Jack Gerard delivers 2015 State of American Energy address

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2015 State of American Energy
January 6, 2015

Keynote address, as prepared for delivery

Thank you, Louis.

Happy New Year and thank you all for joining us for API’s 2015 State of American Energy. Before we start, I’d like to acknowledge a few of our distinguished guests, including:

[Acknowledge guests]

As part of this event, we publish our report on the State of American Energy, but this year’s report is different, because for the first time it includes contributions from all major sources of energy: solar, nuclear, hydro, wind, coal, geothermal, biomass, energy efficiency and, of course, oil and natural gas. I also want to make special note of the leaders representing those industries which are with us today.

The reports are at your table. In them, each organization shares their vision of our nation’s future energy opportunities. We felt that an industry-wide report this year was necessary to underscore the reality that our nation will thrive if we adopt a true all-of-the-above energy strategy.

The State of American Energy report is an opportunity to reflect on our nation’s energy future, and to urge our nation’s leaders, from all political philosophies, to support smart, responsible and forward-looking energy policies that promote economic growth, job creation, and U.S. energy security and leadership.

For the next few minutes, I’d like to share with you the oil and natural gas industry’s vision for America’s energy future, and how we can take full advantage of this unique American moment of abundance and global energy leadership – which no one predicted even just a few years ago.

Since the first State of American Energy report in 2011, our nation has not only left behind decades of energy scarcity but has become a worldwide leader in energy production.

Today:

- The United States is number one in natural gas production;
- Number one in petroleum refining; and
- Expected to become the number one producer of crude oil as early as this year though some project we are already there.

During this new era our nation has not only set production and refining records, which has created 600,000 jobs between 2009 and 2011. It has also added significantly to global energy supply leading to reduced prices benefitting consumers.

According to a Goldman Sachs economic analysis, the 60-cent drop in the price of a gallon of gas by
the end of 2014 had the equivalent economic impact on the United States' economy of a one-time tax cut of between $100 billion and $125 billion.

Another study estimates that for every 1-cent drop in the retail price of gasoline for a year, American consumers save $1.2 billion.

America’s emergence as a global energy leader has fundamentally reordered the world’s energy markets, by elevating the importance of North American energy production and reducing what had been the dominant roles of OPEC and Russia.

And if we get our energy policy right, this unique American moment could support millions of well-paying jobs and expand the participation of traditionally underrepresented groups, which will be critical to fulfilling our nation’s bright energy future.

We know that for the next 7 to 10 years approximately half of the industry's current technical personnel will retire. Replacing these jobs and creating new ones presents an historic opportunity to create an oil and natural gas workforce that reflects the increasing diversity of our nation.

To better understand the scope of this economic opportunity API commissioned a report, “Minority and Female Employment in the Oil & Gas and Petrochemical Industries,” which estimates that over 950,000 job opportunities could be created by 2020 and nearly 1.3 million job opportunities through 2030 across the country in the oil and natural gas and petrochemicals industry.

At a minimum the report estimates that African American and Hispanic workers could make up nearly 20 percent of new hires in management, business, and financial jobs through 2030.

More important, the report outlines how we can increase minority participation in our nation’s energy renaissance, which will be critical to taking full advantage of America’s energy potential.

As this New Year begins we stand at the threshold of a sustained era of American global energy leadership.

This unique American moment is the result primarily of American ingenuity and technological advancements in hydraulic fracturing and horizontal drilling.

We have the opportunity to permanently diminish what have been our nation’s largest economic and geo-political vulnerabilities: domestic energy scarcity and dependence on foreign countries to meet our nation’s energy needs.

We should transcend political parties. It should not be about Republicans, Democrats or Independents; it’s about all Americans benefiting from our nation’s emergence as an energy leader.

Broadly, it is about ensuring that America remains a positive force on the world energy market.

Unfortunately, there are some in our society who remain mired in our nation’s decades-long energy scarcity past.

The American people want, expect and deserve elected leaders who will place what’s best for our nation’s economy and energy future above partisan ideology and political posturing for the next election.

Exactly two months ago, voters sent a loud and clear message to elected leaders: Stop the politics of polarization and endless partisanship and work together on behalf of the American people and American economy.

American voters have a clear preference for increased domestic energy production, specifically more U.S. oil and natural gas.

To gauge the depth of support, API commissioned an election night poll, which found that 66 percent of voters said they would support candidates who back increased oil and natural gas production.

And support for increased energy development is strong regardless of party affiliation: 55 percent of Democrats, 61 percent of Independents and 82 percent of Republicans said they are more likely to vote for candidates who support expanded oil and natural gas production.

As the new Congress convenes today and as the president plans for his final two years in office in a changed political landscape, now is their opportunity to heed the will of the American people to, among other things, set our nation on a positive trajectory when it comes to energy.

We want to work with this new Congress and the administration, as well as our colleagues in other energy sectors joining us here today, to usher in an enduring era of cooperation and forward-looking energy policy for America - a true all-of-the-above approach - and to create within the American...
political landscape a more productive approach to national energy policy.

Fundamentally, we have a choice as a generation, as a nation and as an international community to rise to the challenge of meeting the energy needs of a growing worldwide population or to shrink from it.

The fact is fossil fuels will continue to take the lead in providing most of the world’s energy needs well into this century.

The U.S. Energy Information Administration estimates that 25 years from now, oil, natural gas and coal, collectively will account for 80 percent of the country’s energy consumption.

That same report estimates that renewable energy sources will grow to 12 percent of our energy mix, with the remaining 8 percent coming from nuclear power. Even under their most aggressive scenario, fossil fuels still account for 65 percent of our energy needs.

We need to make sure that the small but vocal view of those who peddle the false choice between energy production and safe environmental stewardship do not prevail in their narrow view which is contradicted by the facts.

Since 1990, the oil and natural gas industry has invested $284 billion toward improving the environmental performance of its products, facilities and operations. From 2000 through 2012, the industry has spent more on low and zero-carbon emitting technologies than the federal government has spent, and that total is nearly as much as all other industries’ spending on these technologies combined.

The fact is, our nation’s greenhouse gas emissions are near 20-year lows, thanks in large part to the significant growth in the use of North American produced natural gas, which is driven by the 21st century American energy renaissance, not government regulation and mandate.

Today, we hear calls for regulating methane, yet according to a recent EPA study, even with the significant increase in energy production, methane emissions from hydraulic fracturing have fallen by 73 percent since 2011, a result of technological innovations by the oil and natural gas industry.

And yet there are a few elected officials who cling to an outmoded view of American energy production, to the detriment of their constituents.

The U.S. oil and natural gas industry proves each day that economic prosperity and environmental progress can successfully coexist.

Worldwide, IEA projects demand for liquid fuels will increase by 25 percent in the next 25 years, driven by the development of emerging markets and nations as they lift themselves out of poverty, improve their standard of living, and increase the economic opportunity for their citizens.

And according to the International Energy Agency, one-fifth of the world’s population, or 1.3 billion people, lack access to electricity entirely and almost half of the world’s population lacks access to reliable electricity.

We have an opportunity and, I believe, a responsibility to use our nation’s vast energy resources to help meet the world’s ever-growing demand.

Here at home, one of the few areas most often mentioned where both political parties largely agree is on the need to invest in our nation’s aging energy infrastructure. Our electrical grid, roads, pipelines and rail freight lines do not have a political affiliation, and our decisions to improve them should be equally apolitical, particularly those built by the private sector.

Today, there is strong bipartisan support among the newly sworn in members of the House and the Senate for improving our nation’s energy infrastructure. In fact, as soon as next week we will know if Congress heard the 72 percent of voters who support building the Keystone XL pipeline. Congress has the opportunity to make a clean break with the recent past of delay and finally pass a bill approving this important energy infrastructure project.

The needlessly protracted fight over the Keystone XL pipeline only deprives tens of thousands of hardworking Americans of well-paying jobs and our nation of a safe and efficient means of transporting much needed North American energy resources.

Furthermore it has a chilling effect on infrastructure investment reminding all that government’s indecision must be a part of a risk calculus when deciding whether to invest in infrastructure.

More broadly, investment in infrastructure upgrades would generate massive economic gains. An analysis from the IHS consulting group found that essential infrastructure improvements in just the oil and natural gas area could, over the next decade, encourage as much as $1.15 trillion in new private capital investment, support 1.15 million new jobs, and add $120 billion on average per year to our
nation's GDP. This level of infrastructure investment eclipses the pending highway bill; taken together they could mean thousands of well-paying jobs and improve our nation's economic competitiveness.

A good example of bad energy policy still mired in the past is the Renewable Fuel Standard. Every year American consumers pay more for their fuel and are put at risk by this dangerous historical anachronism.

Created at a time of energy dependence and domestic energy scarcity, it has outlived its usefulness, and could create serious fuel supply disruptions and by some estimates a rise in the cost of gasoline by as much as 30 percent and diesel fuel by as much as 300 percent.

As it stands, EPA’s inability to manage this program – they are two years behind mandated timelines for renewable fuel volumes – leaves U.S. refiners in the dark about regulatory requirements. Multi-billion dollar industries cannot run on guesswork.

Ultimately, Congress needs to act to correct it since a well-intentioned Congress created the problem.

Another example of misguided energy policy that harms American consumers and businesses is the ever-increasing environmental regulations that do little or nothing to advance public health but instead significantly harm our nation’s energy production potential and global energy leadership.

While current ozone regulations are protecting public health, and will continue to make gains under existing rules, the EPA’s recently proposed tighter limits on ozone would, according to a recent NERA report, be the most costly regulations ever imposed on the American people.

At a potential cost of $270 billion per year the proposed ozone regulation places millions of jobs at risk by, among other things, imposing enormous additional operating costs on America’s world-leading refineries.

And perhaps no issue better captures the potential and the ongoing tension between America’s 20th century energy reality – scarcity and dependence – and our 21st century reality – abundance and energy leadership – than the ban on crude oil exports.

The crude oil export ban, which once was an integral part of our nation’s energy strategy, is now a burdensome relic of America’s era of energy scarcity. Lifting it would send a clear signal to friend and foe alike that our nation takes seriously its role as an energy leader, and unleash America’s full potential, economically, socially, politically and environmentally.

The decades-old ban on crude exports does nothing more than impose an unnecessary cost on consumers and American business’s global competitiveness. The president has a ready-made opportunity to achieve his vision of increased trade by leading the effort to allow the export of crude.

Multiple recent studies including from the GAO, Brookings Institute, IHS and ICF warn that the growing volume of crude oil prevented from reaching international markets threatens to needlessly slow production growth. Reports also found that exporting a portion of our abundant energy supplies to China, Europe, and elsewhere could stimulate production and create jobs here at home.

We will continue to make sure that these and other facts are central to our nation’s energy policy discussion, formulation and implementation, because the alternative invites regression to a time of American energy dependence and uncertainty.

It wasn’t that long ago that the current level of conflict in the Middle East would have meant higher energy costs and lower supply in the United States.

Instead, today, thanks to America’s 21st century energy renaissance, the North American energy market is better insulated against negative events on the world stage.

We have a once-in-generation opportunity to show the world how energy abundance can be used as a positive force rather than as a tool to harm or to control other nations as some still use their energy abundance.

We should no more adopt or tolerate policies that pull us back toward energy dependence and uncertainty than we should adopt policies that reverse gains we’ve made in other areas of our society.

Our vision is one that safeguards the progress we’ve made and builds on it.

Our vision of the world is one where more and more people have access to reliable, safe and affordable electricity, no matter which continent or hemisphere they call home.

Our vision for our nation's energy future is inclusive, realistic and above all rooted in the belief that energy’s fundamental role in our society is a positive that should be encouraged rather than hampered.
The women and men who work in America’s oil and natural gas industry share with their colleagues in the solar, hydropower, coal, wind, renewables, nuclear energy and energy efficiency industries the goal of meeting the energy needs of our nation and the world.

Ultimately, we need an American consensus on energy policy that encourages leaders to act with a sense of urgency.

We need to foster better understanding and be willing to set aside partisan ideology to advance smart energy policies.

We will contrast our vision of economic growth, expanded economic opportunity for millions and long-term American global energy leadership against the contrarian view, which would result in a lower standard of living, shrinking economy and, ultimately, American energy dependence.

The choice is that stark and that simple.

Our fundamental message is equally simple: Energy is central to our way of life and we will need more of it for many years to come.

Together we call on the president, this new Congress and elected leaders in every state legislature to work with us to ensure that 21st century America and future generations only know their nation as a global energy leader.

We will continue to work with anyone interested in transforming this American moment of energy abundance and global energy leadership into a decades-long energy reality that creates jobs and sustained economic growth for all Americans.

Thank you.