



Ambassador Jeffrey L. Bleich – APPEA Conference

**Remarks of Ambassador Bleich
at the APPEA Conference, Perth
Tomorrows Energy Today: Building Public Confidence the
First Step**

(As delivered – April 11, 2011)

Thank you Colin for that kind introduction. Thank you, Eric, as Chairman of APPEA, for the invitation to be part of this important conference. It's an honor to be here. It's an honor to share the podium with you, Minister Ferguson and Premier Barnett. As Eric said, Minister Ferguson and Premier Barnett didn't leave because of him -- they left because they knew I would be speaking afterwards. I also want to thank the U.S. Congress for passing a budget on Saturday so I could attend this conference.

It is also a great pleasure to be in Western Australia. Some of you may recall that when I took up this post 18 months ago, WA was my first port of call out of Canberra and where I made my first public address. I said, at that time, that WA was the most dynamic part of Australia. Time has proven that right; it has only gotten more dynamic since and a lot of that has to do with your work. I continue to be impressed by developments in oil and gas in this region.

America and American companies are betting on Western Australia's future as a key global energy supplier. The WA LNG industry is the fastest growing in the world. WA is also where some of this industry's most ambitious technological challenges – in carbon sequestration, in deep water, in floating LNG production -- will be solved.

It is also where some of the largest American investments ever in Australia are being made. Chevron will spend 40 percent of its global exploration budget here. GE says it will be its third largest market, primarily due to carbon sequestration. Many other American companies -- ExxonMobil, Hess, Conoco Phillips -- are making major, long-term investments.

These investments are important for many reasons. They're important to us, in part, because American companies are involved. They're important to us because they contribute to growth in WA and Australia's future. And Australia's future is our future. In fact, one of the many things I am looking forward to over the next three days is to meeting with American companies and talking with them about opportunities for more companies to participate in the "WA miracle."



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But, more broadly, these investments are important to us because what happens in the oil and gas sector in Western Australia affects energy security all around the world.

The world today faces unparalleled energy challenges. We have all been reminded of the potential dangers of nuclear energy as we watch the situation in Japan, as they work to cool their reactors after the tragic earthquake and tsunami in Japan. As oil prices continue to rise we ask ourselves: How long will the unrest in the Middle East continue? How much life do Saudi oil fields have left? When will the governments of the world put a price on carbon? Will we have enough energy to meet the growing aspirations of billions of people in emerging economies -- not to mention the billions of people not yet born?

And then, for those in this room, will you be able restore confidence that you can safely drill in deep water following the Montara and Gulf of Mexico disasters? Will you be able to reassure nervous homeowners that techniques for unlocking shale gas – one of the great success stories of the last decade – won't poison their drinking water?

The population of our world has more than doubled in my lifetime. I just participated in a half marathon yesterday, so I'm feeling old and my lifetime seems really long. But still, the world's population has more than doubled in not quite 50 years. And the Economist magazine recently predicted there would be 2 billion more people on the planet by 2050. China is urbanizing something on the order of 25 million people – more than the population of Australia – every year and will probably do so for at least the next 10-15 years. If our own development and that of China's recently developed neighbors is any indication, these people are going to want to drive cars, heat their homes, eat a more varied diet, drink and use water – all things that will require more energy.

Despite our best efforts to improve efficiency, world energy consumption will grow by almost 40% over the next 25 years. Almost all of this demand will come from non-OECD countries, especially from China, India and from other larger emerging economies, but also from countries in which large numbers of people today have little access to reliable power supplies needed for development.

That energy must come in what we know is an increasingly carbon-constrained future. For those of you in the oil and gas industry, that puts you in a difficult position. Because you will be called upon to meet rapidly increasing demand for cheap energy in a world where resources are increasingly difficult to reach. And that is the challenge if we are to provide the energy security that all of our people seek.

Clean Energy Future



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We are not yet in a clean energy world. We're getting better. But we will, out of necessity, remain heavily reliant on fossil fuel sources for the foreseeable future both for our economic well-being and for our national security.

And while we are on the path to reducing our dependence on fossil fuels, these transitions take time. I want to give you an example.

The first steamship credited with crossing the Atlantic Ocean between North America and Europe was the American ship SS Savannah, which steamed – and sailed – from Savannah, Georgia, to Liverpool, England in 1819. Despite that, Savannah was not a commercial success as a steamship and was converted back into a sailing ship shortly after returning from Europe. It was another 20 years before steamships began making regular crossings of the Atlantic. It wasn't until the late 1870s, almost 60 years after the Savannah's voyage, before steamships really replaced sail on long haul trips, like those from Australia to Great Britain and back. I always talk about carrying my BlackBerry. My kids have cell phones and they use them for a watch, for an alarm clock, and for many other things. I have a BlackBerry, but I still wear a watch. I still have an alarm clock. We continue to use these things out of habit.

We will transition to cleaner, renewable and environmentally sustainable sources and learn to use energy far more efficiently. But as with the shift from sail to steam, we'll likely remain in this transition phase for many decades.

Stepping stones to the future

But that should not paralyze us into inaction.

Because the people in this room, you know that we need to innovate our way to a clean energy future -- and you are the ones with the expertise to do it.

We need to begin by improving the efficiency of our energy use, reducing carbon emissions, and deploying clean energy technologies now.

We need to cut subsidies for fossil fuels.

We will still need oil and gas as we transition to a low carbon economy. This involves both supporting investment in existing markets and seeking to open up new markets. We need to work together to ensure that the world's energy markets operate in a transparent and competitive manner. Which was a lot of the point of the Minister and Premier's statements. We can help the world's newer suppliers -- places not like Australia -- build the governance and regulatory capacity that is necessary for them to be part of this market.



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For unconventional oil and gas resources, we need to take advantage of new technologies, and implement sound investment and environmental policies that will help bring these resources into our supply mix safely. Over the last five years we've seen technological developments in shale gas, in particular, that have been an absolute game changer in the United States with respect to energy security. The United States was anticipated to be a significant market for LNG, but with the commercialization of shale gas, my country can be natural gas independent.

We also have to strengthen the world's collective energy security system. The world has changed since the International Energy Agency (IEA) was created during the oil crisis of 1973-74. As the world's two most populous countries, China and India have increasing influence on world energy markets. International institutions, like the IEA, need to be updated to meet these new realities. The U.S., working with Australia and other IEA members, is encouraging stronger links between the IEA and these countries, urging stronger, coordinated collective energy security.

We will do our part for energy security in the United States. As President Obama recently said at a speech in Georgetown, the United States will reduce oil imports by a third in a little over a decade by finding and producing more oil at home and reducing our overall dependence on oil with cleaner alternative fuels and greater efficiency.

Equally important is continuing and expanding research into technologies that have yet to be fully developed to a point where they are actually economically viable. Solar power, geothermal, wind and tidal power all represent huge potential natural, renewable resources that could have a major impact during this century. The United States is investing more than \$80 billion in clean energy through the American Recovery & Reinvestment Act – including the largest ever renewable energy investment in U.S. history. We haven't picked winners and losers; we've set goals and used incentives to reward companies that achieve those goals.

President Obama has also made clear that nuclear power will be a part of our clean energy future and that the United States is committed to making it safe as well.

And while we continue to depend on fossil fuels as we evolve toward a lower carbon economy, it will be absolutely critical for us all to employ techniques that can reduce their environmental impact. Work on advanced vehicles is one important example. Carbon capture and storage also comes to mind, and I was honored to join Roy Krzywosinski and the Prime Minister last year when she visited Barrow Island to recognize advances being made in this area by companies like Chevron, with the support of the Global Carbon Capture & Storage Institute that the Australian government set up in Canberra in 2009. When Secretary Clinton visited Australia last year, she and the prime minister and I announced U.S. funding for the Institute's valuable work in



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facilitating wider use of CCS techniques worldwide. That is all going to be essential to a successful transition.

Social License to Operate

We need to work more closely with the people who buy and consume the energy you produce to ensure what my colleague Martin Ferguson referred to as the ‘social license to operate’.

While I’m sure all of you have been aware for some time of the need to work with the public in the countries in which you operate, growing public concerns about corruption, deep sea drilling, untested gas exploitation techniques, and climate change. And all challenge your ability to do business.

Enhanced transparency, improved fair regulations, international coordination, and free and fair investment practices will go a long way to promoting growth and building public support for energy development.

There are a growing number of initiatives being developed to ensure transparency and a level playing field. The United States has launched what we call the Energy Governance and Capacity Initiative (EGCI) -- because the world needs another acronym. to provide assistance to governments of countries like PNG and Seychelles that are on the verge of becoming the world’s next generation of oil and gas producers. We have the 2010 Dodd-Frank Act in the United States, containing language which requires accountability of governments receiving payments from mining and oil & gas companies. The UK and France are also pushing similar transparency legislation in Europe. We applaud those of you here -- including the Australian government, and companies such as ExxonMobil, Chevron, Shell, and Woodside -- who support the Extractive Industries Transparency Initiative (EITI) -- because we need even another acronym. Responsible companies like you benefit when the rules are fair. Full disclosure and transparency has to be the way forward.

We need to all work together – governments, companies, and civil society – to strengthen that ‘social license to operate’. This is also why we’re encouraging the Australian government to join us in supporting the Voluntary Principles on Human Rights, a set of guidelines to help companies in extractive industries maintain the safety and security of their operations while ensuring respect for human rights and fundamental freedoms.

Oil spills/Public Trust

Finally, because everyone else has, I should also say a word about the Gulf Spill in the United States. We just had Senator Graham and his wife at our residence for dinner. As



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you know, he co-chaired the National Oil Spill Commission. They found that the “disaster in the Gulf undermined public faith in the energy industry, government regulators, and even our own capability as a nation to respond to crises.” All of us suffer. Here in Australia, the Montara blowout similarly damaged the public’s trust in both the industry and government. I think the public concerns about exploration near Ningaloo Reef here in WA are just indicative of the public’s fear and skepticism.

Enough fingers have been pointed. The fact remains that we must rebuild the public’s confidence that these operations are safe. It is in all of our interest -- but especially yours -- to support government efforts to improve the quality of regulation, and not just in the case of offshore drilling. Public concerns over shale gas exploration and development – as well as other new technologies that emerge -- must also be addressed credibly.

Anything less and we risk losing access to these resources, no matter how the impressive technology we develop to exploit them. We all know that adoption of energy technologies can take time and that public acceptance is crucial, particularly with regards to safety, environmental protection, reliability and cost. So we depend on you for that. Industry’s role is absolutely essential in building and maintaining the public’s confidence; that when you remove resources from this planet that can only be taken once, you do it responsibly. As the oil commission report said, “To be allowed to drill ... is a privilege to be earned, not a private right to be exercised.”

Conclusion

So all of us -- governments, investors, businesses, and citizens -- we need to work together to create fair competition and a cleaner and more sustainable energy future.

This will take time -- and trust. But the future -- of our industries, of our waters, and of our planet -- depends upon it. We have to trust each other. It’s an honor to be here so, thank you all.