

{As Prepared for Delivery}

**Harvesting Clean Energy Conference
Spokane, Washington
February 27, 2006**

**Thomas C. Dorr
Under Secretary for Rural Development
Keynote Address**

Thank you. It's great to be here. I'm an Iowa corn farmer -- from the heart of, what we now call, the ethanol belt -- so I know the idea of energy from agriculture is not new. But as I look around this room ...

... as I attend conferences like this around the country ...

... as I scan the program and see the incredible diversity and quality of the presenters ...

.. as I feel the optimism and energy of everyone from President Bush and Secretary Johanns ... to the major commodity groups ... to the academic and investment communities ... to individual producers ...

... It's very clear that the game has changed. We have reached a tipping point. A new energy economy is being born, and I know I speak for everyone in this room when I say that it is exciting to be a part of it. Energy, in fact, is a defining challenge of this decade -- and, in all probability the next couple of decades as well.

- It is, first and foremost, a vital national security issue.
- It is a trade, competitiveness, and economic security issue.
- And it is an extraordinary new growth opportunity for rural America -- which is why all of us are here today.

This is a time of transition -- in fact, of fundamental transition. This of course isn't limited to agriculture or energy. Just think of the advances in telecommunications ... in broadband ... in medicine ... in materials science ... in bioagriculture ... the list is endless.

Frankly, we don't know where some of these changes are taking us, and this really is nothing new either. My father, for example, lived through the mechanization of agriculture, the electrification of the countryside, the development of antibiotics, the emergence of routine air travel, and the invention of nuclear weapons.

I used to think his generation had written the book on rapid change. But we are experiencing changes equally just as profound. And I submit to you ...

... as the wind turbines go up in Iowa or Minnesota ... as the ethanol and biodiesel industries begin to approach maturity ... as cellulosic ethanol moves from the lab to the field from pilot to commercialization...

... as wind, solar, and geothermal power realize their potential and a new generation of clean coal and nuclear plants come on line ...

... Today, we have no more idea what the energy economy will look like in 50 or 100 years ... than my grandfather could have anticipated cell

phones, global satellite communications, and broadband when he made his first call on his party line back home in Cherokee County, Iowa.

But we do know that the energy economy is changing, in ways that offer extraordinary opportunity for rural America. That's why we're here.

As a result, I want to focus on THREE overriding strategic observations.

The FIRST, I've just mentioned – and I think we all agree. A new energy economy is being born. The era of cheap oil is drawing to a close.

- I don't know what the price of oil will be next year or 5 or 10 years down the road. I do know that oil is getting harder to find.**
- We're drilling ever deeper and in ever more challenging parts of the world. It's getting inherently more expensive.**

- **And that's just the supply half of the equation. On the demand side, since the fall of the Berlin Wall, between 2 and 3 billion people have joined the world market system.**
- **This is the greatest explosion of demand for improved living standards, or freedom, in human history. It means a dramatically more competitive world. Now, it also creates an incredible opportunity for those ready and able to respond.**
- **But with countries like India and China achieving double digit growth rates ... and moving billions of people from wretched poverty to a much, much better life ... it also means that our resource base will be forced to shift.**
- **Positioning rural America to meet that shift -- with its enormous implications for the energy economy -- is the opportunity that brings us here today.**

The **SECOND** key point to make -- as I mentioned a minute ago -- is that we don't yet know where these changes will lead. There is no shortage of people who **think** they know, and who are on one bandwagon or another.

- As an Iowa corn farmer who grew up with ethanol, I know something about bandwagons.
- But it's important to recognize that we're in the very early stages of a long range shift in our resource base – and, therefore, to recognize what we don't know.
- We are, in fact, dealing with uncertainty, volatility, and a high probability of surprise – and that's exciting.
- And this is important because it brings us to a fundamental policy imperative -- The need for a **comprehensive, balanced, flexible** energy strategy ...

... Not quick fixes ... not silver bullet solutions ... not “my way or the highway” single-interest politics ... but an intellectually serious, politically responsible, comprehensive long run strategy – doing exactly what you’re doing today.

President Bush, as you know, spoke to this at length last month in his State of the Union address, and it’s important to remember he didn’t come to the issue suddenly. This is a longstanding commitment.

- On a personal note, I have known the President for several years now, going back to the earliest stages of his campaign.**
- I can tell you that long before energy became a signature issue, George W. Bush recognized the importance of reducing our dependence on imported oil.**
- The President understands that America’s energy security requires a comprehensive effort.**

I emphasize the word “comprehensive” -- because frankly, some of the single interest lobbies need to realize that this is an “all of the above,” not an “either-or” question.

- **The President understands that America’s strategy must include conservation and increased energy efficiency, as well as more domestic production of coal, oil, natural gas, and nuclear power.**

- **But the President certainly recognizes the essential role that will be played by new energy sources.**

- **Comprehensive means comprehensive. It’s all necessary.**
President Bush has been consistent on this. Immediately after his election in 2000 -- ancient history now -- the President made a comprehensive energy package a first order of business.

- **It’s taken four long years to fight through the single interest objections -- but now we’re there -- And why?**
 - **... Because President Bush refused to let the Energy Bill die.**

- **... And because the President stood firm, today we have important new policy tools to move us ahead.**

- **The President has set a national goal of replacing more than 75% of our oil imports from the Persian Gulf by 2025.**

- **He is proposing an Advanced Energy Initiative with a 22% increase in clean-energy research at the Department of Energy.**

- **He is proposing increased funding for wind and a six year target horizon for commercializing cellulosic ethanol.**

- **At the other end of the scale, he proposes reopening the nuclear option with a new generation of technologically advanced plants, and zero-emissions coal plants.**

Bottom line, President Bush will lead. That's important. And he's committed to a comprehensive approach. That's important!

But there is a **THIRD** policy imperative required as well if we are to turn these fundamental changes into opportunities for **wealth creation and growth** in rural America. That's where we come in.

USDA Rural Development is an investment bank for rural America.

This year we will invest over \$17 billion in rural housing, infrastructure, community facilities, business development, and job creation.

- **The numbers add up fast. Since the beginning of the Bush Administration, the total is over \$63 billion invested and over 1.1 million jobs created or saved.**
- **Energy is a critically important issue for us -- first and foremost, because it's a critical issue for America.**
- **But it's an issue of special importance for rural America because most of the new distributed energy resources on the horizon are agricultural or rural based. The potential for the rural economy is significant.**

- **You know the numbers:**
 - **Biodiesel usage has soared from 5 million gallons in 2001 to 25 million in 2004 to 75 million last year.**
 - **U.S. ethanol production last year exceeded 4 billion gallons and it's growing fast.**
 - **U.S. wind power capacity by the end of last year reached 6,740 Megawatts, with another 5,000 on the way.**
 - **The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020. That's based on current growth rates, before the new investments the President proposes.**
 - **Ethanol, wind, and biodiesel are getting close to viability without subsidy -- that is, full commercialization. That's our goal, and we are investing to achieve it.**

- **But we don't stop there. We are also investing in direct combustion, methane gas recovery, solar, geothermal, and hydrogen applications.**
- **In total, since 2001, we've invested nearly \$290 million in renewable energy from all sources. We are making nearly \$1.2 billion available for energy related investments in 2006.**

From a Rural Development perspective, this is exciting because these developments imply rural opportunity and ultimately new growth.

Biofuels and biomass rely primarily on agricultural feedstocks. Wind and solar applications will be largely rural because of space constraints.

So, our challenge -- and yours -- is to bring the economic benefits of these distributed energy sources home to rural America.

And this is a goal that goes far beyond strategic vision ... far beyond political leadership, important though that is ... and, frankly, far beyond the investment of federal dollars.

We will do our part. We look forward to partnering with you. But government can't do this alone. So I want to leave you with a challenge.

You might have noticed that I talked about markets and investment long before I got around to describing the role of USDA Rural Development. There is a reason for that:

- Government does some things well. Government is indispensable in providing a legal, regulatory, and tax structure that encourages the development of new energy sources.**
- Government can fund research. We can finance demonstration projects. We can provide technical assistance and incentives.**
- But ultimately -- given the complexity and scale of the energy sector -- private investors are going to carry most of the load.**

The challenge, therefore ... for us at USDA Rural Development ... for you as business and community leaders ... and for State Legislatures,

which will have to make some of this happen ... is to find regulatory, business, and investment models that do two things:

- **Facilitate the development of the new energy economy that is, right now, just beginning to reach liftoff;**
- **And, secondly, enable farmers and ranchers and other rural residents to retain a fair share of the ownership and control of this extraordinary new opportunity for rural America.**

Let me close with a true story. Last year I attended the Renewable Energy Finance Forum in New York City. It was one of the most unusual mixes of people I've ever seen working jointly in once common conference ...

... and "unusual" is an understatement. It had everything from starched-shirt Wall Street types to long-haired folks in blue jeans and sneakers who looked like they'd gotten lost on the way to a rock concert.

But they had two big things in common: they were in control of significant pools of investment capital, and they wanted to invest in green energy -- primarily solar, wind, and biomass.

In total, there was about \$125 billion in venture capital walking around that room, looking for a place to invest.

This is something that is urgently needed now, for ethanol. Down the road, the same issues apply to biodiesel, wind, solar, or any other distributed energy source. There is an enormous opportunity here for rural America, but we cannot assume it's automatic. We have work to do.

We won't finish this job overnight. It will take time. But as President Bush so clearly stated, the future is bright if we have the courage and the will to seize the opportunity.

The development of new energy sources provides us with one such historic opportunity. I am an unabashed optimist about rural America, and I believe that we will rise to the challenge. Thank you.