



ENERGY DEPENDENCE AND OIL SECURITY
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May 16, 2006

As Prepared for Delivery

With gasoline at \$3 a gallon, and with our most pressing foreign policy challenges centered in the oil-producing countries of the world, today's hearing before the Foreign Relations Committee could not be more timely or more important.

We heard a few weeks ago in this committee about the hidden costs of our dependence on foreign oil. The United States has just one third of the world's oil reserves, and less than five percent of its population, but we consume fully one third of the global oil output.

Over sixty percent of the world's oil reserves are held in the Middle East, and as one of our witnesses points out today only nine percent of world reserves are held in countries we would call "free."

We are dependent on oil, and that makes us dependent on countries with whom we will continue to have at best many differences and at worst open hostility. What Michael Mandelbaum has called "the axis of oil" -- an axis that stretches from Russia to Iran to Venezuela to Saudi Arabia -- will have as great an impact on our national security as the so-called 'axis of evil.'

That dependence means we pay a huge price militarily for access to a resource that we cannot do without. One estimate suggests we pay as much as \$825 billion a year in security expenditures to project our influence and secure access to oil.

Some part of every dollar we pay for imported oil finds its way into the hands of our sworn enemies. As some observers have put it, the war on terror is the first war in which we are paying for both sides in the conflict.

Disruption to our economy from interruptions in supply can be huge, and will grow as our dependence grows. As Alan Greenspan has warned us, all economic downturns since the 1970s have been preceded by spikes in the price of oil.

We pay a price environmentally for our dependence on oil, most profoundly in dealing

with the repercussions of climate change, driven by our use of fossil fuels.

There can no longer be any doubt that our dependence on oil is a critical problem, one that must be addressed.

The sheer size of this problem is such that there will be no quick fix. Oil represents about 40 percent of our energy consumption and we import about 60 percent of the oil we use. Fully seventy percent of our transportation is dependent on oil. That statistic will not be transformed overnight.

But there are other statistics that will not change, as well. China has accounted for fully forty percent of the recent increase in global oil demand. It will put another 120 million vehicles on the road over the next five years. Along with India, and a reindustrializing Eastern Europe, that growth in global demand is not going to be reversed.

The fit between global supply and demand today is extremely tight. Billions of dollars of new investment may keep pace with demand, but will do little to ease the price at the pump. And new supply, from conventional or unconventional sources of oil, will only hasten the process of climate change, and will simply delay our transition to the alternatives than can address our addiction to oil.

What are our alternatives to oil? In the short term, ethanol from corn could be a first step away from our oil addiction, by providing a liquid fuel that is compatible with existing internal combustion engines that power our cars, trucks and buses. We will hear today about the costs and benefits of taking such a step, and the steps that must follow toward sugar or cellulosic ethanol.

Ethanol will be just part of a broader energy policy that will reduce our dependence on oil, and will reduce the leverage that the oil producing nations have over our foreign policy and our national security.

If it was not clear before, it is now. Domestic energy policy is at the center of our foreign policy.