

Remarks of Mike Grainey
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Energy Summit: Powering the Northwest Into The 21st Century
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Good morning. On behalf of Governor Ted Kulongoski I want to welcome all of you to our Energy Summit: Powering the Northwest into the 21st Century. Our region and our nation face important choices on our energy future. A reliable, affordable, and clean supply of energy is vital to our economic and social well-being.

Today you will hear about new technologies, new energy resources, and new ways of using our energy. You will also be able to exchange views with our speakers; I encourage you to do so. That exchange is critical to gain understanding and agreement on our best options. Without such agreement, progress toward a stable energy future will be difficult. To start this exchange, let me give you some thoughts of my own. And I welcome your reactions and those of other speakers today.

I think we all agree that we will need new resources. Oregon alone will need at least 1500 megawatts of new electric energy by the year 2025, as much energy as from five fossil fuel power plants. The Northwest Power and Conservation Council says that the rest of the Northwest will need that much energy again and more.

The need will be much greater if we do not meet the Council's goal of saving 2,000 megawatts in the region in the next twenty years. That's as much energy as we saved in the last twenty years when there were easy energy savings for the taking. We will see a similar rise in the use of natural gas for homes, businesses and industry. Our need for energy for cars, trucks and mass transit, will also rise.

So what do we do? First, energy efficiency must continue to be the number one priority. We must use the energy we need wisely and efficiently, regardless of the type or source of energy.

Let me be specific. Federal vehicle efficiency standards must be changed. They have not changed in twenty years even though new standards would help our entire energy picture. During the first oil embargo in 1973, we imported about 30% of our oil. In the second embargo just six years later, our imports had soared to half our use.

Then Congress passed auto efficiency standards and other measures to reduce our oil use. By the mid-1980s our imports had dropped to less than 20%. But since then, we have been on an ever upward path. We celebrated the millennium by again reaching 50%; our imports now exceed 60% of our use and are still rising. This is simply madness and must stop.

New vehicle standards can yield three to four million barrels of oil a day. That's three times as much as from the Arctic Wilderness.

Combined with a higher renewable biofuel standard, new vehicle standards could reduce our oil imports by more than a third. This would greatly reduce our exposure to foreign pressures, and relieve the demand on the world price of oil.

Why am I talking about oil at a power conference? In addition to the obvious benefits of reducing our dependence on imported oil, less use of oil will reduce pressure on the price of natural gas, which closely tracks oil as a world commodity.

Natural gas is 20% of our energy use. Gas is much cleaner than other fuels and will continue to play an important role in power plants and in homes, business and industry for the foreseeable future. As China, India and other countries increase their industrialization, pressure on the demand and price of oil and natural gas will likely continue upward, even with liquefied natural gas, as long as the price of gas follows the price of oil.

In addition to our vehicles, we must increase efficiency in other ways. The NW Council's goal of 2,000 megawatts of energy savings is not an optional target; it is an absolute necessity.

Governor Kulongoski established a Global Warming Advisory Committee his first year in office to take a comprehensive look at actions Oregon can take to reduce its emissions of global warming gasses. That Committee recommended a number of measures to save energy, including state appliance efficiency standards for electric equipment where there are no federal standards. It also proposed new building codes by the end of 2015 which are at least 15% more efficient than our current code.

We are acting on those measures. Last year our Legislature passed standards adopted by a coalition of other states for eleven products.

These included commercial clothes washers, refrigerators and other equipment. They will save millions of dollars in reduced energy costs and hundreds of millions of gallons of water in the next twenty years. The next Legislature will consider more standards.

We are also proposing a package of cost-effective changes to our building code which will achieve at least the 15% energy savings target set by the Governor's Global Warming Advisory Committee, more than five years ahead of schedule.

To show that the state is doing its part, Governor Kulongoski has directed state agencies to reduce their energy use by 20% compared to the year 2000; that's twice the amount required by Oregon law. The Governor has also launched a program where the 1,000 largest state buildings will install all cost-effective energy savings measures in the next four years.

The Governor has also provided funds in his next budget to help schools not served by Oregon's public purpose charge to reduce their energy use. And he has provided funds so that all new schools will use 30% less energy than a new school built to current code.

The efforts of our electric and gas utilities, the Energy Trust, the Climate Trust and others will also continue to play a key role in helping achieve the NW Council's energy efficient targets. Assistant Director Bill Nesmith will discuss some of these efforts later today.

Nevertheless, we will need new resources. What will they be? I believe they must be renewable resources. Last year Governor Kulongoski adopted a Renewable Energy Action Plan, with more than 130 actions which the State, federal agencies, businesses and individuals can take to greatly increase renewable energy in Oregon. The Plan targets all sectors, electric, direct use and transportation.

Governor Kulongoski has also proposed a comprehensive set of 5 bills with more than 20 of those measures which need legislation. Assistant Director Larry Gray will discuss that package later today.

But I'll mention one bill which embodies our overall goal. That bill creates a Renewable Portfolio Standard; it requires our utilities to meet 25% of their load from new renewable energy by 2025. That means that virtually all of Oregon's electric load growth will be met from renewable energy, not fossil fuels.

And to show these targets are achievable, Governor Kulongoski has directed state agencies to do much more; to meet not just load growth but their entire load with renewable energy by 2010.

This bill has been reviewed for nearly a year by a forty member Renewable Energy Working Group established by Governor Kulongoski. It includes representatives of utilities, businesses, environmental groups, renewable energy experts and others. As a result, our Renewable Portfolio Standard is very different from the one recently passed by the voters in Washington or passed by Colorado voters a few years ago.

It has more than 50 provisions which address concerns and issues raised by the Working Group. For example, no utility is required to shut down any existing power plants. Publicly-owned utilities are guaranteed continued access to BPA power, and investor-owned utilities access to low-cost hydro from the mid-Columbia dams. Upgrades to hydro facilities qualify, the same as solar, geothermal, wind, wave, hydro, biomass and other renewables.

There is also a cost cap, so the standard does not impose an undue cost on ratepayers, even though it is likely that use of renewable energy will be less expensive than increasing reliance on fossil fuels. Even with these safety net provisions, Oregon will be firmly set on a course of renewable energy as our primary source of future power.

Renewable energy is the right choice for our future. It has less environmental impact than fossil and nuclear power, keeps more dollars in the local economy and avoids costly imports. And locally developed renewable resources can bring jobs and revenues to rural communities while producing cleaner energy for the entire region.

I also think that neither new coal nor new nuclear plants will likely play a significant role in our region's future. I'm sure some of you disagree and I look forward to hearing from you later today. But here are my reasons.

Coal will likely come under increasing constraints, on emissions of greenhouse gasses, mercury, and other pollutants. Even coal which meets air quality standards impacts a region's air shed, and can limit industrial and other economic growth. New integrated coal gasification plants, or IGCC, are cleaner than pulverized coal plants in some ways, but let's not underestimate their impact.

IGCC plants would still emit ten times the amount of sulfur oxides as natural gas, and more than twice the amount of particulates as gas. And they would emit as much CO₂ and nearly as much mercury as a new pulverized coal plant.

What about nuclear power? I think it will continue to have problems of broad public and utility acceptance until a solution is found for disposal of nuclear waste. I say this even though my first job out of law school was with the Nuclear Regulatory Commission.

During that time I was on a task force that helped the Commission find a high degree of confidence that nuclear waste would be safely disposed of. This let the Commission continue to license power plants, while waste disposal was unresolved.

But the Commission made its finding decades ago, more years ago than I'd like to admit, and we're no closer to solving waste disposal now than we were then. The State of Nevada and others continue to bitterly fight geologic disposal at Yucca Mountain. Onsite long term storage is not attractive to utilities.

And the proposal to send those wastes to sites that are already heavily contaminated, including Hanford in our own region, is no solution at all, but would only complicate further the already difficult cleanup effort at those sites.

Even with the limited liability of the Price-Anderson Act, and a new production tax credit 15 years longer than for renewable energy, the utility response to new nuclear plants has been tepid at best.

I think that a future of renewable energy, combined with a strong commitment to energy efficiency, is the path we must take. This can be a path in which businesses and utilities can fully benefit and be leaders in the effort. For example, over 12,000 Oregon businesses have invested \$960 million of their own funds in energy efficiency and renewable energy, using our Business Energy Tax Credit. The energy saved is worth over \$300 million annually.

PGE and PacifiCorp have consistently been two of the top investor-owned utilities in the nation in their customers buying renewable energy. Both utilities have also invested in hundreds of megawatts of wind and may acquire hundreds of megawatts more.

NW Natural and Avista gas utilities have been national leaders in alternative fuels, use of combined heat and power, hydrogen fuel cells and other energy efficiency efforts. And our publicly-owned utilities are voluntarily spending proportionately as much on efficiency and renewable energy with BPA's help as the public purpose charge requires of investor-owned utilities.

Many promising wind, geothermal and biomass sites have limited transmission or none at all. BPA can play a key role in upgrading and expanding transmission to where these renewable resources are.

We spend nearly \$10 billion a year on energy in Oregon alone. Most of that money goes out of state and much out of the country. But our energy costs would be nearly \$1 billion higher, if not for our efforts to save energy and use renewable energy. The choices we all make really can make a difference.

So how will we power the Northwest into the 21st Century? We can have an energy future that relies on 19th Century and mid-20th Century technologies, with ever increasing amounts of pollution and increasing imports, with damage to our balance of trade, national security and our economy.

Or we can invest our future in greater efficiency and renewable energy, with economic and environmental benefits, and a future of sustainable energy resources.

That is the choice we have. We have many decisions to make. I hope this conference today will give us insight to choose wisely.

Thank you very much.