

*Remarks for the
Southern States Energy Board Chairman
August 26, 2002*

Today, I take great pride in standing before you as chairman of the Southern States Energy Board. In a few minutes we will see a video presentation on the board's activities and accomplishments as they relate to the energy future of America and the implementation of the "Energy Policy in the South." But before we begin the video, I would like to make a few remarks.

The theme of this year's annual meeting is "Designing Regional Strategies for Energy Security Infrastructure and a Stronger Southern Economy."

Shortly after last September 11, we all were acutely aware of the vulnerability of the nation's energy infrastructure to terrorist attacks. In response, the energy industry is voluntarily implementing more stringent security measures and the administration and Congress are working on better policies that will protect our homeland.

And yet, we must not assume everything that needs to be done, has been done. Our nation's energy infrastructure still poses significant challenges.

The electric power grid, which serves as the backbone of our market system, must be protected. Oil and natural gas pipelines must be able to operate safely without interruption. As America continues to work toward stronger protection in these areas, we also must consider that our country's biggest threat is an economic sabotage posed by escalating energy prices.

The Strategic Petroleum Reserve currently holds around 600 million barrels of crude oil – equivalent to about four months of imports from Saudi Arabia according to some experts.

The Administration recently announced that additional deliveries will begin this October to fill the SPR to its 700 million barrels capacity by 2005. However, potential terrorist acts and political disruption could compromise the adequacy of the reserve in the short term.

Without a doubt, Americans should be concerned over energy security when we are so vulnerable to a disruption in oil supplies or a surge in world oil prices. The oil and gas price shocks in the 1970's remind us too well that our reliance on Middle East oil can tremendously impact our economy.

Over the past few months, we have experienced spiking crude oil prices. The Energy Information Administration reported this month in its Short-Term Energy Outlook that the average retail price of gasoline is expected to peak around \$1.41 to \$1.43 per gallon.

EIA warns the possibility of local or regional price spikes still exists if supply problems occur unexpectedly or if crude oil prices rise faster than anticipated.

In the same report, EIA also predicts retail gasoline prices are expected to increase by 12 to 15 cents per gallon on an annual basis beginning in 2003. We must recognize that the unpredictability and volatility of foreign oil prices leaves us politically and economically vulnerable.

Therefore, we must work aggressively to maximize opportunities that will expand our energy choices if we expect to have a stable economy.

Diversifying our energy systems and maximizing the use and supply of domestic energy resources must be prominent when addressing Homeland security. We must consider all potential, environmentally safe energy options.

We all recognize that in order to maintain the world's strongest economy, this nation, its states and commonwealths, must develop policies that will provide us with choices. Without a doubt, our country's economic stability will continue to rely on coal, oil, natural gas and nuclear energy as the primary energy sources.

At the same time, renewable resources can contribute to building a stronger southern economy and energy infrastructure.

To support this strategy as chairman, I have concentrated on steering the board's biomass program toward a stronger and more robust rural economic development initiative. The construction of facilities and equipment and the production, distribution and use of biomass energy produces jobs and tax revenues that can boost rural economies.

Biomass energy projects have the potential to impact local economies more significantly than other renewable energy sources because local suppliers usually produce the biomass fuel feedstocks.

To encourage the use of biomass to stimulate local economies in Mississippi, I signed into law H.B. 1130 which sets forth incentives for ethanol plants located in the state to utilize Mississippi-produced corn and other agriculture and forest resource commodities.

This legislation also authorizes producer payments for each kilowatt hour of electricity generated using biomass in a cogeneration facility at an ethanol plant located in the state.

Most of you are aware that SSEB administers the funding for the Southeast Regional Biomass Energy Program. Because of this relationship and the leadership of the Southern States Biobased Alliance, governors and state legislators are focusing attention on the value of building a stronger bioenergy industry.

In my role as SSEB chairman, I sought congressional action on the Department of Energy's decision to eliminate funding for this national program.

Besides SSEB's actions, the Coalition of Northeastern Governors and the Council of Great Lakes Governors worked with their constituents to strengthen support for the program. In addition, the National Association of State Energy Officials, the Governors' Ethanol Coalition and other organizations as well as individuals endorsed the program's accomplishments and the value of working with regional governors' organizations.

On the part of SSEB, I want to express the board's sincere appreciation to everyone involved in this effort. Because of this strong commitment and leadership, the Senate Energy and Water Development appropriations bill included funding for the Regional Biomass Energy Program.

A copy of the Senate report is included in your briefing book. Now, our challenge is to secure support for sustaining the funding when the bill goes to conference in September.

In addition to building a stronger biomass industry in our region, we must develop a wider use of distributed energy resources with advanced technologies such as fuel cells, batteries, microturbines and small, clean fuel generators. These applications offer extremely important choices toward the development of a more secure energy infrastructure.

Through distributed generation, we can begin building a reliable alternative to minimize the impact of power outages and electricity peak demand load. At the same time, these advanced technologies will enable us to have access to power in remote locations where and when power transmission is difficult.

You will recall that two years ago, Governor Barnes provided early leadership in having the SSEB assess water for energy issues. I ask that the board continue with its important work in this area and the support of the Southern Water Supply Roundtable. Water availability for the development and use of energy technologies in the future is a critical factor for determining economic growth.

While we move toward ensuring our energy supply and delivery is reliable, we must make sure energy prices are affordable for all citizens.

I want to report that as Chairman of the Southern States Energy Board and as the lead Governor on Energy for the Southern Governors' Association, I have worked aggressively to seek a more equitable allocation and increased funding for LIHEAP, the Low-Income Home Energy Assistance program.

I want to thank Entergy and the Louisiana State University Center for Energy Studies for the analysis they provided to the board on the history and the impact that the formula has on the southern states. The study presents several policy options that would improve the equity of the funding.

In closing, I want to emphasize the Southern States Energy Board is a unique organization with a realm of expertise that offers insight on policy and technology issues inherent to the region as well as the nation. As Secretary Card knows, the President's National Energy Policy cites the importance of working with regional governors' organizations.

And for over two decades and since the Department was created, SSEB has had a long-standing and successful relationship working with DOE on many issues. We all look forward to hearing from Secretary Card later this morning.

Fortunately for our region, the founding fathers of the Southern States Energy Board intuitively entered into an interstate compact that establishes ". . . the instruments and framework to provide systematic encouragement, guidance and assistance from the party states on a cooperative basis that will improve the economy of the South and contribute to the individual and community well-being of the region's people."

As stated in the Southern States Energy Compact, the board has the "power to ascertain and analyze on a continuing basis the position of the South with respect to energy, energy-related industries and environmental concerns.

The board may establish advisory and technical committees as necessary and has the authority to enter into supplemental agreements that are consistent with the powers of the board."

Later this morning, you will hear from Governor Paul Patton on the National Governors' Association Task Force on Electricity Infrastructure recommendations for revitalizing the Nation's electricity infrastructure. The recommendations pivot on the need for regional organizations to facilitate state coordination on transmission planning, certification and siting.

I have recommended the Southern States Energy Board be recognized as the appropriate regional organization to begin facilitating state coordination on these issues.

Related to this issue, the Southern States Energy Board also has been actively monitoring the Regional Transmission Organization process that the Federal Energy Regulatory Commission has underway.

As you turn your attention to the video presentation, you will see the Southern States Energy Board's leadership on energy environment and economic development is evident through numerous programs and projects that contribute to designing a secure energy infrastructure and a stronger southern economy.

Now, I would like to ask Ken Nemeth, SSEB's executive director to come forward and introduce this year's annual meeting video presentation.