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Thank you Chairman Duncan, Ranking Member Sires, and members of the Subcommittee; I appreciate the opportunity to be here today to discuss the impact that low oil prices have had on countries in the Western Hemisphere, and the ways the United States is assisting our partners to achieve energy security.

We're living through a global energy transformation – I would go so far as to call it a revolution – that has established the United States as a global superpower in energy. And if those terms seem extreme, let us remember the beginning of 2012. The price of oil was averaging above \$100 a barrel. The United States was considered the declining oil producer of the world; the once great producer had fallen below six million barrels a day. The United States was also one of the largest importer of liquefied natural gas in the world with expectations that we would continue to grow in our imports.

So much has changed in a few years, and it is not just that we have gone from producing 6.5 million barrels of crude oil per day in 2012 to 9.4 million barrels per day in 2015, or because we have gone from a significant natural gas importer to a significant exporter. It is also because the United States is a leader in innovative technologies, from research and development to implementation, across the spectrum of natural gas, renewable energy, and other advanced technologies, such as communications and IT, that underlie transformational opportunities. However you define energy, the United States is at the center of it and in a global position of leadership.

The combination of falling oil prices and the increasing viability of alternatives has complex effects, and the impacts have not been felt uniformly throughout the Western Hemisphere. We are seeing a microcosm of the U.S. experience in Latin America, as some oil-producing countries move away from nationalist models and embrace more modern approaches to energy development and reform. As a result, many oil-producing countries are facing economic challenges, but not an outright crisis. I will discuss a few examples to illustrate the diversity we are seeing throughout the hemisphere.

Mexico has undertaken historic energy reforms that enact constitutional changes to the structure of the oil, gas, and electricity sectors, with the goal of stimulating development, increasing international investment, creating jobs, generating more clean energy, and lowering energy costs for consumers. However, the timing of the reforms was unlucky; within six months after the reform's key elements were signed into law, oil prices fell by 55 percent, and the Mexican government today faces the challenge of demonstrating that the negative impacts being felt throughout the sector are not a result of the reforms but rather of the oil price decline. In fact, the reforms, combined with some strategic oil price hedging, likely cushioned the impacts of low oil prices on Mexico's economy and energy sector. Mexico's ability to weather these challenges will likely be a judgment on their reforms, both within the country and throughout the hemisphere, which is why we are working closely with them to provide support and targeted technical assistance across the power, unconventional, and traditional hydrocarbon sectors.

Argentina, in spite of having the world's second-largest reserves of shale gas, saw little investment in the gas sector in the previous decade due to a restrictive policy and regulatory environment. The Macri Administration has demonstrated an awareness of the opportunities of reform, and has the potential to radically increase previously untapped shale resources. The government, which found itself facing a state of emergency in the electricity sector shortly after coming into office, also understands it needs to attract significant investment in Argentina's electricity sector. This presents opportunities for U.S. energy companies: an estimated five gigawatts (GW) of electricity over the next 15 years is needed to keep up with demand. A tender is underway for awarding one GW of thermal generation and the government will soon seek bids for a one GW of renewable energy capacity. This is why I'll be heading to Argentina next week, and why my team at the State Department has started assistance for Argentina on topics relating to robust, responsible, and transparent development in both the unconventional and power sectors.

Colombia, which had made the establishment of a transparent, well-governed energy sector a top priority, reached its longstanding goal of producing one million barrels per day in 2013, but low oil prices have led to a fall in production and difficulty in stimulating the investments needed to increase the country's limited petroleum reserves, which currently are set to be exhausted in a little over five years. While oil extraction comprised seven percent of GDP in 2014, that number fell to five percent in 2015. Government revenue earned via taxes and royalties on the oil sector has also dropped considerably. Ecopetrol, Colombia's state-run enterprise, saw its market capitalization fall from \$64 billion in 2012 to a little over

\$9 billion today, and the compounding effects of a serious drought exacerbated the government's challenges, as it obliged Colombia to turn to more costly electricity options than hydropower. As the Colombian government works to increase their production and reserves, we are also working with them to establish strong regulatory and policy frameworks in both their unconventional and offshore hydrocarbon sectors.

While these countries are all facing significant economic challenges and must cut social spending, their prospects for weathering the storm are strong, given their diversified economies and thoughtful responses to the current low price environment. Countries that are less diversified, fiscally constrained, and less progressive in their energy governance are facing a far more severe set of consequences.

The clearest example is Venezuela, where oil generates about 95 percent of the country's total exports, contributes 40 percent of the central government's revenue, and accounts for nearly half of GDP – the highest level of reliance on the oil sector in the hemisphere. Venezuela's crude oil production had reached 3.25 million barrels per day in 1997; today it has fallen below 2.5 million barrels per day. In spite of Venezuela having the largest oil resources in the world, its mismanagement of the sector, high levels of corruption, poor maintenance record, and most critically, lack of reinvestment, means that today, the low oil price is one blow too many for the Venezuelan economy. By accepting in-kind financing deals, repaid in oil, Venezuela has constrained even further their cash flow, as significant amounts of oil receive no payment at all.

These cases all focus on the impacts on regional oil producers. But, there is a very different, parallel story taking place in the Hemisphere related to oil importers benefitting from low prices – primarily the smaller countries in the Caribbean and Central America, but also including others such as Chile and Uruguay. Up until 2012, Caribbean and Central American electricity costs were significantly greater than in Washington, D.C., and frequently cited as a major impediment to competitiveness. For these countries, the fall in oil prices is a blessing, not a curse, as it lowers the depletion of foreign reserves and gives governments space to make meaningful reforms. The IDB estimates that low oil prices translate to a stimulus of over \$1 billion in Central America alone. But these countries are living on borrowed time; without taking advantage of low oil prices for meaningful reforms and diversification, oil prices will rise and countries' economies will go into shock once again.

Venezuela has long used energy as a political lever on its neighbors through Petrocaribe, which has created not just an oil dependency, but more critically, a financial dependency. This is why we are concerned about the linkage between the declining capacity in Venezuela, and the energy and fiscal security of the broader region. Low oil prices shield many in the region for now, but a reversion to high oil prices would again raise the risks for regional instability. An awareness of this risk has led some countries to take advantage of the current context to buy back debt and pursue reforms. These steps will help, but they are not enough.

That is a key reason why we have been deeply involved in these topics since before the oil prices fell: through the 2012 “Connecting the Americas 2022” initiative in Central America, and through the Vice President’s 2014 Caribbean Energy Security Initiative, which were leveraged in the Task Force for Caribbean and Central American Energy Security. Let me describe some of the impacts of our engagement.

The Caribbean has excellent resources in solar, wind, geothermal energy, and biomass, and some islands have the size and scale needed for natural gas imports. Developing these capabilities means those countries will be less reliant on one energy supplier, will spend less on inefficient energy, and will benefit from proximity to the U.S. market and innovations. The advancement of technology means that as we sit here today, the private sector is reducing the scale and size necessary for natural gas to be used in ever-smaller markets, and U.S. technology companies – from geothermal to electric vehicles – are actively exploring the opportunities in the region. We have also seen U.S. companies in New York announcing significant projects to invest in countries like Jamaica and elsewhere. Guyana, once considered one of the most vulnerable Petrocaribe members, has become the site of what is believed to be a significant oil discovery, and we are working closely with the government to ensure this small Caribbean nation establishes a robust and transparent regulatory framework to successfully use this opportunity to change their economic future.

In Central America, the region has the potential to use electricity market integration as a transformational tool to overcome their small market sizes, and create a regional electricity market that increases economies of scale, international investment, jobs, the resiliency of their energy, and lowers costs for consumers. In part due to our engagement and technical support – including technical assistance through our Power Sector Program – regional electricity trade has tripled in the last two years, renewables reached 63 percent of electricity generation in 2014, and

several commercial natural gas projects are under development that will further reduce reliance on expensive oil and diesel.

We all agree that it is time to move beyond short-term fixes, and take action to establish a new, shared energy paradigm. This is not just about economic prosperity or environmental and climate goals, though it is an important step in those directions as well. It is also in the interest of a more secure hemisphere, which is key to the national security of the United States. With our shared borders, culture, and economic partnerships across the region, regional stability is a shared priority.

There is now a clearer vision than there has ever been for a different future – one that uses transparency, good management, thoughtful planning and preparations for the future to create energy sectors that are prosperous, competitive, clean, and that deliver concrete benefits to citizens. This avenue provides a meaningful opening for a new chapter of lasting partnership, as well as a brighter future throughout the hemisphere.