abundance also lends itself to strengthening  
2892 of regional partnerships. In Europe, we have particular  
2893 experience in this respect. Since 2009, the European Union  
2894 has the competence to deal with the establishment of a single  
2895 market, but the member states have retained their sovereign  
2896 powers to determine the energy mix. The French made sure  
2897 that no one touches their right to work with atomic power.  
2898 This is a very complex jurisdictional situation which we have  
2899 in Europe. We now have a set of rules promoting competition  
2900 in Europe with liberalization with unbundling. We have less  
2901 progress, and I think this is of interest here so far with  
2902 regard to internal and cross-border connections to overcome  
2903 isolated domestic markets.

2904 The key concept which has been worked out in the last 24  
2905 months has been the idea of project of common interests, as  
2906 it is called. The new rules call, and I think this is of  
2907 interest here, for a much more rapid process of approving

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2908 permits. So far, that time, don't be astonished, took about  
2909 10 years or more to have a permit for a trans-border  
2910 arrangement. This is now going down to 3-1/2 years at a  
2911 maximum, according to the new law. Also member states now  
2912 must introduce one-step authorities instead of the multitude  
2913 of--institutional arrangements we have had so far.

2914 Now, the funds needed for a single energy market will be  
2915 considerable, but I think the advantage will justify the  
2916 cost. Costs in terms of secure supply, new infrastructure  
2917 urgently needed, more options for the customers, more--better  
2918 position--negotiating position on the international level.  
2919 When you negotiate with Russia or the OPEC or Venezuela, I  
2920 think the larger your market, the better it is. In North  
2921 America, I think a new taskforce by the NAFTA countries,  
2922 similar to the European Commission, might help to elaborate a  
2923 unified energy strategy.

2924 Mr. Chairman, I conclude. In the past, energy issues  
2925 have at times been a bone of contention between the United  
2926 States and Europe; sometimes a bitter contention. I think  
2927 your bill with Title III has the promise and the hallmarks of  
2928 a new era of cooperation, with tangible benefits on both  
2929 sides of the Atlantic.

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2930           Thank you very much for your attention. I very much  
2931 appreciate this opportunity to express my views before your  
2932 important committee. Thank you very much.

2933           [The prepared statement of Mr. Dolzer follows:]

2934 \*\*\*\*\* INSERT B \*\*\*\*\*

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|

2935 Mr. {Whitfield.} Well, thank you, Dr. Dolzer.

2936 And our next witness, as I said, is Mr. Jason Grumet,

2937 who is the President of the Bipartisan Policy Center. And

2938 thank you very much for being with us. You are recognized

2939 for 5 minutes.

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2940 ^STATEMENT OF JASON GRUMET

2941 } Mr. {Grumet.} Well, thank you very much, Chairman  
2942 Whitfield, Mr. Rush, and the resilient members of the  
2943 committee. On behalf of the Bipartisan Policy Center, it is  
2944 a pleasure to join you in this important discussion on the  
2945 economic and policy architecture governing our Nation's  
2946 energy abundance.

2947 My testimony can be summarized into 3 main points.  
2948 First, I want to applaud the committee for focusing on  
2949 significant opportunities to strengthen North American energy  
2950 integration and collaboration. North American energy  
2951 security and self-sufficiency are, in fact, realistic goals  
2952 that must be vigorously pursued, and not taken for granted.

2953 My second point, Mr. Chairman, is that increased North  
2954 American cooperation is a critical component of a larger  
2955 effort to promote economic growth through efficient markets,  
2956 to enhance North America's role in global energy trade, and  
2957 to project U.S. power and global interests.

2958 And my third point is that we must seize the opportunity  
2959 to translate this strength of abundance into a long-term and

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2960 sustainable energy strategy, and not allow this strength to  
2961 result in unintended complacency.

2962 In short, Mr. Chairman, this committee and Congress has  
2963 the disorienting challenge of managing success, which is a  
2964 new problem for our Nation when it comes to energy policy,  
2965 and I think it creates real opportunities that we need to  
2966 discuss.

2967 So let me begin by saying a little bit about the energy  
2968 integration and collaboration. I believe the provisions in  
2969 this legislation that promote data quality and sharing, that  
2970 coordinate planning and improve permitting and siting, are  
2971 all essential to achieving the promise of North American  
2972 energy security.

2973 The opportunities are particularly pronounced in the  
2974 case of Mexico. While U.S. companies have much to gain in  
2975 increased trade with Mexico, it is hard to overstate the  
2976 importance of energy production to the Mexican economy, and  
2977 the broader U.S.-Mexican relationship. Even as--after years  
2978 of decline, energy production remains a key source of high-  
2979 paying jobs, and is responsible for actually 1/3 of the  
2980 Mexican Government's overall activities. If modernization  
2981 efforts succeed, energy production could be a significant

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2982 driver of Mexican economic development and individual  
2983 opportunity. And the implications here are quite broad. The  
2984 Bipartisan Policy Center believes that we must reform our  
2985 Nation's broken immigration system. And while this hearing  
2986 is not the place to discuss the challenges and intricacies of  
2987 protecting the southern border or enhancing our legal  
2988 immigration, there is no question that improved economic  
2989 opportunity in Mexico is an essential component of successful  
2990 and lasting immigration reform.

2991 Let me turn now to the issue of siting. While our  
2992 technology for producing energy has evolved dramatically over  
2993 the last decades, our permitting policies date back to the  
2994 1950s and 1960s, and are poorly matched to our rapidly  
2995 evolving needs. We commend the committee's substantive  
2996 efforts to make the cross-border permitting process more  
2997 transparent and predictable. BPC also commends the  
2998 committee's political judgment in crafting this provision to  
2999 exempt the still-pending Keystone decision. It is time to  
3000 have a broad-based bipartisan energy debate that is  
3001 explicitly beyond Keystone, and it is encouraging to see the  
3002 committee working diligently to avoid a focus on symbolic  
3003 disagreements in favor of producing an agenda that can secure

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3004 broad bipartisan support and become law.

3005 I would like to now move to the second point, which is a  
3006 focus on the component that North America plays in the larger  
3007 global picture. Our Nation has made, I think some very good  
3008 progress of late supporting LNG exports, but as was discussed  
3009 earlier, current restrictions on crude oil are undermining  
3010 our commitment to efficient markets, they diminish our  
3011 ability to promote free trade and fair trade, and they  
3012 empower our adversaries who seek to use energy as a weapon.  
3013 I cannot build upon Mr. Barton's string site of studies  
3014 except to agree that there has been a spate of recent  
3015 analyses that all conclude that adding a reliable supply of  
3016 crude to the global market will continue to exert downward  
3017 pressure and actually protect U.S. consumers.

3018 My final point is on the challenge of how we use this  
3019 abundance to promote our long-term sustainability and  
3020 security needs. There is a broad critique of the abundance  
3021 agenda that must be grappled with if we are going to secure  
3022 the broad-based support for an effective national energy  
3023 policy. The concern is that stable, low-cost supplies of oil  
3024 and gas are undermining investment in the diverse array of  
3025 technologies our Nation and the world will require over the

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3026 next century to meet global demand, to protect our security  
3027 interests, and to confront the risks of climate change. This  
3028 legitimate concern, however, leads to very different policy  
3029 pathways. The Bipartisan Policy Center believes that  
3030 additional action must be taken to confront climate change,  
3031 but we reject the idea that we should pursue a low-carbon  
3032 future by erecting and undermining barriers to the resurgence  
3033 of oil and gas production. Perpetuating inefficient markets  
3034 and creating transportation and infrastructure bottlenecks in  
3035 the hope of somehow reducing global reliance on fossil fuels  
3036 is not an effective climate change strategy, and if anything,  
3037 it will result in increased emissions. Instead, as we  
3038 vigorously pursue the benefits of abundance, we must be  
3039 equally determined in conducting the research and creating  
3040 the incentives to develop and commercialize the next  
3041 generation of energy breakthroughs. From carbon capture and  
3042 storage, to utility-scale solar, to next generation biofuels,  
3043 advanced nuclear energy storage, and an array of energy-  
3044 saving technologies, we must find ways to encourage greater  
3045 investment, despite the current low price environment.

3046       America's hydrocarbon renaissance has given us the gift  
3047 of time. The question before the committee and Congress is

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3048 what do we do with this time.

3049           In closing, the Bipartisan Policy Center looks forward  
3050 to continuing to work with the committee as you build an  
3051 architecture for abundance that grows our economy, enhances  
3052 our security, and confronts domestic and global environmental  
3053 threats.

3054           Thank you.

3055           [The prepared statement of Mr. Grumet follows:]

3056 \*\*\*\*\* INSERT C \*\*\*\*\*

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|

3057 Mr. {Whitfield.} Thank you.

3058 And our next witness, who has already been introduced,  
3059 but is Mr. Scott Martin, who is a County Commissioner,  
3060 Lancaster County, Pennsylvania. Thanks for being with us,  
3061 and you are recognized for 5 minutes.

3062 Mr. {Martin.} Thank you, Mr. Chairman. Just for the  
3063 record, it is Lancaster, not Lancaster.

3064 Mr. {Whitfield.} What did I say?

3065 Mr. {Martin.} Lancaster, that is what--you said like  
3066 Burt Lancaster.

3067 Mr. {Whitfield.} Okay.

3068 Mr. {Martin.} That is in Lancaster County, so--

3069 Mr. {Whitfield.} Well, I am going to--

3070 Mr. {Martin.} --we will have Mr. Pitts work with you on  
3071 that one.

3072 Mr. {Whitfield.} I am going to let you and Mr. Pitts  
3073 work that out.

3074 Mr. {Martin.} All right, well, thank you, Mr. Chairman.

3075 Mr. {Whitfield.} But thanks for letting me know.

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3076 ^STATEMENT OF SCOTT MARTIN

3077 } Mr. {Martin.} You are welcome. Thank you, Mr.

3078 Chairman, and members of the subcommittee. It is an honor to  
3079 be here. Again, I serve on the Lancaster County Board of  
3080 Commissioners.

3081 The United States must work to develop a coherent,  
3082 logical, and clear national energy strategy. I applaud  
3083 Chairman Upton for his architecture of abundance legislative  
3084 framework that will hopefully stimulate a wide-ranging and  
3085 bipartisan debate on the need for a long-term national energy  
3086 agenda based upon economic development, commonsense  
3087 regulations, a modern and safe energy infrastructure, greater  
3088 efficiencies, increased exports, especially with LNG, to  
3089 support our foreign policy goals, environmental sensitivity,  
3090 minimal government involvement, and utilization of free  
3091 market economic principles.

3092 There are certainly many positive developments and  
3093 trends in energy, however, there are also numerous challenges  
3094 and issues that urgently need to be addressed. The longer we  
3095 wait to address and solve these issues will only make them

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3096 more difficult, expensive, complicated, and controversial.

3097           One of the most pressing priorities is energy  
3098 independence. Of course, energy independence can only be  
3099 achieved through new and recoverable sources. The required  
3100 infrastructure exists, the regulatory environment is not  
3101 hostile, excuse me, capital is available to finance the  
3102 expansion in both domestic and international markets are  
3103 functioning properly. Thankfully, due to horizontal  
3104 hydraulic fracturing, known as fracking, and the discovery of  
3105 vast new oil and gas reserves, America is now the world's  
3106 largest oil and natural gas producer. As they should, energy  
3107 prices have been decreasing. The United States is  
3108 increasingly able to export large amounts of LNG around the  
3109 world, and especially to European countries. The volatile  
3110 and tense situation in Ukraine demonstrates very clearly why  
3111 we need to build the Keystone XL Pipeline, greatly accelerate  
3112 the permitting of LNG export facilities, and work to expedite  
3113 the building of pipelines and compressor stations.

3114           As noted above, a significant technological improvement  
3115 has been the use of fracking and extracting natural gas from  
3116 shale. The use of fracking in Pennsylvania, and the  
3117 construction of necessary infrastructure, has had widespread

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3118 and significant economic development impacts. Some of these  
3119 include 96 percent of new energy hires were from the  
3120 Appalachian area, 45,000 new building trade jobs in that same  
3121 region, 243,000 new energy jobs in Pennsylvania, over \$1  
3122 billion invested by the shale industry in road and  
3123 infrastructure improvements, and including energy industry  
3124 grants to community college and trade schools to train the  
3125 workers needed by extraction companies in the Marcellus Shale  
3126 region, with an average core wage of \$68,000 a year.

3127         This increased shale gas production in Pennsylvania has  
3128 also saved the average Pennsylvania family between \$1,200 to  
3129 \$2,000 annually in energy savings costs. Businesses and  
3130 other institutional energy users have also benefitting from  
3131 the greatly increased availability of cheap natural gas. The  
3132 Pennsylvania National Guard and Army Reserve components of  
3133 Fort Indiantown Gap, the Garden Spot Public School District,  
3134 and the Shady Maple Companies, all in our area, have  
3135 experienced significant savings in their energy bills after  
3136 switching to natural gas.

3137         Cheaper energy will further a developing industrial and  
3138 manufacturing renaissance in America. In brief, lower energy  
3139 costs create more disposable income, and hence, greater

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3140 aggregate demand. Decreased transportation costs lead to  
3141 lower prices, and American products are more globally  
3142 competitive. The domestic oil and gas revolution can only be  
3143 successful long-term if the necessary pipelines are quickly  
3144 built and brought online. The Williams Company has proposed  
3145 to build 180 mile interstate pipeline, known as the Atlantic  
3146 Sunrise Project, from northern Pennsylvania and connect it to  
3147 their main U.S. gas pipeline that travels from Texas to the  
3148 northeast. The actual connection point would be in southern  
3149 Lancaster County. Thirty-seven miles of the proposed  
3150 pipeline would go through my county, and we are talking about  
3151 a \$2.6 billion economic impact throughout the construction of  
3152 this project. Williams has been very cooperative and easy to  
3153 work with as various concerns have come up. Over 100 route  
3154 changes, which is more than 1/2 of the original route, have  
3155 been made based on stakeholder input. Williams is also  
3156 committed to making the pipeline open access so that  
3157 potential customers in Lancaster County could directly access  
3158 the pipeline.

3159 As you can imagine, a project of this size does generate  
3160 controversy and opposition. One early controversy was the  
3161 proposed routing of the pipeline through a protected and

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3162 environmentally sensitive area parallel to the Susquehanna  
3163 River. The Board of Commissioners, working with several  
3164 local organizations, went to Williams and expresses strong  
3165 concerns regarding this route. Williams quickly found a new  
3166 route and completely moved away from the sensitive areas, and  
3167 did so with Native American sites and water source areas.

3168 Lancaster County has five significant pipelines running  
3169 through our county. Many property owners are not even aware  
3170 of the pipelines that cross their land. Based upon  
3171 discussions with local farmers having existing pipelines on  
3172 their property, Williams, including with their major U.S.  
3173 pipeline, has been very responsive to their needs.

3174 Lancaster County is one of the leaders in agricultural  
3175 production, not only in Pennsylvania but across the county,  
3176 but we also preserve more farmland than any other county in  
3177 the United States, with over 100,000 acres preserved.  
3178 Needless to say, the county ordinances that govern our  
3179 farmland preservation program have allowed pipelines since  
3180 inception. Since November of 2014, there have been two  
3181 elections where the proposed pipeline was in a de facto  
3182 manner on the banner--on the ballot, and the voters were very  
3183 clear in rejecting efforts to stop the proposed pipeline,

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3184 including an effort to have two townships adopt a community-  
3185 based ordinance that would essentially declare that federal  
3186 and state laws do not apply in these municipalities. I  
3187 believe that many of these voters clearly recognize that this  
3188 pipeline represents the concept of a greater good being  
3189 served.

3190 In closing, I want to again emphasize how incredibly  
3191 important the ongoing energy revolution is to the future of  
3192 the United States, and indeed, the world. While renewables,  
3193 greater efficiencies, clean coal, next-generation nuclear,  
3194 and a secure and smart grid are vitally important, it is  
3195 really the virtually unlimited supply of clean, recoverable  
3196 natural gas from shale that will lead America into the  
3197 future.

3198 Thank you.

3199 [The prepared statement of Mr. Martin follows:]

3200 \*\*\*\*\* INSERT D \*\*\*\*\*

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|

3201 Mr. {Whitfield.} Thank you, Mr. Martin.

3202 And our next witness is Mr. Gerald Kepes, who is Vice

3203 President of Upstream Research and Consulting. And, Mr.

3204 Kepes, thanks for being with us, and you are recognized for 5

3205 minutes.

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|

3206 ^STATEMENT OF GERALD KEPES

3207 } Mr. {Kepes.} Thank you, Mr. Chairman. Members, thank  
3208 you for having me here.

3209 Mr. {Whitfield.} Did you turn your microphone on?

3210 Mr. {Kepes.} I will do that. How about that? Does  
3211 that come across? Okay. Apologize for that.

3212 Mr. Chairman, members, thank you very much. I am  
3213 actually very pleased to be in front of you today because in  
3214 my world, which is--

3215 Mr. {Whitfield.} Mr. Kepes, forgive me for  
3216 interrupting. Would you mind taking Ms. Cassady's microphone  
3217 and try that one?

3218 Mr. {Kepes.} Push that again. Thank you very much.  
3219 Again, my apologies. I hope this doesn't eat into my 5  
3220 minutes here.

3221 Mr. Chairman, members, thank you. I am very pleased to  
3222 be here today because the world that I usually am in is the  
3223 business world, in the exploration and production business.  
3224 I am a geologist. I have been in and around the oil and gas  
3225 industry for 30 years, so you can decide whether that makes

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3226 me objective or not on this business, but I think I am fairly  
3227 knowledgeable. And I am also representing the work and  
3228 analysis and experience of my colleagues at my company.

3229       What I really want to talk today about is  
3230 competitiveness of the E&P sector, and more than the volumes  
3231 that have been produced, the new supplies from shale, just as  
3232 important for you to think about is the incredible  
3233 competitiveness of the energy industry right here. And the  
3234 reason is that competitive basically means cost and  
3235 efficiency, and reaction to market conditions. So, for  
3236 example, as we look at this low oil price period, which has  
3237 many benefits for the economy, consumers, et cetera, at one  
3238 point clearly, perhaps the Saudis and others thought that the  
3239 U.S. oil industry was just a phenomenon of high oil prices.  
3240 That is not the case. In other words, many thought that this  
3241 industry, the shale oil and gas industry, could survive only  
3242 with high oil and gas prices. That is not the case. So that  
3243 is actually one of my first points today. This is not a high  
3244 oil price phenomenon. But we have had low natural gas prices  
3245 for about 6 years right now, and shale gas production has  
3246 sustained and, in fact, grown. That is critically important.  
3247 And why is that so important? Because when it comes to

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3248 thinking about energy diplomacy and the idea that we can  
3249 export the volumes that we have, because we will match or  
3250 meet the internal requirements, it is not just about volumes.  
3251 What we are really exporting is competitiveness. And I want  
3252 to make that point, is that anything that you might consider  
3253 in terms of these energy diplomacy objectives or goals, which  
3254 are actually quite admirable, they will be sustainable and  
3255 viable as long as this competitiveness exists because it is  
3256 not just offering to send supplies somewhere, the marketplace  
3257 is what is pulling them. Whether it is the Ukraine or parts  
3258 of Europe or Mexico, as I will talk about next here, which is  
3259 a great example, they wouldn't be doing this if these  
3260 supplies exported from U.S. shores were not competitive and a  
3261 lower-priced alternative to other factors. This is  
3262 particularly important because if we define very simply what  
3263 energy security is, which is really, we would argue, reliable  
3264 supply at affordable prices.

3265       So let's take Mexico. Right now, there is a lot of  
3266 interest in Mexico because of the opening of the E&P sector,  
3267 that is exploration and production, because of the fact that  
3268 we have had over 70 years of a monopoly of the state oil  
3269 company, PEMEX, going to be reversed. But that is actually

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3270 not the biggest issue going on. The bigger issue is the fact  
3271 that Mexico is going to be importing a lot more natural gas  
3272 from the United States. I am sure the committee knows that  
3273 right now, they import about 2 billion cubic feet a day.  
3274 That number could go up to 5 or 6 billion cubic feet a day  
3275 within the next 10 years. It is a bigger impact because, two  
3276 things. One, all this will draw more much gas-fired power  
3277 generation if the reforms work in the midstream and  
3278 downstream in Mexico, and we hope that they will. That  
3279 should result in lower energy prices for the entire economy.  
3280 We don't know yet if it is 10 percent lower or if it is 30  
3281 percent lower, but the impact of that on the Mexican economy  
3282 competitiveness, this is actually the big picture. It is not  
3283 so much the oil side, what I am trying to say, it is the gas  
3284 side and what we are about to do right there. That is a very  
3285 important factor.

3286 Now, it is said, and it is quite true, that Mexico has  
3287 substantial natural gas resources, but in this case, the  
3288 decision that they made was, if they tried to develop their  
3289 own natural gas resources right now, it is so expensive that  
3290 it made far more sense to import less expensive U.S. natural  
3291 gas. That is a choice for competition, it is a choice for

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3292 competitiveness, and again, if you want to look at it from an  
3293 energy policy program for the U.S., a tremendous success,  
3294 because as this goes forward, that competitiveness, that  
3295 lower price and efficiency is what is going to have a larger  
3296 impact on the Mexican economy, and a huge contributor to what  
3297 has already been troubled at times, but a very successful  
3298 U.S.-Mexican relationship.

3299         So that is the arguments I want to put in front of you.  
3300 That, one, shale production is not a high-priced phenomenon.  
3301 Also intrinsic to the supply volumes that we have, which is  
3302 important, is the competitiveness of that. One, that if it  
3303 is going to be part of U.S. energy diplomacy initiatives,  
3304 then that competitiveness needs to continue. That is going  
3305 to undergird all of that in order for it to be successful.  
3306 And finally, U.S. infrastructure processes and regulations,  
3307 naturally, have to be equally competitive in order to allow  
3308 this to be sustained.

3309         Thank you very much for giving me the time.

3310         [The prepared statement of Mr. Kepes follows:]

3311 \*\*\*\*\* INSERT E \*\*\*\*\*

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|

3312 Mr. {Whitfield.} Well, thank you, Mr. Kepes.

3313 And our next witness is Alison Cassady, who is the

3314 Director of Domestic Energy Policy for the Center for

3315 American Progress. And thank you very much for being with

3316 us, and you are recognized for 5 minutes.

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|

3317 ^STATEMENT OF ALISON CASSADY

3318 } Ms. {Cassady.} Thank you, Chairman Whitfield, Ranking  
3319 Member Rush, and members of the subcommittee, thank you for  
3320 the opportunity to testify today. My name is Alison Cassady,  
3321 and I am Director of Domestic Energy Policy for the Center  
3322 for American Progress. CAP is a nonprofit organization  
3323 dedicated to improving the lives of Americans through  
3324 progressive ideas and action.

3325 Before I jump into my more specific comments on the  
3326 energy diplomacy section of--the energy diplomacy discussion  
3327 draft, I would like to highlight a topic that is not a  
3328 subject of today's hearing, but I think should be, and that  
3329 is climate change which, to me, is the most urgent and  
3330 challenging energy diplomacy issue of our time.

3331 Climate change has become a priority in international  
3332 relations because the climate science is so clear. A failure  
3333 to act on climate change risks severe, irreversible impacts  
3334 on a global scale. As the committee considers the Nation's  
3335 energy policy and its interaction with the rest of the world,  
3336 CAP urges you to put climate change front and center of any

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3337 policy that you develop. We can no longer afford to separate  
3338 energy policy from climate policy.

3339 So with that introductory context in mind, I am going to  
3340 jump into a few thoughts on Section 3104 of the discussion  
3341 draft about cross-border energy projects.

3342 As you all know, under current law, entities wanting to  
3343 construct or operate a cross-border pipeline or transmission  
3344 line are required to obtain a presidential permit. This  
3345 section of the bill eliminates that requirement, and instead  
3346 requires the relevant federal agency to issue a certificate  
3347 of crossing; that is, unless the agency finds that the cross-  
3348 border segment of the project is not in the public interest  
3349 of the United States.

3350 And I have a few concerns about this approach. First,  
3351 the new process presumes that the project is in the public  
3352 interest, placing the burden of proof on concerned  
3353 stakeholders to demonstrate that it is not, instead of asking  
3354 the applicant to make the affirmative case that it is.

3355 Second, under the new process, the applicant only needs to  
3356 obtain federal approval for the portion of the project that  
3357 physically crosses the U.S. border, even if the project  
3358 itself spans hundreds of miles. And finally, the new process

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3359 limits environmental review under NEPA to just the cross-  
3360 border section of the project. To me, this makes little  
3361 sense since we all know that these types of projects can have  
3362 environmental impacts well beyond the border. For a truly  
3363 transcontinental project, such as a pipeline that runs  
3364 through numerous states down to the Gulf Coast, the current  
3365 presidential permitting process is the only venue for the  
3366 public and stakeholders to examine and understand the  
3367 potential impacts of the whole project that is under  
3368 consideration. Under the process established by this bill,  
3369 the review would be fragmented, it would be state-by-state,  
3370 and no one except the project applicant would ever examine  
3371 the project as a whole.

3372 I also have a few concerns about Section 3106, which is  
3373 the LNG export section. This section sets a 30-day deadline  
3374 upon the completion of an environmental review for the DOE to  
3375 issue a final decision on any application to export natural  
3376 gas to a non-free trade county. The United States is well on  
3377 tract to becoming a new exporter of natural gas. To date,  
3378 the DOE has issued final authorizations to 6 facilities to  
3379 export up to 8.6 billion cubic feet per day of LNG. That is  
3380 more than 10 percent of daily U.S. natural gas consumption,

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3381 and that is on top of what we already export to free trade  
3382 countries like Mexico.

3383         The existing DOE permitting system appears to be  
3384 working. It puzzles me, therefore, why we need a bill that  
3385 would seek to fast-track new DOE permit approvals. To be  
3386 clear, CAP does not oppose LNG exports in principle, but we  
3387 have concerns about placing an artificial deadline on agency  
3388 review of permit applications. Congress should not preclude  
3389 DOE from taking the time it needs to make a considered and  
3390 well-informed decision, particularly on the most difficult  
3391 projects. The stakes are simply too high for natural gas  
3392 consumers here in the United States. Last year, the Energy  
3393 Information Administration concluded that increased LNG  
3394 exports lead to increased natural gas prices. And these  
3395 higher natural gas prices create economic winners and losers.  
3396 Certainly, natural gas producers and employees of natural gas  
3397 producers would be the clear winners, but, for example,  
3398 manufacturers that use natural gas as a feedstock would face  
3399 much higher energy costs.

3400         In short, the decision to export significant volumes of  
3401 natural gas, even to our allies, is a complex one that should  
3402 not be made lightly given the potential consumer impacts here

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3403 in the United States. This decision is made even more  
3404 complicated given the growing demand here at home for natural  
3405 gas in both the electricity sector and the transportation  
3406 sector. So if the United States overcommits to natural gas  
3407 exports via long-term 20-year contracts, consumers here could  
3408 pay the price, and that is why the--a deliberative process is  
3409 so important.

3410 With that, I will end my testimony, and be happy to  
3411 answer any questions.

3412 [The prepared statement of Ms. Cassady follows:]

3413 \*\*\*\*\* INSERT F \*\*\*\*\*

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|

3414 Mr. {Whitfield.} Thank you, Ms. Cassady.

3415 And our next witness is Ms. Emily Hammond, who is

3416 Professor of Law at George Washington University Law School.

3417 And thank you for joining us, and you are recognized for 5

3418 minutes.

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|

3419 ^STATEMENT OF EMILY HAMMOND

3420 } Ms. {Hammond.} Thank you, Chairman Whitfield, Ranking  
3421 Member Rush, and the distinguished members of the  
3422 subcommittee. I appreciate the opportunity to testify today.

3423 In my testimony, I would like to highlight several  
3424 concerns that undermine the discussion draft's important goal  
3425 of a unified energy policy. These concerns relate  
3426 specifically to Sections 3102, 3104, and 3106. In short,  
3427 those provisions fail to properly account for the  
3428 reliability, fuel diversity, and environmental implications  
3429 of energy policy, and they also fail to adequately permit the  
3430 energy agencies to undertake their work in a participatory,  
3431 deliberative, and well-reasoned manner.

3432 Let me start with the Interagency Taskforce. Despite  
3433 that the lines between energy and the environment no longer  
3434 truly exist, the--excuse me, the composition of the taskforce  
3435 has significant gaps that will hinder rather than help the  
3436 development of a comprehensive energy policy. Most critical  
3437 is the absence of agencies with environmental expertise. But  
3438 other key agencies like those whose missions relate to jobs,

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3439 to the economy, and to transportation, are also omitted from  
3440 the taskforce. As demonstrated by the QER, which we heard  
3441 about this morning, all of these agencies can successfully  
3442 work together toward unified energy policies, and  
3443 administrative law will show that when agencies collaborate  
3444 in this way, they are more successful, and that they tend to  
3445 have broader stakeholder support, and they have reduced  
3446 vulnerability to judicial challenges.

3447         For the same reasons, the criteria for the Interagency  
3448 Taskforce as planned should include environmental issues, and  
3449 especially climate change. Failing to do so will only deepen  
3450 the current dysfunctions in our energy regulatory system and  
3451 in the energy markets.

3452         Second, the authorization for cross-border  
3453 infrastructure projects does not make clear how DOE would  
3454 implement its authority differently from how it currently  
3455 does under the presidential permit framework. Currently  
3456 procedures do account for environmental issues, and those  
3457 should be retained. I note as well that the provisions  
3458 striking portions of the Federal Power Act, and in particular  
3459 Section 202(f), threaten to undermine important backstop  
3460 authority that the Federal Power Act retains for FERC that

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3461 allow it to ensure grid reliability for intrastate projects  
3462 that cross international boundaries. I urge the subcommittee  
3463 to carefully reexamine the striking provisions of this  
3464 section.

3465 Finally, the 30-day deadline for DOE action on LNG  
3466 applications is of concern. Even if DOE is able to act  
3467 quickly in some circumstances, it needs more flexibility,  
3468 given the very complex issues at stake. Imposing a rigid  
3469 deadline actually threatens more delay. First, deadline  
3470 suits, which are contemplated by the discussion draft, tend  
3471 to impose additional delays even if those suits are  
3472 successful. And second, with stakes so high and such engaged  
3473 stakeholders, judicial challenges are inevitable. All right,  
3474 we can easily predict lawsuits no matter DOE's decision, and  
3475 if DOE is rushed in making its determination, the record is  
3476 less likely to be carefully developed, the agency's reasoning  
3477 may not be clear, and once again, it is likely to be more  
3478 vulnerable to judicial remand and imposition of even further  
3479 delays.

3480 To summarize, the relationship between energy and the  
3481 environment must be considered as the United States seeks a  
3482 uniform energy policy. Careful attention to administrative

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3483 procedure and its role in promoting good government must also  
3484 accompany any new energy statutes. If we move forward with  
3485 U.S. energy policy with these principles in mind, we can make  
3486 substantial improvements for the future.

3487 Thank you again for the opportunity to testify today,  
3488 and I look forward to your questions.

3489 [The prepared statement of Ms. Hammond follows:]

3490 \*\*\*\*\* INSERT G \*\*\*\*\*

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|

3491 Mr. {Whitfield.} Well, thank you, Ms. Hammond.

3492 And that concludes the opening statements. I just want  
3493 to make an announcement that we are expecting some votes  
3494 around 1:30 or so. There are only six members here, so we  
3495 each get 5 minutes. That will be 30 minutes. I think that  
3496 we can make it through and give you all an opportunity to  
3497 respond if we go efficiently and quickly.

3498 So I am going to recognize myself for 5 minutes, make  
3499 sure I get mine in, Bobby, and then we will go from there.

3500 Ms. Cassady and Ms. Hammond both made comments about  
3501 climate change, and certainly, that is something we are very  
3502 much concerned about, but I would like to remind everyone  
3503 that within the Federal Government, just the U.S. Federal  
3504 Government, there are 68 different initiatives on climate  
3505 change. There has been a total of about \$36, \$37 billion  
3506 spent by the U.S. Government alone each year just on climate  
3507 change. So the differences that we are having with President  
3508 Obama, truthfully, is that he views it as the most important  
3509 issue facing mankind, and some of us have different views  
3510 that a job, access to healthcare, clean water, affordable  
3511 energy, economic growth are very important also. So I

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3512 appreciate your comments--and now Mr. Pallone is coming in so  
3513 that is another person, so I am going to have to hurry.  
3514 Okay. I wanted to make that comment.

3515 Now, Dr. Dolzer, in France, they have a large percentage  
3516 of their electricity produced from nuclear. Germany made the  
3517 decision, I guess, to stop the--all production of energy by  
3518 nuclear. Is that still the policy in Germany?

3519 Mr. {Dolzer.} That is the policy. We decided 3 days  
3520 after the Fukushima events in 2010 to phase-out. We had an  
3521 earlier change in 2000, then we had another change in 2009,  
3522 and Fukushima is still the key event in Germany. At the  
3523 moment, my prediction is--the current situation is that 1/2  
3524 of the nuclear plants have already been phased-out after  
3525 2011, and the rest, the 8--8 of them are still in operation.  
3526 They will be phased-out by 2021.

3527 Mr. {Whitfield.} And, of course, you all have been--in  
3528 Germany, they have been moving very quickly to renewable  
3529 energy; wind, solar, whatever. So what has the result been?  
3530 I mean has it affected your reliability? Has it affected the  
3531 retail prices of electricity or not?

3532 Mr. {Dolzer.} It has affected the price of the consumer  
3533 considerably. I think the price went up by about 30 percent

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3534 for electricity for the private households.

3535           Perhaps one conclusion is, and I am not here taking any  
3536 particular position, if you change policies to it in a  
3537 pragmatic manner without too much momentary intervention, I  
3538 think the change in Germany has forced us to react very  
3539 quickly. It had some rather unintended consequences. At the  
3540 moment, we are the main importer of U.S. coal. Now, of  
3541 course, this is a little bit odd and awkward to have more  
3542 coal--

3543           Mr. {Whitfield.} I was told that last year--

3544           Mr. {Dolzer.} --as a consequence--

3545           Mr. {Whitfield.} --2/3 of U.S. coal exports went to  
3546 Europe.

3547           Mr. {Dolzer.} Correct. So we are supporting West  
3548 Virginia. A consequence of our decision to phase-out nuclear  
3549 was de facto to promote coal. For the moment, my prediction  
3550 is this policy will not change. None of the major political  
3551 parties, including the one to which I belong, intends to  
3552 change. However, I think if I listen to--correct to what my  
3553 wife tells me, opposition among the people is growing to this  
3554 policy. The question is, is that affordable, what we are  
3555 doing at the moment in the long-run. Germany has many

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3556 issues, as most other states. We need more schools, we need  
3557 better universities, we need more streets, and the question  
3558 is can we focus our budget in the way we did on one issue  
3559 alone, which is--

3560 Mr. {Whitfield.} Yeah. When you--in your testimony,  
3561 when you were talking about Europe being more vulnerable, is  
3562 that what you were referring to?

3563 Mr. {Dolzer.} That is correct. The--

3564 Mr. {Whitfield.} The policy about the renewables and  
3565 the push for--

3566 Mr. {Dolzer.} The policy about renewables, together  
3567 with the policy of phasing-out nuclear power means that we  
3568 need more energy in the future as regards gas. We have a  
3569 very special situation; we can get more gas from Russia, from  
3570 Iran, from Algeria, or at the moment from Norway, but Norway  
3571 is about to peak. In other words, our choices are not  
3572 considerable. And here I would like to come back for a  
3573 moment to U.S. policy. The U.S. has criticized us, of  
3574 course, for the--being dependent too much on Russian gas.  
3575 Correct. Almost 40 percent. At the same time now, of  
3576 course, in an era of abundance, one would hope--the Europeans  
3577 would hope that the United States allows for more gas to be

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3578 exported to Europe in a situation where we need stronger  
3579 support with our alternatives. And I think even small  
3580 additional imports from the United States would help on a  
3581 symbolic manner. In other words, the position in Europe that  
3582 you hear quite often is, on the one hand the U.S. criticizes  
3583 that we are too dependent on Russia or Iraq or--

3584 Mr. {Whitfield.} Yeah, okay.

3585 Mr. {Dolzer.} --whoever, on the other hand, the U.S.  
3586 does not allow and facilitate--

3587 Mr. {Whitfield.} Yeah.

3588 Mr. {Dolzer.} --exports to Europe. I think this is a  
3589 position that may be reconsidered.

3590 Mr. {Whitfield.} Okay. At this time, I am going to  
3591 recognize Mr. Rush for 5 minutes.

3592 Mr. {Rush.} I want to thank you, Mr. Chairman. Mr.  
3593 Chairman, I just want to take a moment to welcome back to the  
3594 committee Ms. Cassady. She served for many, many years as an  
3595 expert staffer under our former chairman, Henry Waxman, and  
3596 she was on this side of the table, and now she is on that  
3597 side of the table. But I just wanted to welcome her back.  
3598 So good to see you again, and you are continuing your  
3599 outstanding work. So thank you so very much.

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3600 I want to ask you a question, and also Ms. Hammond. It  
3601 is in kind of--it is in response to some of the comments of  
3602 the chairman. In your opinion, and both of your--if you will  
3603 respond, are energy and environmental issues inherently  
3604 related, and why is it so very, very important that any kind  
3605 of comprehensive energy policy also integrate environmental  
3606 concerns in that policy? And do either of you have any  
3607 specific--

3608 [Audio malfunction in hearing room.]

3609 Ms. {Hammond.} --plan itself. Thank you.

3610 {Voice.} Excellent.

3611 Ms. {Cassady.} I would just add to that, the energy  
3612 infrastructure decisions we make today will last decades. So  
3613 we decide to build a pipeline today or build a new energy  
3614 production facility, we are locking in decades of new  
3615 emissions or not, and that is why it is very important to  
3616 consider, whenever we are considering energy policy, to be--  
3617 we should consider climate policy as well, and think through  
3618 how will this energy project affect our transition negatively  
3619 or positively toward a zero carbon future.

3620 Mr. {Rush.} I yield back.

3621 Mr. {Whitfield.} Gentleman yields back.

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3622           Because we now have called votes, I am going to reduce  
3623 the amount of time to 3 minutes for everyone so that,  
3624 hopefully, we can give everybody a chance.

3625           So, Mr. Olson, you are recognized for 3 minutes.

3626           Mr. {Olson.} Thank you, Chairman. I am with you.

3627           Welcome to our witnesses. I apologize you got behind an  
3628 energy superstar, and now votes in a hearing coming in this  
3629 hearing room about 2 o'clock, so I have one question for you,  
3630 Mr. Grumet. It is about Mexico.

3631           As you mentioned in your testimony, Mexico is on the  
3632 verge of a revolution for energy. Changes, changes, changes.  
3633 I moved to Texas in 1972. I saw the stronghold OPEC had on  
3634 America firsthand. 1979, I had just gotten my license. I  
3635 was sent down to get in line for gasoline. Gasoline  
3636 dependent upon, you have a long line, get gas depending upon  
3637 the last digit of your license plate. If it was an even  
3638 date, go on an even day, even number. Long lines. Gas  
3639 prices doubled. They had a stronghold on us. Now, with all  
3640 the street production in America, our neighbor to the north,  
3641 Canada, and Mexico, I see a vision of OPEC going away,  
3642 replaced by NAPEC. North American Petroleum Exporting  
3643 Countries.

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3644 My question is, sir, what is the one thing we can in--  
3645 Congress can do to help make that reality, make NAPEC head of  
3646 OPEC?

3647 Mr. {Grumet.} Thank you for that question, and I will  
3648 note that usually you put the warm-up band before the rock  
3649 star, so you might want to do that--all right, I am back. I  
3650 think you make a very important point. We used to, you know,  
3651 look at our headlines, and OPEC was having a meeting and  
3652 there would be a, you know, a chill through the land. Now,  
3653 you know, they can meet or not meet, it doesn't matter much  
3654 to us if, in fact, we seize the opportunity of abundance.  
3655 And I think our opportunities with Mexico are profound. We  
3656 have to give a lot of credit to President Nieto for trying to  
3657 reverse 60 years of an investment policy that basically  
3658 discouraged first world technology. I think the  
3659 opportunities to spend a lot of time working with Mexico on  
3660 something that is pedestrian but incredibly important, and  
3661 that is data quality. The ability to have North American  
3662 energy security depends on having good data, shared analysis,  
3663 shared understandings, and a transparency across our  
3664 analytical platforms. That is a very boring but incredibly  
3665 difficult and important thing to do. Our energy

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3666 administration here is the gold standard, and I think we  
3667 really should spend a lot of time, it is going to require  
3668 some resources if we want Mexico to join us. If we had that  
3669 shared data foundation and we have thoughtful laws that, as  
3670 our colleagues have suggested, provide time for environmental  
3671 deliberation, but then actually require a decision, I think  
3672 we can have an integrated energy system that will raise both-  
3673 -

3674 Mr. {Olson.} So shared data, number one. We need to  
3675 have that in Congress. That is the best we can do right now?

3676 Mr. {Grumet.} I think that is something you could  
3677 actually get done right now, that would be very true.

3678 Mr. {Olson.} That is even better. I like that.

3679 Yield back, sir.

3680 Mr. {Whitfield.} Gentleman yields back.

3681 At this time, recognize the gentleman from New Jersey  
3682 for 3 minutes, Mr. Pallone.

3683 Mr. {Pallone.} Thank you, Mr. Chairman.

3684 I just wanted to follow up on a few statements made  
3685 earlier today about Section 3104. This provision makes an  
3686 end run around the National Environmental Policy Act, and  
3687 would eliminate meaningful review of the environmental

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3688 impacts of proposed cross-border energy projects. And this  
3689 section dramatically narrows the scope of environmental  
3690 review to only the cross-border segment of the energy  
3691 project, the tiny portion that physically crosses a national  
3692 boundary.

3693         So, Ms. Cassidy, does limiting NEPA review to just a  
3694 small sliver of a cross-border energy project make any sense  
3695 to you, and what are some of the drawbacks of looking at just  
3696 the cross-border segment of a pipeline or transmission line?

3697         Ms. {Cassidy.} Thank you for the question. No, it  
3698 doesn't make much sense to me simply because if you look at  
3699 the more controversial pipeline and other projects that we  
3700 have examined over the last few years, the controversy has  
3701 never been around the impacts at the border. We all know,  
3702 even the best-constructed, highest technology pipeline, an  
3703 accident can happen. And those pipelines span hundreds of  
3704 miles, they pass through sensitive ecosystems, over aquifers,  
3705 over private and public lands. And an environmental review--  
3706 the purpose of an environmental review is to make sure that  
3707 policymakers have all of the facts about the impacts of the--  
3708 the potential impacts of the project over the entire course  
3709 of the project, not just the small part at the border, in

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3710 order to better understand how to mitigate those potential  
3711 impacts. So in order to understand the potential  
3712 consequences of a project, we need to look at it in its  
3713 entirety and not just at the border.

3714 Mr. {Pallone.} How about the legislation's presumption  
3715 that cross-border projects are in the public interest, how  
3716 would you--how would looking at just the cross-border segment  
3717 impact an agency's ability to determine whether or not a  
3718 project is in the public interest?

3719 Ms. {Cassady.} The presumption of approval stacks the  
3720 deck against a stakeholder who has legitimate concerns about  
3721 whether or not a project is in the public interest. It  
3722 forces the concerned stakeholder to make the case that it is  
3723 not in the public interest, rather than forcing the applicant  
3724 to make the case that it is. And that is just a higher  
3725 burden of proof. And the way the bill is written, since it  
3726 is so focused on a very narrow part of the proposal and  
3727 doesn't look at all of the potential impacts, it is going to  
3728 be much harder for a concerned stakeholder to make the case  
3729 that this tiny little part of the project is not in the  
3730 public interest.

3731 Mr. {Pallone.} Well, thank you. I think these energy

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3732 infrastructure projects are a lot more than just a border  
3733 crossing; they are going to last for decades, and  
3734 fundamentally NEPA requires us to look before we leap, and  
3735 that is just basic commonsense. So we should not be  
3736 carelessly narrowing or creating loopholes in the law, and I  
3737 think we need to understand the impact of these projects  
3738 before they are constructed so that we can protect public  
3739 health and safety and the environment, and I think ignoring  
3740 the impacts is not going to make them disappear. So thank  
3741 you again.

3742 Thank you, Mr. Chairman.

3743 Mr. {Whitfield.} At this time, recognize the gentleman  
3744 from Pennsylvania, Mr. Pitts, for 3 minutes.

3745 Mr. {Pitts.} Thank you, Mr. Chairman.

3746 Mr. Martin, Lancaster County doesn't have any wells of  
3747 Marcellus Shale being drilled in it. Probably the nearest  
3748 well is 100 miles away. But how is Lancaster County  
3749 benefitting from Marcellus Shale, the boom that you  
3750 mentioned, even if there are no wells being drilled in the  
3751 county?

3752 Mr. {Martin.} Well, first and foremost, what we have  
3753 seen is, one, Pennsylvania putting forth an impact fee with

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3754 monies that were distributed back not only to well counties,  
3755 but also to counties who end up having pipelines. Those  
3756 kinds of funds that are coming back are used to conserve open  
3757 space, preserve ag preservation easements, and also really  
3758 replace structurally deficient bridges. But we are also  
3759 seeing the economic impact as well here. We have IT  
3760 companies that do data mappings of pipelines and wells that  
3761 have grown dramatically. Engineering firms. One of the  
3762 larger engineering firms in the Marcellus Shale region,  
3763 Virtue Engineering, more than doubled in size. Over a 2-year  
3764 period, they bought an additional 75 vehicles.

3765 I used in my testimony examples of the Pennsylvania  
3766 National Guard or Shady Maple. Shady Maple saving over 170--  
3767 it is a smorgasbord, if anyone has ever been to one, I highly  
3768 recommend it. \$175,000 a year in energy costs, which then  
3769 Garden Spot School District saw, which is in the same area,  
3770 and said we are going to tape in, and they are going to  
3771 realize those savings.

3772 Now, we would like to see more of it. Unfortunately,  
3773 about 1/2 of Pennsylvanians do not have access to that  
3774 natural gas, but given the premise of the open access nature  
3775 of pipelines, you will start to see more of these entities

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3776 like the Pennsylvania National Guard at Fort Indiantown Gap,  
3777 and others, who are able to tap in and be able to realize  
3778 that savings. And where we expect to see most of it, and  
3779 where we hear from a lot of our constituents, is especially  
3780 in the area of manufacturing, especially those who are  
3781 heavily reliant on energy to do that. We have companies that  
3782 spend over \$3 million a year in energy costs, but they are  
3783 nowhere near the nearest pipeline. So I think we will see  
3784 further opportunities coming forth.

3785         But I just want to add, Congressman, 1 of the--2 of the  
3786 great things I see is, you are now able to get an education  
3787 in Pennsylvania in the petroleum and gas industry that you  
3788 had to go to like Texas Tech to used to be able to get. They  
3789 are investing in areas--I think \$2-1/2 million dollar grant  
3790 from the industry to Lackawanna Community College. Two-year  
3791 program, cost for that 2 years about \$22,000. And as--when  
3792 they are coming out of that program, they are starting rate  
3793 is like \$68,000. So those are the types of things that you  
3794 are seeing. These are good middle-class jobs that not only  
3795 use your head but also use your hands. And we are seeing  
3796 that grow, and that is something we hopefully continue to see  
3797 grow not only through Lancaster County, but throughout

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3798 Pennsylvania.

3799           Mr. {Pitts.} Thank you very much, Mr.--my time has  
3800 expired.

3801           Mr. {Whitfield.} At this time, recognize the gentleman  
3802 from Texas, Mr. Green, for 3 minutes.

3803           Mr. {Green.} Thank you, Mr. Chairman. I appreciate  
3804 hearing from the county commissioner. My accent gives me  
3805 away, but obviously, every school in Texas has energy  
3806 courses, from our community colleges all the way up to not  
3807 only Texas Tech and Lubbock, but UT and A&M and University of  
3808 Houston, and everywhere else.

3809           Ms. Cassady, I want to welcome you back to the  
3810 committee. I know you are familiar with the NEPA regulations  
3811 promulgated by the Council on Environmental Quality, not only  
3812 from our--your work on the committee, but with the center.  
3813 Under NEPA, an agency is specifically prohibited from  
3814 segmenting projects, known as piecemealing. The Code of  
3815 Federal Regulations states proposals or parts of proposals  
3816 which are related to each other closely enough to be, in  
3817 effect, a single course of action are evaluated. The  
3818 discussion draft requires the State Department to promulgate  
3819 rules on cross-border pipelines, and you heard Secretary

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3820 Moniz say that the agencies are required to do it.

3821 Ms. Cassady, wouldn't the federal agency in charge of  
3822 the environmental review be charged with the NEPA review that  
3823 satisfies these CEQ regulations, and looking at the whole  
3824 project?

3825 Ms. {Cassady.} My understanding of the bill is that the  
3826 NEPA review only applies to the cross-border segment of the  
3827 pipeline project or the transmission line, and so the federal  
3828 approval only applies to that portion as well. Therefore,  
3829 NEPA would only apply to that portion. There would be state-  
3830 by-state reviews if it was passing through a state. In terms  
3831 of federal review, the--it just applies to the cross-border  
3832 segment.

3833 Mr. {Green.} Well--

3834 Ms. {Cassady.} That is my understanding of the  
3835 legislation.

3836 Mr. {Green.} Shouldn't the, you know, the cross-border  
3837 review--so much of our NEPA process is also done by other  
3838 federal agencies and a party to it. For example, if you have  
3839 a pipeline coming from Texas in Eagle Ford to Mexico, that  
3840 cross-border pipeline, you know, state law covers it on the  
3841 property that is not federal, but it may be crossing federal

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3842 lands, and so the NEPA process would come into play on that.  
3843 But granted, the cross-border, which is international, and of  
3844 course, as taxpayers we own that--our part of the border,  
3845 then they would do it. But don't you--you don't think that  
3846 the bill calls for them to look at the whole project? And it  
3847 may not be one agency doing it, but there will be other  
3848 agencies doing a NEPA process on their required--on what they  
3849 are required to do in that pipeline, from whether it be at  
3850 Eagle Ford, you know, of course, into Mexico. That is what  
3851 worries me because I know, and my colleague from New Jersey  
3852 said that the NEPA process is not covered. I think it is,  
3853 because if it is not the Department of Energy, for example,  
3854 for electricity transmission, it would be another federal  
3855 agency if they had the authority in there, or in some cases,  
3856 state agencies. So the NEPA process would be included.

3857 And, Mr. Chairman, I know I am almost out of time, and  
3858 we are almost out of time for--

3859 Mr. {Whitfield.} Well, Mr. Green, that is our view as  
3860 well, and we would love for our staff to sit down with Ms.  
3861 Cassady in more detail, but it is our understanding that this  
3862 does not change the NEPA process.

3863 Mr. {Green.} Yeah. Now, I have to admit, in my few

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3864 seconds, I have a problem with the State Department. We have  
3865 a company in Texas who was--a Canada pipeline that was  
3866 dormant, they wanted to change the name because they bought  
3867 it, and their goal was to not only bring crude oil from  
3868 Canada, but it was also to attach into the United States from  
3869 Bakken, and the State Department decided they needed to  
3870 review what was on the U.S. property.

3871 Now, I want a federal agency looking at it, but the  
3872 State Department shouldn't be deciding whether the--a  
3873 pipeline out of Bakken is good or not because, you know,  
3874 granted, we are getting crude oil in trains into Houston,  
3875 Texas, because our refiners do that. It is so much safer and  
3876 easier to put a pipeline in there than it is bring those 100-  
3877 car trains full of crude oil from Canada.

3878 Mr. {Whitfield.} Gentleman's time has expired.

3879 Recognize the gentlemen from Virginia, Mr. Griffith, for  
3880 3 minutes.

3881 Mr. {Griffith.} Thank you very much. I appreciate it.

3882 All right, I will take anybody who can answer this, and  
3883 I suspect it will be Mr. Grumet or Ms. Cassady, or Ms.  
3884 Hammond.

3885 Are you all familiar with the regulations relating to

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3886 production of electricity in Mexico by coal? And no is a  
3887 fine answer. If you don't know, you don't know. Nobody  
3888 knows. Because the reason I ask that question is it is part  
3889 of our proposal here, and one that I am interested in, has  
3890 electric transmission facilities, it is not just pipelines.  
3891 And one of my concerns is that we are putting coalminers out  
3892 of work in Appalachia. Like Lancaster, down our way it is  
3893 not Appalachia, it is Appalachia, and we are putting  
3894 coalminers out of work in Appalachia, but if we allow  
3895 electric transmission lines to cross over from Mexico using  
3896 not-as-good a coal, with not-as-good a process, in not-as-  
3897 clean plants, what gain have we made environmentally? And I  
3898 think this is a case where, while Ms. Cassady and I are not  
3899 going to agree on much, we might actually agree on that, that  
3900 that ought to be a concern.

3901 Mr. Grumet, do you have any thoughts on that at all?

3902 Mr. {Grumet.} I mean you make a very important point,  
3903 and Dr. Dolzer's testimony referred to it as well, right.  
3904 You know, electrons and molecules don't have a lot of concern  
3905 about arbitrary political boundaries, and that is why we  
3906 actually have to have a shared solution that brings the  
3907 technology of the United States to bear on the issues in

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3908 Mexico. We have to have shared agreements. And I am not  
3909 going to try to get into a lengthy conversation about  
3910 regional climate action in 60 seconds, but--

3911 Mr. {Griffith.} Well--

3912 Mr. {Grumet.} --you know, I think there is a real  
3913 opportunity to actually lift the Mexican system so that it  
3914 actually has parity with the U.S.

3915 Mr. {Griffith.} And I certainly don't mind lifting up  
3916 the Mexican system, but I am reminded of the old NASA study  
3917 that shows it takes 10 days for the air to get from the  
3918 middle of the Gobi Desert to the eastern shore of Virginia,  
3919 so if we are going to eliminate coal, waiting another 30 or  
3920 40 years on Asia just really means we are putting our people  
3921 out of work and we are not really doing that much for the  
3922 overall northern hemisphere--

3923 Mr. {Grumet.} All I will say is--

3924 Mr. {Griffith.} --air.

3925 Mr. {Grumet.} --that we fundamentally have to find a  
3926 way to burn coal in a way that meets our security interests  
3927 and our environmental interests, and there is one way we can  
3928 do that if we invest the resources to get it done. We are  
3929 not doing that right now, so--

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3930           Mr. {Griffith.} And I agree with you completely. We  
3931 can do more and we should do more. I look forward to working  
3932 with you on clean coal technologies.

3933           I yield back.

3934           Mr. {Whitfield.} And there are no other questions. So  
3935 thank all of you once again for your patience, and we look  
3936 forward to maintaining contact with you and continuing to  
3937 work with you as we try to bring this legislation to the  
3938 committee.

3939           I am also asking unanimous consent that a statement from  
3940 the Canadian Electricity Association be submitted for the  
3941 record. And without--

3942           Mr. {Rush.} No objection.

3943           Mr. {Whitfield.} Without objection, so ordered.

3944           [The information follows:]

3945 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

**This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee's website as soon as it is available.**

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3946           Mr. {Whitfield.} Is this it? Okay. And we are going  
3947 to keep the record open for 10 days for any additional  
3948 material that may need to be submitted.

3949           And once again, that will conclude today's hearing.  
3950 Thank you all for your interest. And, Mr. Dolzer, thanks for  
3951 coming all the way from Germany.

3952           [Whereupon, at 1:42 p.m., the Subcommittee was  
3953 adjourned.]