

Senate Foreign Relations Committee
Chairman Richard Lugar
Opening Statement for Hearing on
Energy Trends in China and India: Implications for the U.S.
July 26, 2005

The Committee on Foreign Relations meets today to examine trends in the energy markets and policies of two rising powers, India and China. The December 2004 National Intelligence Council report entitled, "*Mapping the Global Future in 2020*," states that the single most important factor affecting the demand for energy will be global economic growth, especially that of China and India.

To maintain steady rates of economic growth, China reportedly will need to boost its energy consumption over the next 15 years by about 150 percent. Over the same period, India will need to nearly double its energy consumption to maintain its growth rates. China, the world's second largest oil importer, receives more than forty percent of its oil from abroad, while India, the sixth largest energy consumer, fills 70 percent of its oil demand with imports.

To cope with their growing energy needs, India and China are re-orienting their foreign and domestic policies and investing heavily in securing supplies from abroad. India's state-owned Oil and Natural Gas Company has invested about \$3 billion in overseas exploration and energy projects since 2000, while China also has invested several billion dollars during the same time frame. Both countries are creating emergency oil reserves and stepping up domestic oil and gas exploration.

This activity has implications for our current relationships with China and India, as well as America's own energy future. Our government must devote careful study and analysis to the questions raised by recent actions taken by China and India to secure greater energy supplies, and we must think creatively about the long term strategic implications of the energy consumption trends of these and other developing nations.

China is the third-largest U.S. trading partner, with total U.S. – Chinese trade estimated at \$232 billion in 2004. Its consumption of crude oil accounted for approximately 34 percent of the increase in world demand last year. China surpassed Japan in 2003 to become second to the United States in the consumption of primary energy. After the United States and Russia, China is the third-largest energy producer in the world.

India, with its rapidly expanding economy, democratic traditions, and growing presence throughout the world, is becoming a significant power in its own right. The Bush Administration recognizes the importance of cultivating deeper ties to India and hosted Indian Prime Minister Singh for an historic visit last week. During the Prime Minister's address to a Joint Session of Congress, he noted common interests between the United States and India and pointed to energy as a key area for increased cooperation.

President Bush and Prime Minister Singh released a joint statement last week that included cooperation on nuclear energy issues. This Committee will review legislative proposals submitted by the Administration on these important subjects. I look forward to working closely with the Administration on these issues to examine their possible impact on U.S. non-proliferation policy and other goals the President and I share.

The energy trends in India and China reinforce the notion that the United States should strive to lessen dependence on oil through greater investment in energy research and development. I recently introduced a renewable fuels bill that was incorporated into the comprehensive Senate energy bill, passed by the Senate last month and now in conference with the House. This legislation would more than double the production

and use of domestic renewable fuels including ethanol, biodiesel, and fuels produced from cellulosic biomass. These fuels must be an important part of our strategy to achieve greater energy independence.

In addition to our domestic efforts, we should explore opportunities to cooperate with India, China, and other countries to encourage global energy efficiency and security. The December 2004 report of the National Commission on Energy Policy calls for increasing collaboration with other countries to develop and deploy alternative energy technologies that will not be pursued absent governmental support. The Commission also calls for tripling investment in cooperative international energy research; expanding and diversifying world-wide oil production; and expanding the global network of Strategic Petroleum Reserves.

Congress should be active in encouraging such measures. Energy experts note the benefits of providing incentives to countries like India and China to employ clean coal technologies. As a world leader in these technologies, the United States would benefit greatly if coal gasification plants can be manufactured on a large scale and exported to India and China and other nations in need of new energy resources.

India, in particular, appears open to such cooperation. In his address to Congress last week, the Indian Prime Minister noted the importance of allowing greater access for developing countries to clean coal technologies and of exploring partnerships that encourage more efficient use of hydrocarbon resources.

We are delighted to welcome two distinguished panels today to help us interpret the trends that I have described and to suggest policy options that can help guide U.S. leaders. On the first panel, we welcome Mr. Anthony Wayne, Interim Under Secretary for Economic, Business, and Agricultural Affairs at the State Department; and Mr. David Garman, Under Secretary for Science and Environment at the Department of Energy. On our second panel we will hear from three experts in the field: Mr. Mikkal Herberg, Director of the Globalization and Asian Energy Security Program at the National Bureau of Asian Research; Mr. Randall Schriver, Partner at Armitage International; and Dr. Sumit Ganguly, Director of the Indian Studies Program at Indiana University.

We are grateful to all our witnesses for being with us today, and we look forward to their insights.

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