

**Remarks of Governor George E. Pataki
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Good afternoon and thank you for the opportunity to speak to you today.

One of America's defining characteristics as a people and as a nation is our knack for accepting and overcoming great challenges.

And throughout American history, those challenges have come in the form of threats to our nation's unifying principle, and that of course is our freedom.

Two hundred and thirty years ago, we came together to win our independence from a great global empire;

Sixty-five years ago, we came together to lead the free world to victory over fascism and tyranny;

Seventeen years ago, we came together to witness freedom and democracy triumph over communist oppression.

And nearly five years ago, when the enemies of freedom wrought their depraved evil in New York, Pennsylvania and here in the nation's capital, we came together to answer the challenge once again.

Whenever our freedom has been challenged, the people of this great nation have stood shoulder to shoulder, and with American unity, courage and industry, emerged victorious every single time.

It is time to stand together once again as we are now confronted with another critical challenge – our nation's dangerous dependency on unreliable sources of energy.

Today, despite three decades of discussion, America still remains dangerously dependent on oil that is in large part owned and controlled by nations that don't share our fundamental belief in freedom.

Iran, for example, a nation led by a regime that unabashedly and openly supports international terror, a regime that has called for the destruction of Israel, and actively pursues nuclear weapons, continues to be enriched by America's over-reliance on foreign oil.

While we don't directly buy any oil from Iran, our consumption of over a quarter of the world's oil production drives up the price they get from nations like China and India -- oil is a global market and we are its largest consumer.

For every \$5 increase in the global price of oil, Iran takes in \$85 million more a week -- \$85 million a week they can use to advance their nuclear program or buy more Katyusha rockets for Hezbollah.

Closer to home, another oil-rich nation, Venezuela, is led by Hugo Chavez -- an avowed enemy of the United States and an ally of Fidel Castro; a despot who is actively spreading anti-American sentiment throughout the world, and seeking to create a bloc of leftist-anti-American states here in our own hemisphere.

Every gallon of Venezuelan Citgo gas we pump into our cars helps Chavez add another Russian fighter jet to the massive military build-up he is carrying out right in our own backyard.

And these are certainly not the only regimes whose opposition to American values, to the principles we hold dear, to the cause of a great and free America, is being fueled by America's growing consumption of oil.

The disturbing irony is that the world epicenter of anti-American hatred and terror is also the epicenter of our number one source of energy.

In fact, just 9% of the world's oil comes from nations considered "free" by the non-partisan government watchdog Freedom House.

Even as terrorists continue their barbaric efforts to prevent democracy in Iraq, even as our ally Israel continues to be attacked from the very lands it ceded in the name of peace, even as a number of governments throughout the Middle East continue to support, harbor, and encourage the terrorists that threaten America and our allies, we continue to spend hundreds of billions of dollars on the imported oil that funds their operations.

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And while foreign oil's ties to terror and despotism are surely reason enough to act, it is only part of the reason.

Our oil dependency translates to greater vulnerability -- not just to terrorism and the spread of anti-American sentiment, but to economic instability as well.

Our over reliance on imported oil makes our markets directly and easily susceptible to flare-ups of unrest in the unstable Middle East, to even mere threats of terror here at home and to deliberate manipulations of oil prices by foreign regimes.

And that over-reliance leaves us susceptible to disruptions at home -- as we're seeing just today with the problems in Alaska.

Imported oil is the largest contributor to America's annual trade imbalance – at current prices, more than a billion dollars a day – one billion dollars a day that should instead be creating more jobs and opportunity and a better future right here at home.

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In addition to the inherent **strategic and economic** risks of petroleum dependency, we must also consider the **environmental** risks as well.

Over-reliance on petroleum continues to contribute significantly to the emission of greenhouse gasses that are harmful to our environment and human health, and that must be curbed if we are to avoid serious consequences in the future.

Foreign oil's undeniable ties to terror, to global instability and to continued environmental degradation make immediate, decisive action to reduce our petroleum consumption **absolutely critical**.

How much more motivation could we possibly need?

It is time for a direct, united and focused American campaign to diversify our energy supply, to bring greater efficiency to our energy use, and to reduce our dangerous dependency on foreign oil.

When this challenge first arose, our President said "We will break the back of the energy crisis, we will lay the foundation for our future capacity to meet America's energy needs from American resources."

That wasn't President Bush talking, it was President Nixon 32 years ago.

The following year, President Ford said "My goal is to make America independent of foreign energy sources by 1985."

It didn't happen – 1985 brought us no closer to that goal.

In 1977, President Carter unveiled a plan for greater energy independence and called the energy crisis one of the greatest challenges our country will face during our lifetimes.

But here it is over three decades later and our continuing oil dependency poses a clear and present danger to America – to our environment, to our economic stability, to our very freedom as a secure nation and people.

It is time for a real commitment to diversify our energy supply, to achieve greater energy efficiency across the board, and to build our national strength and our global competitiveness through greater energy self-reliance.

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Five and a half million of the 20.7 million barrels of oil we consume every day come from OPEC, the cartel that includes Iran and Venezuela – and that is too much.

How much longer must we, the world's greatest nation, be made to hold our breath whenever oil ministers meet in some exotic foreign locale to discuss production and price?

How much longer can we afford to let our need for oil tie our hands on critical geopolitical decisions?

It is time to break free of foreign oil's dangerous influence once and for all.

The goal we must pursue is a simple one:

Let's replace the equivalent of every drop of OPEC oil – 25% of our current consumption -- with greater efficiency, greater domestic production, and greater use of petroleum alternatives, and let's commit to doing it **within the next ten years**.

I believe this is a sensible objective, an achievable objective, and considering the possible consequences of continued inaction, a critical objective.

If we begin now, there is no reason why the next ten years cannot be the decade America declared and finally won our freedom from foreign oil dependency.

How do we do it?

We begin with what is by far the largest contributing factor to that oil dependency -- transportation.

Transportation accounts for 70% of US petroleum consumption.

And that percentage continues to grow.

Why? Because in the US, the vehicles we rely on to move our people and goods are 97% dependent on just one type of fuel – petroleum.

Talk about putting all your eggs in one barrel.

It is time for private industry, consumers and government to work together.

With American know-how, entrepreneurial spirit and vision, we will reshape the way we fuel our transportation system.

Sure, it is a demanding challenge, but as I said, when we Americans stand together there is no challenge we cannot overcome.

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A half century ago, President Eisenhower recognized that our nation's inadequate highway infrastructure was both a strategic vulnerability and an impediment to economic growth.

So in 1956, he made history by signing the Federal-Aid Highway Act which created the interstate highway system.

That commitment built the biggest, best highway system the world had ever seen – the infrastructure that spurred rapid and robust economic growth across the nation, and solidified America's standing as a world superpower.

Here we are exactly fifty years later, and for all its benefits, that great transportation system has led us to another defining challenge – our dangerous over-reliance on foreign oil to power the vehicles that use it.

We have an interstate highway system, now we need incentives and policies to help private industry build an interstate alternative fuel system– the infrastructure that will help us overcome our dependency on foreign oil for transportation.

I'm not talking about government picking winners and losers, making investments that favor one technology over another.

That's where President Carter's "Syn-Fuels" approach went wrong.

I am proposing a positive policy of tax and other incentives that lets the **market** answer "how, what, and where."

The only question the **government** should answer is "when" and **that** answer, of course, is "**now**."

We know that America cannot continue to rely on gasoline and diesel as if they were the only available options for our transportation system.

Yet the technologies that hold the solution to our oil dependency remain on the periphery – just out of reach of American consumers.

There are already viable alternatives out there -- ethanol, natural gas, bio-diesel – and others on the horizon like cellulosic ethanol, fuel cells, and hydrogen – we

need a national policy that provides the impetus for them to reach the marketplace, and to get them there quickly.

Over the years, there have been ideas that addressed part of the problem, but we've yet to take the **comprehensive** approach that is necessary. If we hope to finally bring real diversity to our fuel supply, we must simultaneously address all segments of the market – production, distribution and use.

Let's start with production.

We need to provide the incentives that will minimize the risk that is keeping too many private investors out of the alternative fuel business.

Here are five initiatives that would dramatically increase the market's production of alternative fuels.

First, let's dramatically reduce the up-front cost and risk of building bio-refineries and other alternative fuel production facilities by allowing companies to immediately expense their capital investment in these projects.

Second, let's provide transportation fuel producers with a meaningful federal production tax credit for renewables and clean petroleum alternatives;

Third, let's further reduce the risk with a vastly expanded federal loan guarantee program to help finance alternative fuel plants.

Fourth, let's leverage the federal government's huge purchasing power by moving all federal vehicles and offices to petroleum alternatives within the next ten years.

And finally, let's re-affirm America's standing as the worldwide leader in innovation and technology.

We did it in computer chips with Sematech, now let's do it in energy by establishing a national Center of Excellence for Alternative Fuels and Vehicle Technologies.

This public/private partnership will leverage corporate America's R&D efforts with the best minds of American academia to develop the next generation of petroleum alternatives and energy efficiency breakthroughs.

Enacting these five measures would accelerate the development of a competitive production market for the transportation petroleum alternatives that are the key to reducing our reliance on foreign oil.

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But increased production is not enough – we need retail outlets to distribute the petroleum alternatives and of course vehicles capable of using them.

For too long, distribution and use of alternative motor fuels have been mired in a classic chicken and egg dilemma.

Transportation fuel suppliers see no reason to offer these alternative fuels because of the lack of vehicles capable of running on them.

And on the flipside, auto manufacturers see no reason to dramatically increase production of the vehicles because the fuels are extremely limited in availability.

We need to address both sides simultaneously if we are to break this gridlock.

First, we need to dramatically increase the number of service stations that offer petroleum alternatives.

Currently the federal government offers a tax credit of up to \$30,000 for service stations to add alternative fuel pumps, yet far too few station owners have availed themselves of it.

Why?

First of all, in too many cases, privately owned service stations are actually **prohibited** from offering petroleum alternatives by the oil companies that supply them.

Think about that for a minute.

It's not that service stations **won't** offer you a choice at the pump, it's that their suppliers say they **can't**.

We need to start immediately with legislative action to outlaw such restrictive and anti-competitive provisions.

But we need to do even more.

We need to provide real incentives to encourage and empower service stations to offer petroleum alternatives.

In addition to the current federal tax credit, I propose a new zero interest loan program for service stations that would address the up front capital costs of adding or converting to alternative fuel pumps.

Built into this loan program would be a sliding scale of loan forgiveness based on the total percentage that alternative fuel sales represents to a service stations' total fuel sales.

Simply put, the more alternative fuel they sell, the less of the loan they'd be required to pay back.

By providing fuel stations with these incentives and new freedom from oil company prohibitions, we can finally give consumers across America the ability to **access** the fuels that can break our dangerous dependency on foreign oil.

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The final link in the infrastructure chain is the vehicles themselves.

First, there is no reason every single new gas powered car sold in America should not at a minimum include flex fuel capability.

It's established technology, it works and it guarantees consumers a choice for about the same price they're charged for floor mats.

But obviously, if we are to make across-the-board reductions to our vehicle's reliance on petroleum, we need to do much more.

Currently, all new vehicles must comply with CAFE standards.

But under CAFE, nearly every vehicle on our roads today **still** runs on the petroleum that is enriching our enemies and polluting our air.

It has loopholes that undermine its very purpose.

And it does not adequately encourage the production of the alternative fuel vehicles that are a key to breaking America's foreign oil dependency.

Let me state a simple truism here:

Automakers will only make cars their consumers will buy; and consumers choose their cars based on many factors, particularly price.

The fact is, most Americans still find alternative fuel vehicles too expensive.

Not surprisingly, less than two percent of cars on our roads today are either hybrid or flex-fuel capable.

What we need is a new system of manufacturing incentives specifically aimed at achieving our objective.

The best way to reduce our **nation's** reliance on petroleum is by reducing **each vehicle's** reliance on petroleum.

I am proposing a new Petroleum Reduction Incentive -- a sliding scale of production tax credits for new vehicles – credits that **increase** as each car's reliance on petroleum **decreases**, irrespective of what technology is used to achieve that reduction.

Take for instance, an average car on the road today.

The standard version of that car travels about 21 miles for every gallon of petroleum it uses.

If that same car used hybrid technology it could travel about 30 miles for every gallon of petroleum.

Now if that same hybrid car ran on E85 ethanol it could get about 140 miles per gallon of petroleum.

And a plug-in hybrid flex-fuel version might travel nearly 200 miles for every gallon of **petroleum** that it uses.

Whether it is achieved through greater gas efficiency or by using petroleum alternatives, the amount of petroleum saved would form the basis of the incentive – the greater the amount of petroleum savings, the greater the tax break.

Of course some vehicles, like those that run on hydrogen or CNG, don't use any petroleum at all and those vehicles would be given the highest tax break.

If by using this incentive program we could raise the average mileage of US vehicles on the road from 21 to 34 miles per gallon **of petroleum**, that in itself could accomplish our goal of reducing our current petroleum consumption by 5.5 million barrels a day.

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But our options for reaching our goal aren't limited to cars -- trucks and buses consume 20% of our transportation fuel – and there's much to do on this front as well.

10 years ago I directed New York's MTA, the world's largest mass transit system, to begin converting its bus fleet to electric hybrid and CNG buses. The result has been cleaner air, less petroleum usage and greater efficiency.

In and of itself, mass transit is one of the most effective fuel efficiency strategies – more people moved, fewer engines doing the work –it's simple.

Adding alternative fuel and hybrid technology to mass transit is adds efficiency on top of efficiency.

Let's incentivize federal mass transit funding formulas so that states and municipalities have a greater impetus to replace their petroleum powered buses with cleaner, more efficient hybrids and alternative fueled models.

And then there are trucks.

We've all pulled into a highway rest stop and seen dozens of semis parked there -- motors idling away to power their heaters and radios.

That all-night idling alone burns 65,0000 barrels of fuel every day.

What if we could offer truckers the opportunity to save fuel and money by plugging into the electric grid instead of idling on diesel?

RV parks have electric plug-ins, so do marinas.

It is time we put electricity plug-ins at highway rest stops across the nation and encouraged truck manufacturers and owners to incorporate this technology into America's truck fleet.

This simple solution could save millions of barrels of diesel fuel, put money back into the pockets of working Americans and improve the quality of our air.

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The program I have outlined today would have a tremendous positive impact on our air and our environment.

If we achieving the petroleum reduction goal I've set out would reduce emissions of greenhouse gasses by nearly **a billion tons a year**.

But it would be naïve to think we could totally replace or eliminate petroleum-based fuels.

Even as we work toward historic reductions in greenhouse gasses, we're going to continue to need oil.

What we cannot do is continue to rely on foreign sources as heavily as we do now.

We need to ramp up domestic oil production.

One way to do this is through new technologies like CO₂ injection.

And it is also time to lift the outdated restrictions on oil and gas exploration in appropriate areas of the United States like the Gulf of Mexico.

If we are going to decouple our energy needs from the specter of terrorism, we must take a broad-based approach that includes greater energy efficiency, a more diverse fuel supply, and stepping up our own domestic oil production.

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It is clear that the nation needs to do much more to reduce petroleum consumption and increase our energy efficiency and I think New York can offer some ideas.

Many of the initiatives I've advanced today mirror those we've already implemented in New York State—we've made energy efficiency a top priority in New York.

Here's some of what we've done:

- We've required all state agencies to reduce energy use by 35% relative to 1990 levels and purchase 20% renewable energy by 2010.
- We've required that all new vehicles purchased by state government be powered by alternative fuels by 2010, and at present, already more than 80% of the vehicles we purchase meet that requirement.
- We've required state agencies to purchase bio-fuel to power state vehicles and heat state buildings.
- We've eliminated all state motor fuel taxes on alternative fuels.
- We've enacted a bio-fuel production tax credit of fifteen cents per gallon.
- Last week I signed a law prohibiting fuel suppliers from contractually barring service stations from selling petroleum alternatives.
- We've begun to install alternative fuel pumps at service stations all along the New York State Thruway.
- We are retrofitting 600 hybrid vehicles in the State fleet with a "plug-in" electric capability – technology that replaces petroleum consumption with domestically produced electricity.

And make no mistake about it, more efficient electricity usage has a role to play in reducing petroleum dependency – the focus must be on making both generation and use cleaner and more efficient.

- Toward that end, New York adopted the first “green building” tax credit in the nation and we enacted an energy efficiency building code.
- We implemented a Renewable Portfolio Standard which requires 25% of the electricity sold in New York to come from clean, efficient sources like hydro, biomass, fuel cells, wind and solar power.
- And we spearheaded the Northeast Regional Greenhouse Gas Initiative – a seven-state agreement that put in place the nation’s first mandatory cap and trade program for reducing power plant emissions of CO₂. This market-based initiative will achieve a 10% reduction in their greenhouse gas emissions by 2019.

These are all sensible energy efficiency and petroleum reduction measures already underway in the State of New York.

But there is only so much individual states can do – as I said earlier, replacing 25% of our current petroleum consumption within the next decade is a goal that’s going to take a unified and focused national commitment and the time to start is now.

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There was a time not long ago when the notion of a computer in virtually every US household seemed far-fetched, when wireless telephones were the stuff of science fiction, and the VCR was considered revolutionary.

Today of course, the majority of US households use the Internet, there are nearly 2 billion cell phone subscribers worldwide and the VCR has been replaced by digital recorders and DVDs.

What was once cutting edge is now commonplace – today’s energy innovations will be tomorrow’s everyday cars, fuels and facilities, and it is America that must lead the way.

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Our response to the interconnected challenges of terror and over-reliance on petroleum will shape our destiny as a nation and a people. We’ve reached a critical decision point in America – a decision between dependency and self-reliance.

Between vulnerability and freedom.

Between the polluting fuels of yesterday and the clean alternatives of tomorrow.

In this age of terror and increasing global instability, we can no longer afford to live dependent on foreign oil regimes.

We must instead have the determination to break the cycle of oil dependency and rise to new heights of security, prosperity and economic power.

Just as Americans have always done in the face of our most pivotal trials, it is time to focus the unparalleled resources, ingenuity and industry of this great nation on meeting this defining challenge.

American families, private industry, science, universities and government all working together.

When we Americans come together to meet a critical objective, there is virtually nothing we cannot accomplish, no challenge we cannot overcome.

It is time to rise to the challenge once again.

And the time to act is today.