

Full Committee Hearing To Examine
The Use Of Energy As A Tool And A Weapon

Thursday, March 10, 2022

Chairman Manchin's Opening Statement

- The committee will come to order.
- We're here today to talk about energy, and how it can be used as a tool or a weapon.
- Vladimir Putin's unlawful invasion of Ukraine is the latest – and most extreme – example of his willingness to use European dependence on Russian energy exports as leverage to disrupt the peace and, in the process, violate International Humanitarian Law.
- But what Putin did not expect was the extent his belligerence would unite the free world to take action.
- Despite the tragic circumstances of this situation, the U.S. and our allies have an opportunity to work in concert with a reconstituted resolve not seen since the outbreak of World War II.
- It is time for us to disarm Putin and other countries who have the ability to wield energy as a weapon. That includes the supply chains our energy systems rely on.
- I applauded the President's decision on Tuesday to use the authority he has to impose a ban on imports of Russian oil, petroleum products, LNG, and coal.

- There was broad support in Congress to take that step across various pieces of legislation, earning 44 Senate cosponsors in all.
- The bill Senator Murkowski and I introduced had 37 cosponsors.
- That was a necessary action to stop funding Putin’s brutal war on the Ukrainian people.
- But now it’s time for us to hone in on how we strategically use energy as a geopolitical tool and for our national security.
- We must use this moment to our advantage, to rebuild our energy systems in a way that makes us less reliant on actors attempting to subvert democracy and who undermine or threaten our allies and partners.
- This requires a focus on domestic energy production, energy infrastructure, and supply chain security.
- This approach must include a near-term, mid-term, and long-term strategic focus, work in concert with the European approach, and operate in reality – including the existential necessity of addressing climate change.
- The International Energy Agency recently released a 10-point plan to cut EU dependence on Russian energy imports.
- This plan appears to be realistic and serious, not aspirational, and it happens to mesh well with my mantra of “innovation, not elimination.”

- We, too, need a realistic and reasonable plan that is responsive in the immediate term to our domestic needs and those of our allies, while being forward-thinking in the short and longer term.
- The first, immediate action item is to increase our domestic oil and gas production – on both federal and non-federal lands.
- This is going to take both the Administration and industry to step up to the plate, stop pointing fingers, take action, and get it done.
- The Administration has been pointing to 9,000 onshore drilling permits that have already been issued for Federal leases that have not yet been drilled.
- What I'm told is that while this number is a little bit higher than normal, it's not extremely out of the ordinary, especially considering that 7,600 of the 9,000 of these permits have been extended past their initial two-year term by the Bureau of Land Management.
- A leaseholder has to apply for this drilling permit months, if not more, in advance due to the review process and there is no guarantee that conditions will be right in the market or in the ground to drill with a given permit.
- With the oil prices going negative in April of 2020 and the COVID pandemic, it isn't surprising that companies asked for extensions and slowed down over the last few years.

- However, as I've said with the leasing pause – it is well past time for the pause to end - for well drillers and the Administration to move forward.
- So yes, I'm calling on industry – and the shareholders – to invest and put production before profits. We need you to ramp up on those existing leases and with those existing permits because that's the fastest thing we can do.
- But industry also needs signals from the Administration that they will support oil and gas development and production.
- That includes taking concrete steps – like working on a new five-year plan for the Gulf of Mexico since we know the current plan expires at the end of June.
- The Administration's failure to act on the five-year plan, combined with a failure to appeal the vacated lease sale, means that we're almost certainly looking at no offshore lease sales until sometime next year, to say nothing about the failure to hold onshore sales.
- The fact of the matter is, Gulf oil is the heaviest we produce and our refineries are well calibrated for it.
- It makes no sense at all to me that the decision was made by Interior to not appeal a ruling throwing out the largest Gulf lease sale, particularly when that decision was made several days after Russia invaded Ukraine.
- We cannot take a short-sighted approach that pretends two years without lease sales will have no impact on our domestic oil and gas

production – just because the brunt of the production impact from lack of leasing hasn't hit yet doesn't mean we can ignore it.

- We also need to make sure that the infrastructure we need to get product to market is able to get built. That means pipelines and export terminals and supporting the corresponding infrastructure buildout in Europe and elsewhere.
- And I know some might bristle at investing in fossil fuel infrastructure as a long-term asset.
- But let me tell you – the Mountain Valley Pipeline could be completed in 4 months if it was finally given the green light. And I've got legislation ready that would do just that.
- That would add 2 bcf per day into the market for domestic use and for export ahead of next winter, when we'll all need it most.
- It would help get prices down, and it would help reduce emissions – allowing for utilities to continue to transition.
- And long term, it's a 42-inch pipe that can be sleeved and used for hydrogen in the future without building yet another pipeline.
- It's not locking us into a fossilized version of the past – it's infrastructure that's flexible.
- It's a total no-brainer to me, we just need to get out of our own way.

- We've also need to be supporting our allies and partner nations, who don't have the LNG hubs, pipelines, and terminals they need to get natural gas to end-users without relying on Russia.
- That's a real problem as the European Union is heavily dependent on Russian energy, which accounts for 38 percent of its natural gas and 30 percent of its oil consumption.
- We need to keep that back of mind as we look ahead to, and more importantly, start planning for next winter.
- But this problem is not limited to natural gas or oil.
- In fact, while we're properly focused on Russia, we also need to be thinking about our long game.
- We also rely on Russia for a significant portion of our nuclear fuels and some of our minerals, notably titanium and palladium.
- And our reliance on critical minerals and materials produced in China and other nations hampers broader energy security and climate goals.
- These minerals are subject to price volatility, just like oil and gas. Just a few days ago nickel, which is used in many energy applications including batteries, skyrocketed to over \$100,000 a metric ton and lithium prices are also up.
- In fact, right now a nickel is worth more than a dime, based on metals included.

- And, the mining and refining of these minerals is extremely geographically concentrated – much more than oil and gas.
- I've heard calls for EVs as an answer for how we pivot away from oil.
- I feel very strongly that it would be a major mistake to allow us to end up in the same situation where those minerals are weaponized against us, not just for our clean energy technologies, but also for our satellites, cell phones, and more.
- That's in part why I've been such a big advocate for hydrogen, which we can produce right here at home with CCUS, nuclear, or renewables.
- I want to see State and the Department of Energy work together to establish bilateral and multilateral agreements with reliable countries that produce critical minerals.
- Additionally the Department of the Interior needs to prioritize the USGS's critical minerals efforts while making sure that the Department's role in permitting new mining helps facilitate that process rather than throwing up roadblocks.
- Now, let me close by making it clear that I am not saying to hell with our climate goals.
- These actions are not all mutually exclusive.

- I am a firm believer in an all-of-the-above energy mix, and that we can and should be leading the world through innovation.
- We need to get the robust funding out the door that we included in the Energy Act and the Bipartisan Infrastructure Bill for research, development, and commercialization in the areas of CCUS, advanced nuclear, hydrogen, transmission, renewables, storage, advanced materials, and other energy technologies to meet our emission goals.
- We must also increase the manufacturing of energy products, including wind turbines, batteries, solar panels, nuclear materials and technology, pipelines with dual compatibility for natural gas and hydrogen, advanced materials, and anything else that will help us and our allies.
- That is a longer term plan, and one that Congress has clearly supported through these two historic pieces of legislation.
- And as the energy transition continues, we must be eyes wide open and responsive to solving the problems before us today, while working towards the vision we have for our future and doing our best to solve these problems before they are used as weapons against us or our allies.
- Finally, as we boost production here, which we must do, I want the United States to lead in deploying the technology that makes sure our producers have the cleanest gas and barrels of oil possible.
- So I appreciate our witnesses for being here today to talk about this critically important issues, and look forward to this discussion about

an active American energy strategy that enables us to better hone our energy as a tool.

- It's certainly going to take all of us – Congress, the Administration, and our industry partners to respond today and to plan for our future.