

Remarks as Prepared for Delivery
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Brookings Institution/Google.org Conference
Plug-In Electric Vehicles 2008: What Role for Washington?
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Thank you, David [Sandalow], for that kind introduction and for your many contributions to our national energy policy discussion.

I want to thank the Brookings Institution and Google-dot-org for providing a forum where we can continue and expand this conversation.

I would also like to recognize Maria Thompson, President and CEO of T/J Technologies. T/J Technologies has taken a lead role in developing lithium battery technology, including the batteries that are planned for use in the Chevy Volt. Last, but not least, T/J Technologies is located in my Congressional district.

I'm pleased to be part of this conversation and delighted to share the stage with my friend Senator Alexander. And, as I look around this room, I am heartened to see the wealth of experience and expertise gathered to think and talk about the future of plug-in hybrid vehicles.

And as we discuss that future, I would hope that we recognize the limits to our powers of prophecy.

When the very first Administrator of the Energy Information Administration, Lincoln Moses, appeared early in his tenure before a Senate hearing, one of the Senators became frustrated with the careful caveats that Moses used to condition EIA's projections. The Senator demanded that Moses skip the hypotheticals and give him just "the facts."

Moses responded, "Senator, there are no facts about the future."

We do, however, have some facts in hand concerning the present.

One: Our dependence on oil is a matter of national security. While we import less of our oil from the Middle East than 30 years ago, the world still relies on oil extracted from a dangerous and unstable part of the world. And our military is effectively the guarantor of the world's energy supply.

Two: Demand for oil is increasing. While there may be a temporary slackening of demand, the long-term arrow only points up with China and India driving – so to speak – the way.

Three: Our petroleum supplies and petroleum refineries are vulnerable to natural disasters and accidents. We need only look back a few years to Hurricanes Katrina and Rita to recall the severe effect on prices that can be caused by refinery disruptions.

Four: We need to act on climate change.

These four facts drive us to the same conclusions. We need to consume less oil, and do so more efficiently. We need to find new technologies that don't rely on oil. And we need to find alternatives and substitutes for oil.

There are several ways we can achieve those goals.

One is through regulation.

The energy legislation that Congress passed and the President signed into law last year requires automakers to improve the fuel economy of their fleets by 40 percent over the next twelve years. It's an imperfect tool, and isn't the best mechanism for achieving some of our goals. To be precise, Corporate Average Fuel Economy – which uses the metric of miles per gallon -- is far from the best way to manage or reduce carbon emissions. From a policy perspective, which is better: a car that gets 40 miles per gallon running on Middle Eastern oil, or a car that gets 25 miles per gallon running on a domestically produced, carbon-neutral biofuel?

I hope that we can develop a better system in the context of comprehensive climate change legislation – perhaps a low-carbon fuel standard to account for what goes into the fuel tank, as well as what comes out.

But I would also observe that in promoting fuel efficiency, the market can be a much stronger and more effective force than any regulation or law.

I've been around long enough to have the burden of memory. In 1976, gas was selling for sixty cents a gallon. In 1979, when the Shah of Iran fell, gas prices began an inexorable rise. In 1981, Americans were shocked when gasoline prices exceeded one dollar per gallon for the first time. Ultimately, that year the average gasoline price would reach \$1.35 per gallon.

How did we respond? Between Model Years 1979 and 1980, Corporate Average Fuel Economy jumped by three miles per gallon – a 15 percent increase in just one year. It wasn't because of any government requirement. It was because consumers went out and bought more efficient vehicles.

Last year, for the first time, gasoline prices, adjusted for inflation, exceeded what Americans paid in 1981.

Once again, the consumer is responding.

Last month marked the first month since December of 1992 that a car – not a truck – was the country's top-selling vehicle. The cars we're buying are more fuel-efficient. There is now a shortage of batteries for today's hybrid cars. We're taking mass transit and we're driving less – Americans drove 11 billion fewer miles in March compared to a year earlier.

We all recognize the distress this is causing in my home state of Michigan. Plants are closing. Workers are being laid off. Production is being curtailed.

Many people blame the automobile manufacturers for these woes. They have certainly made their share of mistakes. But those who are most critical of the domestic auto industry often

forget one thing: for many years, our automobile manufacturers have given the American public exactly what they wanted. As was said by the legendary Walt Kelly in his Pogo comic strip, “we have met the enemy and he is us.”

No one ever forced the American consumer to buy an S-U-V. What pulled the American consumer toward larger, less efficient vehicles can be summed up in two words: cheap gas.

That era is now behind us. The adjustment is painful. But it is at last forcing us to confront reality. And it has sparked a race between automakers to improve fuel economy.

A critical part of this race will be the development of electric vehicles and plug-in hybrids.

Like many of you, I was pleased by last week’s announcement that the Chevy Volt is on track for a 2010 launch. There are a lot of things we can do to promote the development and deployment of this and other new technologies. Last year Majority Leader Hoyer and I wrote a law to encourage this new technology. But we should also recognize our limits. Congress can pass any law it wants, but we can’t repeal the laws of supply and demand or the laws of physics.

If the Chevy Volt proves commercially viable and technologically feasible – meaning that its cost isn’t astronomical and its batteries are workable – it won’t be because of elected officials or bureaucrats. It will be because of our most talented engineers and scientists.

But here again, let’s learn from our past. The idea of plug-in hybrids is not new. As the Atlantic Monthly reports in its current issue, a bright young engineer at General Motors came up with the idea in the 1990s. But at the time, the company – like all automakers – was struggling with how to meet a mandate Congress placed upon it in the 1990 Clean Air Act Amendments. The mandate called for zero emission vehicles – and a plug-in hybrid using a small engine to generate electricity was not a zero emission vehicle. The company needed to devote its resources to a zero emission vehicle (which, I might add, it eventually developed).

With the zero emission mandate, Congress effectively legislated that the perfect should be the enemy of the good. That’s a mistake I don’t want to make again.

If the Chevy Volt does prove viable – and I hope that it does – motor vehicles will have become the first sector to solve its carbon problem. In fact, today, through the admittedly flawed CAFE system, the automobile industry is the only industry that operates under a carbon constraint.

As for the other sectors of our economy that emit greenhouse gases, let me simply say: we’ll get to you.

In that vein, the Committee on Energy and Commerce is working to prepare legislation to establish an economy-wide program to limit greenhouse gas emissions in the United States. The cornerstone of this program will likely be a cap-and-trade system.

As we craft this legislation, we are giving careful consideration to how the electric utility industry will be affected.

This industry faces the daunting challenge of maintaining reliability and affordability while offering a commodity that moves at the speed of light, and cannot be stored in any meaningful way... at least until there is widespread deployment of hybrid electric vehicles.

We are told that electric cars could, along with smart grid technology, allow electric utilities to use car batteries to store electricity in ways that would help them meet critical peak loads – and avoid the current astronomical costs of critical peak power. Even more exciting: we could “fill up” the batteries of these cars at a cost equivalent to 75 cents per gallon of gasoline. There would also be a net reduction in carbon dioxide emissions if drivers shift to cars powered by electricity.

So clearly, the electric utility industry has reason to be as excited about the emergence of hybrid electric vehicles as the transportation industry.

And, as we move forward in the legislative process, I hope the electric utility industry will be as engaged as the transportation industry has been to this point. Developing climate change legislation that is comprehensive, reasonable and effective is no small challenge. The Senate proved that last week.

Already, the Committee on Energy and Commerce has held twenty hearings on the issue during this Congressional session. We have heard from policy experts, environmental advocates and industry leaders. As part of the legislative process, we are also issuing a series of White Papers that identify issues on which further information and discussion is desirable.

This month, we will hold hearings on various climate change legislative proposals, including the Lieberman-Warner bill, as well as others. These hearings will more closely examine the strengths, weaknesses, and practicality of pending proposals.

Let me end by saying again how pleased I am that you are holding this conference.

Electric vehicles and plug-in hybrids have the potential to revolutionize not only the automobile industry, but our nation’s entire energy mix.

At the same time we consider the advantages of electric cars and plug-in hybrids, we also must keep in mind the source of electricity for these vehicles.

If every vehicle sold during the next decade is electric, will we simply have pushed the source of carbon emissions upstream?

How will we meet the new demand for electricity? Will we burn more coal? Will carbon capture and sequestration be ready? Will we turn to nuclear power?

All of these ideas deserve further discussion and review. And, I suspect that many of them have great potential.

But, I can say this with great certainty: none of them will be enacted until we have a new Administration that brings vision, vigor, leadership, and fresh thinking to our energy policy debate.

Thus, like many of you, I am excited about what the next Administration portends for our energy policy future.

Thank you.