

RELEASE IN FULL

**From:** Mills, Cheryl D <MillsCD@state.gov>  
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FYI

**From:** Hammer, Michael A  
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With a mention of QDDR right at top with the answer to the first question ☺ Carlos is terrific ! A nice piece that we worked with International Herald Tribune and posted on NYT online:

I.H.T. SPECIAL REPORT: ENERGY

## Q and A: U.S. Policy Goals on Global Energy

Doug Mills for the International Herald Tribune

Carlos Pascual, the United States' special envoy and coordinator for international energy affairs.

Published: November 14, 2011

Carlos Pascual is the United States' special envoy and coordinator for international energy affairs. He advises Secretary of State Hillary Rodham Clinton on energy issues and is responsible for defending American national and commercial energy interests worldwide. From 2009 to 2011, he was the U.S. ambassador to Mexico. He resigned as envoy in May after several frank comments about the Mexican military were revealed by WikiLeaks, angering President Felipe Calderón of Mexico. From 2003 to 2009, Mr. Pascual was director of the foreign policy studies program at the Brookings Institution, a leading Washington research group.

He spoke with John M. Broder of The New York Times at his State Department office this month. This is an edited transcript of their conversation.

### Q. What exactly do you do?

**A.** Secretary Clinton has started a quadrennial diplomacy and development review, essentially looking out 25 years and asking what are the big challenges that we will face as a country that will influence our national security and our prosperity and how do we prepare ourselves to deal with them. One of the things that came out was that we should strengthen the capabilities across the U.S. government to address the energy security challenges that we have as a country. [Secretary Clinton] asked me to come in not only as the coordinator for international energy affairs but also to lead the design and creation of a new energy resources bureau in the State Department

**Q. How do you define energy security? What does it mean beyond continued access to Middle East oil?**

**A.** It's much broader. It obviously has to address the immediate challenges that we have today — access to energy resources in a reliable way at affordable prices — but at the same time we have to think about the energy world we have to build for the future. And we also have to address the reality that there are 1.3 billion people in the world who don't have access to energy resources. And those three things — the energy world of today, and the geopolitical implications of who has resources; the market drivers of energy transformation, the demand pull factors for renewable energy and energy efficiency technology; and the financial vehicles to get private capital into the market — have become the pillars of the work that we're doing and are the foundations for this new bureau on energy resources.

**Q. International oil companies are pushing the boundaries of drilling technology, from ultradeepwater drilling in salt formations off Brazil to drilling in the harsh conditions in the Arctic. Is part of your job to ensure adequate regulation of these frontier technologies?**

**A.** Yes, absolutely, one of the concerns that we have is ensuring that as we broach new frontiers in the development of energy resources we do so in a way that is environmentally sound and responsible.

**Q. Does it make sense to have some sort of internationally recognized regulatory regime, perhaps under the United Nations or the International Energy Agency, under which standards in Brazil and Norway and Australia and China and the United States might be harmonized?**

**A.** The conditions in every single country are so wide ranging that it may be difficult to have the same regulations or standards proclaimed globally. But that doesn't mean that lessons, experience and capabilities that are developed from working in those different areas couldn't be shared. In fact, the opposite, we should. And so the implications of drilling 7,000 to 10,000 feet [or 2,100 to 3,000 meters] first through water and then another 7,000 to 10,000 feet through salt in Brazil could be very different from the regulatory standards that one would have to address in very different but equally harsh conditions in the Arctic. So we don't want to presume that exactly the same regulatory standards are going to apply in both environments. But the lessons do have to be extended, and that's part of what we're seeking to do.

**Q. Do you see the Arctic as a place for potential conflict or competition over resources?**

**A.** Everywhere in the world there's always going to be a challenge on whether there's a competition to get hold of those resources or whether all countries have a common interest in their environmentally sound development.

There will be companies and countries that have either commercial or geopolitical reasons to want to be able to be the first in trying to develop certain parts of the world that have extensive oil and gas potential. But the flip side of the equation is that simply because another company or another country may have

been the first to get in, it doesn't mean the rest of the world is a loser, because the resources that are developed from that are put onto global markets that are benefiting all.

Part of what we need to put an emphasis on is transparency in the way that they operate and thus the importance of transparency regimes such as the Extractive Industries Transparency Initiative, because it gives us all a greater sense that the global community can benefit and that profits from a particular development are not simply going to be extracted and disproportionately benefit either one particular country or company.

**Q. Is it part of your job to ensure that U.S. corporations, U.S. oil companies, have a fair shake in that competition for resources?**

**A.** The State Department always has, as a part of its mandate, that we seek to promote the commercial interests of U.S. business. I think as we look around the world most countries would advocate that their companies would have a fair shot — and in some cases the government and the oil company are exactly one and the same.

We believe very strongly that we should be an advocate for the interests of U.S. companies, but we also take a fairly unique position that what is in the interest of U.S. companies is generally a level playing field, and in many cases that is what we have been arguing for with countries that follow international law, that they have transparency in the way they conduct bid rounds, that all bidders have an equal opportunity to participate in the process and that there be accountability for the decisions that are taken. I think that 99 percent of the time that's going to be the best environment for U.S. business.

**Q. Much of the investment and new discoveries are in shale oil and gas, tar sands, deepwater drilling. Are we entering a new age of fossil fuel development? What implications does that have for global climate change and clean, renewable energy technologies ?**

**A.** One of the challenges is to increasingly move to cleaner fuels, including gas, looking at gas as an opportunity to reduce CO<sub>2</sub> emissions in the near term, in effect a bridge fuel, while at the same time recognizing that it may not be the ultimate solution. We need to sustain a very strong focus on the development and cost reduction of renewable technologies and energy efficiency technologies. It remains important to continue to develop technologies for carbon capture and storage, which are applicable to both coal and gas.

The International Energy Agency has done an outstanding analysis of global gas that shows some of the significant potential that arises by giving China and countries in the Middle East greater possibilities for switching out of coal and oil into gas for electricity production. What it also demonstrates is that taking those steps, plus assumptions that double renewable energy, plus a virtual doubling of nuclear power still, [the world] still exceeds the international target of not allowing the temperature of the planet to rise more than 2 degrees Centigrade [or 3.6 degrees Fahrenheit].

**Q. Double nuclear power? After the crisis at the Fukushima nuclear power plant in Japan?**

A. That aside, what it demonstrates is that [keeping the rise in temperature to less than 2 degrees] is quite a significant challenge, and that gas can be phenomenally useful in the near term to reduce overall CO<sub>2</sub> emissions. But if you rely on that alone without combining it with all of the other measures that need to be taken, including the further development of renewable energies and energy efficiency and the development of C.C.S. [or carbon capture and storage] technology, that you can't get to the final outcome that we need to achieve.

**Q. So what we need is a nice big cap-and-trade system or a carbon tax in the United States in order to be able to fund carbon capture and alternative energy technologies?**

A. The nature of the discussion of global markets on carbon has changed. But it doesn't mean we should simply step away from the question of how you create the market incentives in the United States or other countries to continue with that type of energy transformation. This is where, at the state level, renewable portfolio standards become extremely important; where fuel efficiency standards have made a huge difference in the production of automobiles and the use of oil; where biofuels targets have had a huge impact on reducing gasoline consumption in the United States by mixing it with ethanol; where energy efficiency standards have had a massive impact on electricity demand, on mitigating the growth in electricity demand.

So even though we may not necessarily have had the kind of global solution that some might have thought might have been possible going into Copenhagen in 2009, it doesn't mean that you can freeze. Taking responsible actions that countries can take has been very much the strategy that was developed in the Copenhagen Accord, that came out of the Cancún process last year, and where it becomes important to match those principles with the kinds of incentives we can create either domestically or in our relationships with other countries through bilateral measures.

**Q. There is quite a bit of concern in this country about the safety and environmental impacts of shale gas, and in other countries as well. Do you believe those concerns are overblown?**

A. What we've seen is that the technology can be applied safely but there are huge challenges in the application of the technology that need to be taken seriously. So the challenge then we face is ensuring that if it is developed further it is done in an environmentally sound way. That is one of the reasons why the president and Secretary [of Energy Steven] Chu decided to create an expert advisory board under John Deutch [a scientist and former C.I.A. director and deputy secretary of defense] that has come up with preliminary recommendations.

**Q. Daniel Yergin says that these new energy discoveries portend huge geopolitical shifts, the diminution of the market power of the OPEC countries, and greater concentration of resources in Western Hemisphere somewhat more secure to the U.S. Do you see this geopolitical shift continuing ?**

**A. What we have begun to see in fossil fuel markets, on oil, is that there are new possibilities for oil development in the Western Hemisphere that will create a more competitive market with a wider range of actors, which in any market generally signals a positive sign or trend. ...We see possibilities for significant new supplies of gas coming onto international markets, from Australia, Indonesia, Russia producing more. Increasingly we've seen that the trade in gas is through L.N.G. [or liquefied natural gas] rather than through pipelines, which creates greater flexibility in that market and creates a much more competitive environment that will obviously affect those countries that have depended on individual pipelines as a source of influence and power and will create a much greater flexibility on the part of consumers in the countries on the other ends of those pipelines.**

**We see this as a trend that has to be positive for the international community because less dependency on individual countries, greater competition in the marketplace, greater options for consumers, greater options for businesses in that kind of environment can only be good.**