

**Statement by Special Envoy Amos J Hochstein
Nominee for Assistant Secretary for the Bureau of Energy Resources
Senate Committee on Foreign Relations
Tuesday, December 1, 2:30 p.m.**

Mr. Chairman, Ranking Member Cardin, Members of the Committee, I am honored to be here before you as the President's nominee to be Assistant Secretary of State for the Bureau of Energy Resources or "ENR." I want to begin by thanking President Obama and Secretary Kerry for their confidence and, with your support, for the opportunity to continue to serve our country.

Now, more than ever, we can see the vital links between energy security and national security; as such, the importance of our energy diplomacy is only growing. Supplies of energy represent a lifeline for ISIS that must be cut, a cudgel for Russia that must be countered, a vulnerability for our allies in Europe addressed, concerns rising in the South China Sea, as well as opportunities in Central America, the Caribbean, and the Eastern Mediterranean; and – for the most innovative, prolific producer in history, the United States of America – energy can and must be a tool for leadership in a complex world.

That is what the men and women of the Bureau of Energy Resources seek to do every day. I served as Deputy Assistant Secretary from the Bureau's inception in 2011 until August 2014, when I assumed the role of Special Envoy and Coordinator for International Energy Affairs. In my tenure leading the Bureau, ENR's efforts have served as a force multiplier, strengthening U.S. leadership in global energy security.

It is a profound honor to be considered to serve as the Bureau's first Assistant Secretary. I started my career serving as a professional staff member in the House Foreign Affairs Committee, so I know the value of close consultation and partnership with Congress. And I am humbled to appear before Congress, back where I started, seeking your confidence to serve the American people in this capacity.

Most importantly, I am joined today by my wife Rae Ringel and my 4 children, as well as my parents and mother in law. My parents and their families found a home in this country after fleeing the Nazi's advance in Europe. My great aunt Tony Sender, whom my eldest daughter is named for, was elected a member of parliament through most of the Weimar Republic. She too fled to the United States, supporting the U.S. intelligence effort and ultimately named by Eleanor Roosevelt

to represent the United States at the UN. My family history has led me from a young age to appreciate what America has done for me, and strengthened my resolve to give something back to my country and contribute what I can, to ensure our leadership in the world endures. Today, as energy has become the foundation for economic growth, political stability and national security in every part of the world – I am grateful to have the opportunity to contribute in this area.

We are living through truly revolutionary times in energy —from oil to gas to renewable energy. Due to advances in technology and private investment, U.S. natural gas production has hit record highs, and after years of decline, U.S. oil production also rose dramatically. And at the very same time, new investment in U.S. renewables over the past two years is on track to exceed \$80 billion.

But let's be clear, no matter how much energy we produce at home, the reality is that we live in a global and interlinked economy and energy is a global commodity.

The United States remains committed to its role as world leader. Energy shortages, price volatility, and supply disruptions anywhere threaten economic growth everywhere, including here at home. Our challenge, therefore, is to look ahead, foster innovation and investment, assess changing markets and politics, and create business opportunities.

Mr. Chairman, allow me to review a small but representative sample of the critical work ENR has been engaged in and priorities I will focus on, should I be confirmed.

First, Iran. Within weeks of the Bureau's formation in 2011, Congress passed its first broad sanctions affecting Iran's oil exports. ENR was tasked with developing the strategy to strictly implement these sanctions. This was not an easy task. Iran at the time had more than 20 customers and exported approximately 2.5 million barrels per day. Our efforts shrank Iran's customers from twenty to six, and reduced exports from 2.5 million barrels per day to just 1 million. We achieved this without disrupting global oil supplies or price. This unprecedented effort cut Iranian revenues by over \$150 billion, and played a key role in forcing them to the negotiating table.

Ukraine and Europe continue to be vulnerable to Russia as their dominant, and in some cases only, supplier. We saw this in 2005 and 2009 when Gazprom cut off gas supplies to Ukraine and parts of Europe and Turkey. Russia continues to use energy to gain and maintain political leverage over Ukraine, as well as East and

Central Europe, recreating Cold War lines between East and West. This includes the so-called Nord Stream II project. ENR's active engagement in the region, in close collaboration with the European Commission, has proven vital to counter Russia's dominance. Just this weekend, we grew concerned gas could be used as a weapon against Turkey. While we hope this will not happen, it proves once again the urgent need to diversify resources and routes throughout the region.

Beyond Iran and Russia, ENR is working with the Department of Defense and our Counter-ISIL Coalition partners, strengthening our national security by taking the fight to Daesh in Syria and Iraq. From the beginning, the United States targeted Daesh's oil operations by damaging or destroying more than two dozen mobile refineries and about twice as many oil collection points. In a region with a long history of illicit oil trade, Daesh was able to adapt quickly. But so have we. Today, U.S. strikes are increasingly targeting specific and strategic critical energy infrastructure in Daesh territory. Beyond revenue, Daesh uses control of energy resources as a propaganda tool to assert its authority and legitimacy, and relies on this as a core tenet of its global expansion strategy. This is why ENR remains in lockstep with the rest of the U.S. national security community and our international Coalition partners to degrade and defeat Daesh.

As we work to prevent the use of energy as a political tool or weapon, we are also advancing an alternate vision where cooperation in the energy sector fosters collaboration and prosperity. The potential is real – from Azerbaijan, the Caspian and Iraq through Turkey to Europe, from Israel to Egypt, Cyprus and Lebanon to Turkey and Europe – energy will not lead the politics but can serve as an incentive for cooperation and collaboration.

ENR has also focused its efforts closer to home, where most Caribbean island states and some countries in Central America are net energy importers. Many find themselves indebted to a dominant supplier through an unsustainable financial scheme that has left them no option for diversification and efficiency, thereby increasing their vulnerability. Through ENR's leadership of the interagency Caribbean Energy Security initiative and as the U.S. chair of the Caribbean and Central American Energy Task Force, we are working diligently with our friends and partners in the region to advance a secure energy future – cleaner, more diverse, and more secure. ENR is also implementing the Connecting the Americas 2022 program, which facilitates power interconnections throughout the Hemisphere. These programs seek to create an effective, integrated power market, which will stimulate investment in a modern energy system, thereby spurring economic growth throughout the region.

Energy is a way for the United States to engage with partners and allies worldwide. In Asia, energy demand is increasing exponentially – but there is no infrastructure or trading markets connecting the region. Energy trade relationships continue to be rewritten, with Asia projected to be the final destination for 80% of regionally traded coal, 75% of oil, and 60% of natural gas by 2040. ENR’s engagements in the Asia-Pacific promote market opportunities for U.S. companies, leaders in gas, nuclear, wind, solar, hydro, smart grids, and efficient generation, to help the region develop its energy potential. Two out of three people in Sub-Saharan Africa lack access to electricity, which is why ENR is focused on new technologies. These countries have the opportunity to skip a generation of technology in energy, as they did so successfully in telecommunications. In the 1990s, these countries skipped directly to mobile. Today, we should focus on 21st century solutions utilizing ALL natural resources – from those requiring extraction to those requiring capturing; from oil and gas to wind and sun.

Mr. Chairman, all you need to do is drive by a gas station on a regular basis to know that oil and gas markets are volatile. This produces both pain and gain, depending on where you are on the producer and consumer scale. If confirmed, I will continue to make sure we are attentive to the political instability consequences of long-term major price disruptions on countries that rely on hydrocarbon revenues for a significant share of their budgets. These are the countries that will face increasing challenges, including political and social instability, as their projected budget revenues decline in a lower for longer price environment. We should focus on these countries as they are forced to cut expenditures and social benefits, and continue to promote diversification of their economies away from just energy revenues.

In conclusion, Mr. Chairman, I fervently believe in the critical role energy plays in our national security and that of our friends and allies. I look forward to your questions.