

**Forest Products Association of Canada Vancouver Meeting  
“U.S. Bioenergy Policy: National and Global Context”  
May 9, 2008**

**Thomas C. Dorr  
Under Secretary for Rural Development  
(20 minutes)**

**Good morning. It is a distinct pleasure to be here today. I appreciate this opportunity to participate in your discussion of renewable energy ... especially biofuels and biomass ... and its impact on agriculture, rural communities and forestry.**

**If I may anticipate my conclusion, let me say simply that, from a USDA Rural Development standpoint, we view biofuels as probably the greatest new opportunity for economic development and wealth creation in rural America in our lifetimes. We are excited to be a part ... a major financier ... of the renewables revolution.**

**That said, however, these subjects very clearly are contested terrain. One can scarcely pick up a newsmagazine in the United States, for example, without encountering a story raising the alarm.**

**One week the crisis is global warming or rising gasoline prices or our excessive dependence on oil imports, and biofuels are part of the solution.**

**The next week the crisis is global warming, hunger in Africa or deforestation in the Amazon, and biofuels are the villain. Global warming is invoked both ways, in each instance in panicked terms.**

**The one certainty is that tomorrow the crisis will be something else ... and the astonishing thing about pack journalism is the way the whole pack seems to turn on a dime. It's a classic example of Harold Rosenberg's indispensable phrase, "a herd of independent minds."**

**So biofuels are indeed contested terrain. But if one steps back from the press of daily events ... if one looks at the bigger, long-term picture ... some things becomes perhaps a bit clearer.**

**Just a month ago, the world gathered in Washington D.C. for WIREC 2008, the Washington International Energy Conference. Over 130 nations participated in the Ministerial meeting. At the same time, a co-located Trade Show and Business Conference ... one of the largest**

**renewable energy show ever held in the United States ... drew record attendance. Some of you very likely were there.**

**The clear message from WIREC ... and this is old news to anyone who has been engaged over the last ten years in renewable energy ... is that renewable energy is coming of age. It is going mainstream.**

**\$100 oil makes a difference. Concern over greenhouse gas emissions makes a difference. New technologies make a difference. Ethanol is the closest to full commercialization of the major renewable energy resources. It is the leading wave of the renewables revolution.**

**Renewables are going mainstream.**

**So it is important in discussing U.S. biofuels policy to begin with this broader global context. This perhaps ought not to be necessary ... but in view of the current debate, it clearly is.**

**The global context is precipitated by a remarkable success story. We won the Cold War.**

**As a result, the global context of this discussion is a world economy that is growing, and rapidly. Since the fall of the Berlin Wall, between two and three billion people have joined the world market system. This is the greatest explosion of economic freedom in world history.**

**Many of these people have turned out to be formidable competitors, and this creates myriad problems for the already-developed countries.**

**But in the broader context we should celebrate and applaud the fact that several billion people, many of whom used to be our enemies ... or rather, their governments used to be our enemies ... are now earning their way to a better life as producers, as consumers, and as partners, customers ... and, yes, as competitors ... in the world market.**

- They are eating better, and in the process creating new demand for agricultural commodities around the world.**
- They are graduating from bicycles and busses. China is already the world's second largest automotive market and oil importer.**

- **They are investing in refrigerators, washing machines, and televisions ... in cellphones and PCs ... in new homes, offices, and factories ... in all the things you and I have long taken for granted.**
- **And all of this is creating massive new demand for commodities, especially energy ... a demand that, frankly, we did not fully anticipate even a decade ago. This of course is reflected in prices.**

**I dwell on this because there seems to be a view ... and it is astonishingly widespread right now in the U.S. media ... that this explosion of economic freedom and this remarkable growth is somehow to be feared.**

**The implication of this view ... mind you, I don't share it ... is that half the human race should consent to live in permanent destitution so as not to compete with us in world markets ... and to remain poor so as to provide a picturesque, authentic native backdrop for vacationing westerners.**

**I don't share that view. To reduce this to a simple formula ... an admittedly over-simple formula ... we won the Cold War ... and this is**

**the price of victory. This is what victory looks like. The world is a very different, and better, place.**

**The real context of the biofuels debate is a surging world economy which is revaluing resources across the board. And I believe fundamentally ... with the late Julian Simon ... that the greatest resource of all is human ingenuity which, coupled with the power of free markets, is in fact the solution for the resource constraints that inconvenience us today.**

**To be blunt, on this great, interconnected question of biofuels, biomass, the carbohydrate economy, and the revolution in energy production, there is clearly a defeatist lobby intent on seizing upon every transitional issue as an excuse for throwing up barriers to change.**

**I stand on the opposite side of that divide. I believe that this is an extraordinary opportunity. We can and will work our way through the transitional issues. It won't always be easy or painless ... but in the final analysis, standing still is simply not a viable option.**

**The new IEA – the International Energy Agency – baseline projects a 55% increase in global energy consumption by 2030. 74% of that increase comes from the developing world, led by India and China.**

**At considerable cost ... because energy efficiency isn't always cheap ... we may slice a bit off the rate of growth through more aggressive efficiency measures. Alternatively, an uptick in growth would push energy consumption even higher.**

**But either way, to meet this growing demand we are probably going to need more of everything ... more nuclear, more coal, more domestic oil and gas, more renewables. To suppress any one or two of these options simply raises the bar for the others.**

**At the same time, greenhouse gas emissions have emerged as a policy-driving international issue. With regard to transportation fuels, biofuels are the only near- to intermediate-term option for directly displacing oil.**

**In the long run ... yes, hydrogen fuel cells or all electric vehicles may replace the internal combustion engine, at least for automobiles. Big**

**trucks are a tougher story. But that day is not at hand, and may be decades away. Meanwhile, ethanol is here, it's affordable, it's clean, and it's domestically produced.**

**That means if we're serious about diversifying away from oil over the next 20-30 years, the large scale adoption of biofuels, especially second and third generation ethanol, is clearly part of the solution. The critics who are simply opposed to everything ... and we have a lot of them ... need to pause, and look seriously at the real choices.**

**The United States, certainly the Bush Administration, is committed to the rapid deployment of renewable energy. This extends beyond biofuels.**

**Since the beginning of this decade ... since President Bush took office ... we have transformed the policy environment.**

- **The United States now lead the world in waste to energy, solar thermal electric, and geothermal.**

- **Installed wind capacity has increased 7-fold. We have led the world the last three years in new installed wind capacity.**
- **We are on pace to surpass Germany as the world leader in cumulative wind capacity by the end of next year.**
- **We rank third internationally, behind Germany and Japan, in grid-linked solar photovoltaics. Annual photovoltaic domestic shipments have increased more than tenfold since 2000.**
- **And as you know better than anyone, the United States leads the world in the production of biofuels. We're first in ethanol, second in biodiesel, and growing in both areas. And we are the world leader in bringing cellulosic ethanol into production, which is on track to reinvent this industry in the very near future.**
- **A year ago, President Bush called for a 20% reduction in U.S. gasoline use by 2017. Last December, Congress enacted, in slightly modified form, a key part of this proposal ... a Renewable Fuels Standard calling for production of 36 billion gallons of**

**biofuels by 2022. This is a 5-fold increase above current levels and clearly requires the commercialization of cellulosic ethanol.**

**This is, as I said before, contested terrain. There are those who would retreat from these commitments. There will be an election in November, and I can't predict the outcome.**

**But I would submit that renewable energy, including biofuels, is an enormous opportunity, and one we should continue to pursue.**

**Will there be transitional issues? Of course. In agriculture we are shifting from a food, feed, and fiber paradigm to a food, feed, fiber, and FUEL paradigm. Why? ... Because calories and BTU's are fungible. For agriculture and for forestry, this is an opportunity, not a threat.**

**There WILL be adjustments, as there have been before. In the 1950's, we experienced the buildout of the modern livestock and poultry industries and corn reached a new equilibrium point of about \$1/bu.**

**In the 1970's, major new export markets drove corn to the \$2 plateau ... where it stayed for 30 years.**

**Now biofuels have emerged as a new demand driver. Corn is still finding its new equilibrium point. But this too is an opportunity, not a threat.**

- We are at the start of the genomics revolution. Since the Second World War, U.S. production has increased from about 40 bushels an acre to around 160 bushels, on average, and much more on good ground. I can't put a figure on what it will be in 20 years, but it WILL be higher.**
- Farmers around the world are ramping up production. Many countries have underinvested in agriculture for decades, viewing it as a low-return industry in an age of chronic overproduction. Now the incentives have changed dramatically.**
- It is also important to remember that the poorest of the world's poor are subsistence farmers in third world countries. They now have the green light to produce for a growing industry, if their governments will let them. As many of our speakers at WIREC emphasized, this is an historic opportunity for rural development.**

**So there will be changes. Much is being made today of rising prices for agricultural commodities. This is caused by rising demand ... better diets ... soaring oil costs, which are a major cost factor for agriculture ... and by adverse weather in several exporting countries. Feedstock demand for ethanol is of course a factor, but a relatively small one.**

**But in the long run, food remains ... and will remain ... a bargain by historical standards.**

- **The FAPRI and USDA long term analyses project long-term price stability as production ramps up and corn finds a new equilibrium level.**
- **Food will continue to decline as a percentage of disposable income.**
- **The U.S. will continue to serve its traditional food, feed, and export markets.**

- **U.S. corn exports, in fact, are at a record high this year ... although that doesn't stop the pack journalists from blaming corn ethanol for rising global prices.**

**So here we are. The world of energy is changing. Agriculture is in transition. Forestry will be affected. China is not going away, and neither is India, so resources are being revalued across the board.**

**For those who position themselves to serve these new markets, this is opportunity indeed. That, I submit, should be our goal. Thank you.**