

U.S. SENATE COMMITTEE ON

# ENERGY & NATURAL RESOURCES

SENATOR MARIA CANTWELL, *Ranking Member*



@EnergyDems

## **Opening Statement Senator Maria Cantwell (D-Wash.) Hearing on Terrorism and Global Oil Markets December 10, 2015**

“Thank you, Madam Chairman, and I, too, want to welcome the former chair of this committee, Senator Frank Murkowski, and welcome our witnesses and thank them for being here today.

“Today’s hearing is an important opportunity, as the chairman said, to learn about the critical issues of the energy world, the relationship between terrorism and global oil networks and – first and foremost – about energy security. I look forward to hearing the witnesses and I look forward, at some point in time, to having the administration be a witness here as well. Perhaps we can do that in the future, in a hearing in a secure room, to get into even more detail on this issue. But it is something I think we need to hear from them on.

“At the outset of this hearing, I want to make sure I’m making my views known about how important the global oil markets are in fighting terrorism, and how important the role of this committee is in considering the impacts of these activities on infrastructure, the risk to U.S. security and supply, and in understanding the global picture.

“Iran and Iraq have some of the largest oil reserves in the world – by some estimates fourth and fifth largest in the world. Control over this oil has a major impact on global supplies and prices of oil. Overall, the movement of oil from the Middle East to world markets is also key to the stability of global supplies.

“Global energy security depends on diversity of supplies from different countries, but what happens to the oil from the largest reserves still matters because, in addition to the United States, growing countries like China have enormous energy needs that must be met. In today’s market, where there’s robust supply, it would take a significant disruption – somewhere on the magnitude of 5 percent to 10 percent to really disrupt the market. To give you a sense of perspective, global production is approximately 94 million barrels per day. ISIS oil production is about 35,000. That’s less than 1 tenth of 1 percent. This is clearly an evolving and constantly shifting dynamic.

“I think today’s discussion is about where and when we might anticipate disruptions and what to do about them. And I predict we’ll probably talk a lot today about actually following the money of where oil revenue is going as a way to fight ISIS.



“In yesterday’s Armed Services Committee hearing, Defense Secretary Ash Carter laid out the administration’s strategy on degrading ISIS oil infrastructure. He said, ‘Because of improved intelligence and understanding of ISIL’s operations, we’ve intensified the air campaign against ISIL’s war-sustaining oil enterprise, a critical pillar of ISIL’s financial infrastructure. In addition to destroying fixed facilities like wells and processing facilities, we’ve destroyed nearly 400 of ISIL’s oil tanker trucks, reducing a major source of its daily revenues. There’s more to come, too.’

“Well we’ll certainly look forward to hearing more about what is to come. And I will be first to say we do need to do more.

“According to Secretary Carter, what made the recent strategy possible was new intelligence they didn’t previously have, which ‘allowed us to identify those parts of the oil infrastructure that are being used to fund ISIL.’

“I also recently was briefed by the State Department’s Special Envoy for Energy. I was pleased to hear that over the past year, we have eliminated almost all of ISIS’s refining capacity. I was also pleased to hear that the raid on the home of the former ISIS Oil Emir, Abu Sayyaf, in May produced actionable intelligence that has led to more effective targeting.

“Whereas previously, ISIS could repair the damage from airstrikes within a matter of days, the current targeting inflicts damage that will take many months, even a year, to repair. Another piece of positive news is that ISIS no longer controls any oil fields in Iraq.

“So, while progress has been made, it is important to understand how adaptable ISIS is and that’s why it is important for us to adapt too. It is clear that ISIS adapts their strategies and they have continued to look at this as a main resource. We need to act swiftly and decisively as well.

“ISIS is supported by fuel purchases by the Assad regime. This needs to end.

“One of the most troubling realities of this situation is that ISIS oil is being purchased by their enemy – the Assad regime – either paying cash or other means. In fact, the U.S. Treasury Department recently sanctioned a Syrian individual for facilitating oil purchases from ISIS.

“Instead of focusing on alleged oil smuggling in Turkey, Russia needs to use its influence to stop the Assad regime from buying oil and gas from ISIS. I understand Secretary Kerry is travelling to Moscow today, and I hope that’s a conversation he will have.



“But the larger, more troubling issue is that for years terrorist organizations have been funded through oil sales. The chairman just mentioned a few of those incidents in her statement.

“In Nigeria, for example, oil has fueled conflict since at least 2005. Boko Haram – the group that bombed the United Nations building in Nigeria’s capital, kidnapped 270 school girls, and killed 10,000 people – is likely funded through crude oil thefts and sales.

“Nearly 40 percent of all U.S. energy demand is met by oil, and 93 percent of transportation is fueled by oil. In the past, roughly 6 percent of our nation’s GDP goes to purchasing petroleum fuels. So, I also think it’s important, given the fact that these terrorist organizations target oil, we need to continue to diversify our energy sources, for our national security.

“Forty years ago, we created the Strategic Petroleum Reserve (SPR) to prevent economic and security impacts of crude oil supply disruptions. The chairman and I remain committed to making sure the Strategic Petroleum Reserve remains a strong asset for our nation. We recently worked to make sure that the Quadrennial Energy Review’s identification of infrastructure investments needed for the Strategic Petroleum Reserve – given the shift change that we’ve seen in the United States over our resources and where they are – that those investments need to be made.

“The 2015 budget agreement, the transportation bill authorized sales of more than 13 billion dollars’ worth of SPR oil. The SPR, as a safety net, is being shredded and we must keep this as a resource for us to protect against instability in oil markets.

“While I’m sure we’re going to hear a lot of discussion today from our panelists about the larger implications of national security and our dependence on oil, we need to continue to make sure that we are doing everything here at home to make sure that we are secure and that we are isolated to the greatest degree possible from these impacts on our economy.

“Thank you, Madam Chair, and I look forward to hearing from the witnesses.”

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