

Newsweek Executive Forum

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How the U.S. Presidential Administration is Shaping Energy Policy

Summary

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-- In Association with Shell --

On June 26 U.S. environmental history was made when the House of Representatives passed the Waxman-Markey bill, the first attempt by Congress to turn the tide on energy policy and global warming. Days before, Newsweek CEO Tom Ascheim convened an executive forum on these critical topics at Washington D.C.'s National Press Club. Co-sponsored by Shell, the forum included members of the media and government, as well as industry figure Robert Pease, CEO of U.S.-based oil refiner, distributor and marketer Motiva Enterprises, a joint venture between Shell and Saudi Refining. With the goal of deepening “the great American conversation” on energy and global warming, the panelists focused on three main questions:

- Does the new administration “get” the urgency of energy and climate-change challenges?
- As the U.S. remakes its energy portfolio, what are the smartest alternatives?
- How can the U.S. become a power player in the green economy?

Energy & the Environment: On the Radar

The U.S., with just 2 percent of the planet's oil reserves, faces major challenges in meeting its future energy needs in a sustainable way—and Washington is highly aware of that. “One of the things we're most pleased about is the fact that both energy and climate are so high up on the agenda,” said Motiva's Robert Pease.

“Not that long ago, if you mentioned the words *global warming* you'd be booed,” a panelist said. But today, in D.C., the environment and energy are “very much on the radar.”

But are they on the public's radar? “The American people have yet to really get their hands around the problem,” said another panelist. Many don't realize that burgeoning carbon levels are a problem right now, contributing not just to global warming but to ocean acidification, killing fish and threatening the seafood industry. “If we focus on the effects of climate *today*,” said a panelist, “I think the American people would see that it's past time to act.”

When it comes to energy, at least, Americans know it's time for a change. “Nobody in America has forgotten \$140-a-barrel gas prices of last year,” a panelist remarked. “They were hurt by that, so they want to make the transition. It's a question of how to make the transition and protect them.”

Diversifying Our Power Portfolio

Expanding our energy portfolio will be essential to making that transition. But what should the country invest in to become more energy independent?

“Green has got to be a part of the answer,” said Pease. But even with renewables growing 2,300 percent over that period between now and 2050, he said, the global demand for hydrocarbon-based fuels is forecast to rise. “Fossil fuels have a major role to play for many decades to come”—though technologies like carbon capture and sequestration will lessen their eco-impact.

Growing the U.S.'s oil supply won't be easy, however. Take offshore drilling: For many communities, it symbolizes a threat to tourism dollars. An amendment recently approved by the Senate Committee on Energy and Natural Resources that would allow drilling in the Gulf of Mexico—within 10 miles of Florida's beaches—has many up in arms. “The notion that you would be able to drill right off the coast

definitely has at least one Florida senator very upset,” said a panelist. In North Carolina, South Carolina, and Georgia, too, there’s major anti-drilling sentiment, another panelist added.

If more drilling is not a long-term solution, what is? “Biofuel is the one that we’re going to be focusing most on,” says Pease. “But nuclear is part of the answer, and wind and solar are all part of the answer.” At least one panelist balked at the idea of nuclear. “It’s very expensive to get these facilities up and running. We’re talking in the billions of dollars.” And nuclear waste disposal and security problems have yet to be solved. Another panelist posited coal as an alternative, “if we provide the resources to invest in clean coal technology.” Others stumped for U.S. natural gas—“a much cleaner-burning fuel” and a good choice from a greenhouse gas and an economic standpoint.

Growing the Green Economy

In a recession, investing in clean energy seems daunting—but there’ll be a huge payback. “Energy is a \$6 trillion market. By comparison, the Internet’s a \$1 trillion market,” said a panelist. “If we’d invest in things like smart grid technology, not only would the United States be a leader in energy technology, we’d have the opportunity to affect what’s going on in the rest of the world.”

That would require a well-funded “Manhattan-type project” for clean energy. The current administration has taken a step in that direction with a \$60 billion investment in energy and the environment: \$1 out of every \$13 in the stimulus package will be spent on green initiatives, from renewable fuel R&D to smart-grid projects.

Solid investment in clean energy and green tech could result in “hundreds of thousands of jobs,” said one panelist. As importantly, it would create a new and more sustainable economy. Right now, however, the U.S. lags countries like China in terms of green manufacturing capabilities. “We have the chance of becoming just as dependent on Chinese battery technology as we are on Middle East oil,” a panelist said. “What can the U.S. do to lower that risk and be the energy exporter of a technology that lets us create jobs at home and be a world leader?”

Conclusion

One of the panelists mentioned two scenarios, proposed by Shell as responses to our energy and environmental challenges: the “scramble” scenario, where we do too little, too late, and the “blueprint” scenario, where local initiatives harmonize into a global framework that boosts energy efficiency, innovation and sustainability. Which scenario are we moving toward, with measures like the Waxman-Markey bill? “The blueprint scenario is the one we’re hopeful happens,” says Pease. But reaching our energy and environmental goals will be “a lot of work and a big challenge.”

It’s a challenge the current administration appears willing to take on. In March, the president laid out his own set of scenarios: “We can remain one of the world’s leading importers of foreign oil, or we can make the investments that would allow us to become the world’s leading exporter of renewable energy. We can let climate change continue to go unchecked, or we can help stop it. We can let the jobs of tomorrow be created abroad, or we can create those jobs right here in America and lay the foundation for lasting prosperity.”

As one panelist concluded, “I think he gets it.”