



Remarks By John McCain On Energy Security

June 17, 2008

Thank you all very much. Governor Perry, Lieutenant Governor Dewhurst, and other distinguished guests, I appreciate your joining us today. And thank you all for the warm welcome to Houston.

Among its other distinctions, this great city is known as the oil capital of America. But people in Houston and all of Texas understand as well as anyone that the high price of oil and gas today is causing great harm all across our economy. People are hurting, small farmers, truckers, and taxi drivers unable to cover their costs, small business owners struggling to meet payroll, the cost of living rising and the value of paychecks falling. All of this, in large part, because the price of oil is too high, and the supply of oil too uncertain. These citizens believe their government has a duty to finally assure the energy security of this country, and they are right.

I first addressed this issue at the outset of my primary campaign. And in just that time -- a little more than a year -- the price of a barrel of oil has more than doubled. And the price of a gallon of gas in America stands at more than four dollars. Yesterday, a barrel of oil cost about 134 dollars. And various oil ministers and investment firms have confidently informed us that soon we can expect to pay 200 dollars for every barrel, and as much as seven dollars for every gallon of gas. That may come as good news in Moscow, Riyadh, or Caracas, where economic growth and rising oil prices are more or less the same thing. But their oil prosperity is our energy vulnerability. And the jobs, family budgets, and futures of the American people should not depend on the whims of foreign powers. Oil and gasoline are the most vital of all commodities in a modern economy. Their price affects the cost of things even more basic and essential. America's dependence on foreign oil is a matter of large and far-reaching consequences -- none of them good.

Whoever controls oil controls much more than oil. And in our time, much of the world's oil supply is controlled by states, regimes, and a cartel for which America's well being is not exactly a priority. Many occupy a violent part of the world -- a region all the more violent for the influence of oil wealth. Their opinion of America runs the full spectrum from indifference to hatred. And yet these regimes are today the masters of the oil market.

Somehow the United States -- in so many ways the most self-reliant of nations -- has allowed and at times even encouraged this state of affairs. This was a troubling situation 35 years ago. It was an alarming situation twenty years ago. It is a dangerous situation today. And starting in the term of the next president, we must take control over our own energy future, and become once again the master of our fate.

The next president must be willing to break with the energy policies not just of the current Administration, but the administrations that preceded it, and lead a great national campaign to achieve energy security for America. So in the days ahead I plan to return to the subject in a series of discussions to explain my reform agenda. And I will set forth a strategy to free America once and for all from our strategic dependence on foreign oil.

Energy policy has enormous implications for America's economic security, our environmental security, and, above all, our national security. Each one of these challenges demands our concentrated consideration. And each one requires that we look beyond the special interests that too often dominate energy policy. We need to draw on the best ideas of both parties, and work together for the common good.

As in other challenges that confront our nation, we must shape events, and not simply manage crises. We must steer far clear of the errors and false assumptions that have marked the energy policies of nearly twenty Congresses and seven presidents. There are dangers in the long term and dangers in the short term. Some tasks will be the work of decades, and some the work of years. And they all will begin in the term of the next president.

Among these is a challenge we hardly even understood back when America first learned to associate the word "energy" with "crisis." We now know that fossil fuel

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emissions, by retaining heat within the atmosphere, threaten disastrous changes in climate. No challenge of energy is to be taken lightly, and least of all the need to avoid the consequences of global warming.

In the face of climate change and other serious challenges, energy conservation is no longer just a moral luxury or a personal virtue. Conservation serves a critical national goal. Over time, we must shift our entire energy economy toward a sustainable mix of new and cleaner power sources. This will include some we use already, such as wind, solar, biofuels, and other sources yet to be invented. It will include a variety of new automotive and fuel technologies, clean-burning coal and nuclear energy, and a new system of incentives, under a cap-and-trade policy, to put the power of the market on the side of environmental protection.

But to make the great turn away from carbon-emitting fuels, we will need all the inventive genius of which America is capable. We will need as well an economy strong enough to support our nation's great shift toward clean energy. And this gives us only further incentive to protect ourselves from the sudden shocks and ever-rising prices that come with our dependence on foreign oil.

Up to a point, these sudden rises in the price of oil are explainable in the terms of basic economics. When demand exceeds supply, prices always rise, and this has happened very dramatically in the demand for oil. Two powerful forces in the oil market today are China and India, nations in which a third of humanity is suddenly entering the industrial era -- with all the cars, construction, and consumption of oil that involves.

There is the further problem of speculation on the oil futures market, which in many cases has nothing to do with the actual sale, purchase, or delivery of oil. When crude oil became a futures-traded commodity in the 1980's, the idea was to afford a measure of protection against the historic volatility of oil pricing. It takes several weeks to ship oil from the Arabian Peninsula to the offshore port of Louisiana. And for the buyers, it helps to know that the price will not suddenly fall while the oil is in transit. A futures contract assures importers that they can sell the oil at a profit.

That's the theory, anyway. But we all know that some people on Wall Street are not above gaming the system. When you have enough speculators betting on the rising price of oil, that itself can cause oil prices to keep on rising. And while a few reckless speculators are counting their paper profits, most Americans are coming up on the short end -- using more and more of their hard-earned paychecks to buy gas for the truck, tractor, or family car.

Investigation is underway to root out this kind of reckless wagering, unrelated to any kind of productive commerce, because it can distort the market, drive prices beyond rational limits, and put the investments and pensions of millions of Americans at risk. Where we find such abuses, they need to be swiftly punished. And to make sure it never happens again, we must reform the laws and regulations governing the oil futures market, so that they are just as clear and effective as the rules applied to stocks, bonds, and other financial instruments. In all of these markets, reform must assure transparency, prevent abuse, and protect the public interest.

Of course, with the formation of the OPEC cartel, and the oil embargo of the early 70's, we already left behind pure economics in the oil market, and we entered a new era of power politics. No longer was crude oil simply a commodity. Now, suddenly, it was a strategic weapon.

At the time of OPEC's oil embargo, we imported roughly a third of our oil. Now we import two thirds. At that time, every day, we produced more than nine million barrels of oil domestically. Now America produces five million barrels a day. Five million barrels sounds like a lot until we compare the number with the oil we use, which comes to 20 million barrels, or a quarter of all the oil used every day across the earth.

Of that total, a little more than half comes from Canada, from Mexico, and from our own domestic production. That's a heavy reliance on these two nations. But there is a world of difference between relying on two democratic neighbors and partners in NAFTA, and relying on often hostile and undemocratic regimes in the Middle East and elsewhere. When critics of trade talk about unilaterally renegotiating NAFTA, as my opponent has done, that's one more concern they might want to keep in mind.

It takes a very short leap in logic to wonder why we produce less and less crude oil, while we use more and more of it, or why politicians talk so much about promoting alternative energy sources, but often do so little to promote these alternatives. A reasonable observer, presented only with these numbers of consumption and production, might draw the conclusion that America has accepted this fate because we have no choice in the matter, or because we have no resources of our own. But just the opposite is true: We do have resources, and we do have a choice.

In oil, gas, and coal deposits, we have enormous energy reserves of our own. And we are gaining the means to use these resources in cleaner, more responsible ways. As for offshore drilling, it's safe enough these days that not even Hurricanes Katrina and

Rita could cause significant spillage from the battered rigs off the coasts of New Orleans and Houston. Yet for reasons that become less convincing with every rise in the price of foreign oil, the federal government discourages offshore production.

At the very least, one might assume, America had surely been building new refineries to achieve a more efficient delivery of gasoline to market, and thereby to lower the prices paid by the American people -- especially in the summer season. But the policymakers in Washington haven't got around to that, either. There's so much regulation of the industry that the last American refinery was built when Jerry Ford was president.

As for nuclear energy -- a proven energy source that requires zero emissions -- we haven't built a new reactor in 31 years. In Europe and elsewhere, they have been expanding their use of nuclear energy. But we've waited so long that we've lost our domestic capability to even build these power plants. Nuclear power is among the surest ways to gain a clean, abundant, and stable energy supply, as other nations understand. One nation today has plans to build almost 50 new reactors by 2020. Another country plans to build 26 major nuclear stations. A third nation plans to build enough nuclear plants to meet one quarter of all the electricity needs of its people -- a population of more than a billion people. Those three countries are China, Russia, and India. And if they have the vision to set and carry out great goals in energy policy, then why don't we?

So, taking stock of our energy situation, it is time we draw a few sensible conclusions of our own. In their sum effect on the American economy, the policies of our government could hardly have left us more dependent had they been designed to do precisely that. This vulnerability is clear in many ways, and never more than when American leaders are reduced to supplicating for lower prices before the sheiks and princes of OPEC. Of course, they are unmoved by our troubles. They regard even the need to ask as a sign of weakness. And in the end, they take their cues not from our entreaties for relief, but from our failure to diversify and to produce.

Quite rightly, I believe, we confer a special status on some areas of our country that are best left undisturbed. When America set aside the Arctic National Wildlife Refuge, we called it a "refuge" for a reason.

But the stakes are high for our citizens and for our economy. And with gasoline running at more than four bucks a gallon, many do not have the luxury of waiting on the far-off plans of futurists and politicians. We have proven oil reserves of at least 21 billion barrels in the United States. But a broad federal moratorium stands in the way of energy exploration and production. And I believe it is time for the federal government to lift these restrictions and to put our own reserves to use.

We can do this in ways that are consistent with sensible standards of environmental protection. And in states that choose to permit exploration, there must be an appropriate sharing of benefits between federal and state governments. But as a matter of fairness to the American people, and a matter of duty for our government, we must deal with the here and now, and assure affordable fuel for America by increasing domestic production.

We should set the highest goals for ourselves for the years and decades to come, and I am a believer in the technologies that one day will free us from oil entirely. But to get there at all, a more pragmatic approach will serve us better. In the short term, we must take the world as it is and our resources where they are -- even as we press on with new and cleaner sources of energy. We must be bold in our plans to break our strategic dependence on oil, and over the next two weeks, I'll be offering a vision that will be bold. But we must also address the concerns of Americans, who are struggling right now to pay for gasoline, groceries, and other necessities of life.

What is certain in energy policy is that we have learned a few clear lessons along the way. Somehow all of them seem to have escaped my opponent. He says that high oil prices are not the problem, but only that they rose too quickly. He's doesn't support new domestic production. He doesn't support new nuclear plants. He doesn't support more traditional use of coal, either.

So what does Senator Obama support in energy policy? Well, for starters he supported the energy bill of 2005 -- a grab-bag of corporate favors that I opposed. And now he supports new taxes on energy producers. He wants a windfall profits tax on oil, to go along with the new taxes he also plans for coal and natural gas. If the plan sounds familiar, it's because that was President Jimmy Carter's big idea too -- and a lot of good it did us. Now as then, all a windfall profits tax will accomplish is to increase our dependence on foreign oil, and hinder exactly the kind of domestic exploration and production we need. I'm all for recycling -- but it's better applied to paper and plastic than to the failed policies of the 1970's.

Oddly enough, though, Senator Obama doesn't want to lower the gas taxes paid by consumers, which would be the most direct and obvious way to give Americans a break at the gas station. Even in tough times for our economy, when folks are struggling to pay for gas and groceries, tax relief just isn't change he can believe in.

Along with the harm that America's dependence on foreign oil has inflicted on our

economy, there remain other costs that are even greater and harder to count. The massive wealth we have spent over the years on foreign oil is not flowing to the most upstanding citizens of the world. When trillions of dollars are transferred to other nations in exchange for oil, the consequences are serious and pervasive. But they can be understood in three simple ways.

The first takes the form of a current accounts deficit that has drained vast sums out of the American economy. We are borrowing from foreign lenders to buy oil from foreign producers. In the world's capital markets, often we are even borrowing Saudi money for Saudi oil. For them, the happy result is that they are both supplier and creditor to the most productive economy on earth. For us, the result is both dependency and debt. Over time, in interest payments, we lose trillions of dollars that could have been better invested in American enterprises. And we lose value in the dollar itself, as our debt portfolio undermines confidence in the American economy.

As bad as all that is, the second consequence is worse by far. Oil revenues are enriching the enemies of the United States, and potentially limiting our own options in containing the threat they present. Iran alone receives more than 66 billion dollars a year from oil sales, even as that regime finances terrorists, threatens Israel, and endangers the peace of the world with its designs on nuclear weapons. Moreover, by relying upon oil from the Middle East, we not only provide wealth to the sponsors of terror -- we provide high-value targets to the terrorists themselves. Across the world are pipelines, refineries, transit routes, and terminals for the oil we rely on -- and Al Qaeda terrorists know where they are. Osama bin Laden has been quite explicit in directing terrorists to attack the oil facilities on which so much of America's economy depends. They have come close more than once. And we are one successful at tack away from an economic crisis of monumental proportions.

Even if our economy were somehow immune to this threat, the vast wealth we shift to the Middle East, Venezuela, Angola, and elsewhere would still have a third harmful and perverse effect. It would continue to enrich undemocratic, unjust, and often corrupt regimes. Some of the most oil-rich nations are also the most stagnant societies on earth. And among the many luxuries their oil wealth affords them is the luxury of ignoring their own people. In effect, our petrodollars are underwriting tyranny, anti-Semitism, the brutal repression of women in the Middle East, and dictators and criminal syndicates in our own hemisphere.

We cannot allow the world's greatest democracy to be complicit in such corruption and injustice. America's most vital interests call us to the mission of energy security, and so does our sense of honor. And the straightest, swiftest path to energy security is to produce more, use less, and find new sources of power -- so that no commodity can determine our security, and no crisis can undermine our economy.

This will require great ingenuity and resolve of the American people, and these are not in short supply. Americans like to say that there is no problem we can't solve, however complicated, and no obstacle we cannot overcome if we meet it together. I believe this about our country. I know this about our country. And now it is time to show those qualities once again.

Thank you.

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