Opening Keynote for CERA Week 2014
Senator Lisa Murkowski
Houston, Texas
March 3, 2014

Thank you, Scott, for that warm introduction. It's always great to be back in Houston, arguably the capital of the energy world. And it's a privilege to be here for the start of CERA Week, the bellwether for global energy conferences.

I'm grateful to our organizers – to Dan Yergin and to the staff who helped make this event possible. And I am grateful to all of you for the leadership and ingenuity and results you bring to this essential industry.

As Scott noted, I've had the good fortune of serving as the lead Republican on the Senate Energy and Natural Resources Committee for the past five years. What an interesting time to hold that position. Amid the hearings, the meetings, and the legislation that we craft, I've also had a front-row seat for the sweeping changes taking place in American energy production.

Over the course of this week, some 250 speakers will share their stories and visions. I'm proud to be among them. And for my part, I offer the perspective of a policymaker who recognizes the importance of energy, who appreciates the gains that have been made, and who believes those gains should prompt us to renew and re-imagine our federal energy policies. So I want to briefly discuss where we are today, and then highlight two policies we must get right – for the good of the country and the good of global energy markets.

Let's start with the big picture. America's overall production of nearly every type of energy is rising. The efficiency of just about everything, from our vehicles to our buildings, is increasing. In comparing our supply with our demand, we are rapidly approaching a "self-sufficiency rate" of 90 percent.

A recent essay in *Foreign Affairs* argued that energy has been viewed as a "strategic liability" in the United States since the 1970s. Now energy is becoming a strategic asset, one that can "boost the U.S. economy and grant Washington newfound leverage around the world."

It's hard to disagree. The questions are what we will do with this strategic asset, and how we will use this newfound position. Those who believe a resurgent, energy rich America spells the rise of a new isolationism are wrong. But so too are those who suggest there will be *no change* to the United States' global posture.

You've all heard that we cannot take our eyes off the world, that we must remain engaged, that we are part of one multi-tiered global market. All of that is true. But I would suggest something more: American engagement within the international system is *imperative* if we want to optimize the American energy renaissance and ensure its benefits are felt across the globe.

Trade, technical assistance, diplomacy, alliances – these are opportunities for a nation with newfound promise and far from the burdens – as some have suggested – of a nation stretched too thin.

Already, the American energy revolution has generated a variety of welcome benefits. It has created jobs and generated revenues. It has helped reduce both energy prices and price volatility. As our nation imports less, there is more energy available for others. That, in turn, is creating the kind of supply conditions in the world oil market that allows all of us to deal with bad actors from a position of relative strength.

Our challenge today is to keep this going. And there are two specific areas where we must make decisions – whether to grant access to new lands and new markets – that will go a long way in determining whether we do.

As I noted, America's total energy production has increased dramatically in recent years. But within those numbers is a serious dichotomy. Nearly the entire oil and gas production resurgence in the U.S. has occurred on state and private lands, not the millions of acres managed by the federal government. Despite the rhetoric of "all of the above" and no small amount of credit-taking by some of our political leaders, combined hydrocarbon fuel production on federal lands actually fell from 2008 to 2012.

That's a disappointing trend that must be reversed. Consider, for example, what CERA Week 1984 might have looked like. It could have featured my home state of Alaska quite prominently. In March 1984, Alaskan crude oil production stood at 1.6 million barrels per day. Although oil prices were low, the future was bright. The Trans-Alaska Pipeline System – a true modern marvel – had been completed just a few years earlier. There were debates over opening new areas to production, and even allowing exports of crude oil from the state.

But the federal government didn't act; it didn't seize Alaska's best and most obvious opportunities. Production peaked at 2.1 million barrels per day in March 1988, and has been in general decline ever since. Alaska's production has dipped below the half-million barrels-per-day marker several times since 2012 – a fall of nearly 75 percent from its high.

The difference is not only geography, but also policy. Federal policy is not working. And state policies, combined with private sector inventiveness, powerful as they are, cannot overcome federal barriers. Only 4 percent of North Dakota is federal land, and just 2 percent of Texas. In Alaska, 62 percent of our lands are federal – and most of our untapped resources are located there.

Alaska's falling production is a missed opportunity: to create jobs, to generate revenues, to stabilize world energy prices, to diversify world energy supplies. And it is not the only place in America where potential growth is going unrealized. We are passing up tremendous opportunities off the Atlantic Coast, in the Eastern Gulf of Mexico, and in the Rocky Mountain West. We also have increasingly burdensome regulations that slow the pace of development on the federal lands that are open.

All of this highlights the need to reexamine our federal energy policies and reorient them for a new century. And that leads us to the subject of exports.

In January, I laid out the case for why we need to renovate the architecture of the U.S. energy trade. We have substantial opportunities for exports of coal, petroleum products, natural gas, natural gas liquids, renewable technology, nuclear technology, and even – as you all well know – crude oil.

I have called for lifting the de facto prohibition on crude oil exports as a preemptive measure. We need to lift it to prevent future losses of production and jobs when our trade restrictions inevitably collide with the surge in light tight oil and condensate production we are seeing in places like the Eagle Ford. The conversation I hoped to help frame with my white paper – *A Signal to the World* – is well underway.

This year – 2014 – will be the Year of the Report. Think tanks and research institutions across the country are examining the possibility of crude exports and the potential ramifications. Working groups are assembling, writing papers, crunching numbers. And that's a good thing.

One area of particular concern is the potential price impact for consumers, especially in gasoline. I believe the economics are clear: exports stimulate production, which increases global oil supply, which decreases global oil prices, which decreases global petroleum product prices. In other words, all things being equal, lifting the ban will help consumers.

But rigorous analysis – bolstering economic theory – is always welcome in these types of debates. A recent study by Resources for the Future determined that lifting the ban would result in the price of gasoline declining by 3 cents to 7 cents per gallon. An essay published by Brookings, addressed to the President, concluded: "The change would yield substantial economic and political benefits that well outweigh the downsides." Another report from the Center for a New American Security suggested exploring "new potential energy export opportunities and new possibilities for energy-focused trade arrangements."

And I know there are many more to come.

People often ask me where I think the likeliest place for action will be. As all of you know, Washington, DC has seen better days. The relationship between the executive and legislative branches is not healthy. Some important agreements have been reached between the House and the Senate in recent months, but very little is likely to happen as the November mid-terms approach. That's especially true for energy, which is rarely taken up by the full Senate despite a lot of good work by my committee.

Those factors lead me to conclude that the Administration must engage on this issue. I'm willing to provide support for its efforts – but first there has to be an effort for me to support.

Today, following my call to action in January, I offer a roadmap for modernizing our crude oil export regulations.

The first step is a special case: condensates. These extremely light hydrocarbons are subject to some of the most convoluted regulations I've ever come across. The same chemical composition is treated differently based on whether it comes out of the ground or out of a processing plant. It boggles the mind. There needs to be an immediate rationalization of policies that treat two similar if not identical chemical compounds in two very different if not completely contradictory ways.

The Commerce Department's Bureau of Industry and Security should, in my view, thoughtfully and deliberately amend its Short Supply Controls to permit the export of condensate. Commerce and the President have an enormous amount of discretion under existing law to clarify and modify the regulations. We are talking about good governance – updating definitions to align with technological developments.

Even statutes that prohibit crude oil exports from the Outer Continental Shelf and the now-defunct Naval Petroleum Reserves contain safety valves whereby the President – *under very specific circumstances* – could issue a finding that limited exports were in the national interest.

The historical record is replete with precedent from Presidents Reagan, George H.W. Bush, and Clinton. Each case where they allowed oil exports was unique, but together I believe they point the way forward for us today.

This brings us to the second step in my proposed roadmap: I will be submitting a letter to the Energy Information Administration requesting economic analysis of the potential impacts of authorizing exports of crude oil. EIA is a rigorous analytical agency that is developing more dynamic ways of delivering information to policymakers. A mammoth multi-volume, static, stand-alone study isn't the way to go for something as fast moving as the evolving crude oil market. We need information, not excuses for inaction.

Economic analysis from the EIA leads us to the final step: a national interest determination by the President. This would be more efficient than free-trade agreements, more likely than congressional action, and a perfect fit for a positive "year of action."

Legislation may be required if the president is unwilling to lead on this issue – and I am fully prepared to go down that route if necessary – but let there be no doubt that there is a clear path forward here.

To further this goal, I am releasing a report today through the Energy Committee website that reprints a series of hard-to-find presidential findings and Commerce Department rulemakings – specifically on the subject of authorizing crude exports – stretching all the way back to 1981. Past is precedent, and I certainly hope it is prologue.

As we discuss exports, we cannot forget the bigger picture. Like production, exports mean more revenue and jobs. We must seek to facilitate them as part of a larger agenda for economic growth, responsible energy production, and the strengthening of U.S. national security. America's energy riches also hold great promise for the world, adding supply to a tight market provides greater stability that benefits consuming and producing nations alike.

I have given considerable thought to how we can get there. A little over a year ago, I published *Energy 20/20*, an in-depth blueprint for the future of American energy policy. It covers a wide range of policies to make our energy more abundant, affordable, clean, diverse, and secure. I have also released three related white papers – focused on LNG, broader energy exports, and electric reliability – and will soon offer another on the nexus between energy and water. Finally, I believe we should turn more of our attention to energy poverty -- and its American cousin, "energy insecurity" – the lack of access to affordable energy. These are moral issues and one of the greatest challenges we face in this area.

In the end, the conclusion I came to a year ago remains the same today. We cannot squander the golden opportunity that technology, geology, providence, and true American grit have bestowed upon us. So as this week continues, I encourage you to consider ways to keep energy affordable and to increase access to federal lands and markets around the world. If we are successful, we will help not only this country, but also many others around the world.

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