

SUBMITTED TESTIMONY OF

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**A 'NO-BRAINER': THE NATIONAL SECURITY CASE FOR
PLUG-IN HYBRID ELECTRIC VEHICLES**

**HOUSE SELECT COMMITTEE ON ENERGY INDEPENDENCE
AND GLOBAL WARMING**

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Mr. Chairman, thank you for affording me an opportunity to address the national security arguments for encouraging the earliest and widest possible utilization of plug-in hybrid electric vehicles (PHEVs).

Energy: The *Sine Qua Non* of 21st Century Economic and Military Power

Two years ago, nearly to the day, I testified before the House Armed Services Committee in opposition to the then-pending purchase of an American energy concern, Unocal, by the Chinese National Overseas Oil Company (CNOOC). I told your colleagues, among other things:

At the risk of stating the obvious, no nation can afford its people the quality of life, let alone the economic and security benefits, associated with being an advanced 21st Century society without assured and cost-effective access to energy. Today, for the United States and most of the rest of the world – including, increasingly, Communist China – that means having access to reliable sources of imported oil....

China is mindful of the lessons of the 20th Century with respect to energy insecurity. Imperial Japan's thirst for imported oil was a principal catalyst for its war with the United States. For the moment, the PRC is neither able nor willing to emulate the violent seizure by Japan some sixty-four years ago of petroleum and other natural resources in East Asia. We ignore at our peril, however, the fact that Beijing is engaged in an even-more-ambitious effort to acquire legal title to energy resources, not only in the Western Pacific – where much of Unocal's reserves of 650 million barrels of oil are to be found – but literally *around the world*.

What is particularly worrisome is that Chinese deals being struck from Siberia to Venezuela, from Indonesia to Sudan, from Iran to Canada, from Azerbaijan to Cuba appear not only designed to secure oil to meet Chinese needs. In a world in which such resources are certainly finite, and possibly contracting, they also have the

effect of taking them off a global market upon which the United States is increasingly dependent.

Jim Woolsey, Robert McFarlane and a number of other national security-minded individuals and organizations have joined the Center for Security Policy in advancing a plan for energy security we call the “Set America Free” blueprint. (The blueprint can be viewed at www.SetAmericaFree.org.) It offers practical steps that can be taken immediately to begin reducing the Nation’s need for imported oil.

Unless such steps are taken, it would appear that, as a practical matter, we will inevitably find ourselves on a collision course with Communist China, particularly if world-wide demand for oil approaches anything like the projected 60% growth over the next two decades....

Other Energy-related National Security Threats

The possibility of a conflict with China over access to energy resources is but one of the compelling national security reasons to reduce our consumption of oil. Others include the following:

- About three-quarters of the world’s proven oil reserves are in the hands of adherents to an ideology best described as Islamofascism. We are and our allies are, as a result, transferring enormous wealth in the form payments for imported petroleum to people who are trying to kill us.

Not least, our putative friend, the “moderate” regime of Saudi Arabia is using such funds to promote a pincer movement against the West, involving Wahhabi recruitment and indoctrination via Saudi-funded mosques, madrassas, political influence operations, prison and military chaplain programs and campus organizations on the one hand and Muslim Brotherhood fronts on the other. As Under Secretary of the Treasury Stuart Levey told Congress in July 2005, “Wealthy Saudi financiers and charities have funded terrorist organizations and causes that support terrorism and the ideology that fuels the terrorists' agenda. Even today, we believe that Saudi donors may still be a significant source of terrorist financing, including for the insurgency in Iraq.”

Our enabling of such behavior is the height of folly, an irresponsible and certainly unsustainable practice from a national security perspective.

- Various suppliers of oil have increasingly utilized the threat of supply constriction as a weapon against the United States and other oil-consuming nations. To cite but a few examples:
 - In October 2002, member countries of the Organization of the Islamic Conference entertained the idea of an oil embargo to stop the United States from attacking Iraq. Mahathir Mohamad, the Malaysian prime minister at the time, said: "Oil is the only

thing Muslim nations have which is needed by the rest of the world. If they can cut back on supply, people will not be oppressive on them....It can be used as a weapon to protect the interest of Muslims."

- In April 2002, Saddam Hussein declared an oil embargo for thirty days in response to Israeli military operations in the West Bank. Libya immediately announced that it would follow suit if other Muslim oil-producers imposed an oil embargo. Iran's supreme leader Ayatollah Ali Khamenei stepped up to the plate reminding his OPEC colleagues that if the West did not receive oil, "their factories would grind to a halt. This will shake the world!" A day later, similar sounds came from Saudi Arabia, holder of a quarter of the world's oil reserves.
- Palestinian leaders have also urged their Arab brothers to show more muscle and use the power endowed to them by Mother Nature (i.e., curbing or cutting-off oil supplies).
- Iranian officials warned that the oil weapon would be used should the U.S. use force against Iran. Similar threats have come from Venezuela's Hugo Chavez. And
- Russia has repeatedly used threatened or actual reductions in energy exports to coerce its neighbors and other customers into toeing Moscow's line. Just this week, the Kremlin doubled the price of natural gas supplied to Georgia.
- If another oil embargo is not in the cards today that is only because of its current, questionable utility for OPEC's members who need oil revenues to sustain their growing populations – not because they perceive the strangulation of America's economy to be immoral or impossible to effect. This calculus could easily change as the world becomes ever-more-dependent on OPEC.
- Terrorists appear to understand the dependency of our economy and those of other Western powers on imported oil. They have also demonstrated an appreciation of the fact that it is possible to cause devastating interruptions in the flow of that vital commodity by striking at local extraction, processing and/or offloading infrastructures – without having to undertake the more challenging and risky task of attacking energy-related facilities here. Had, for example, the narrowly averted attack against the Abqaiq processing facility in Saudi Arabia succeeded, we would today be in the midst of a full-blown energy crisis, with severe implications for the world's economy and our own.

What is to be Done: 'Fuel Choice'

The only effective way to reduce America's vulnerability to one or more of these strategically ominous prospects is to take steps that have the effect of systematically diminishing the role of oil in international politics.

Let me be clear: The world will need oil for the foreseeable future. **What is required from a security perspective, however, is to shift oil from being a *strategic commodity* to being just another commodity.** In order to do that, *oil must become interchangeable with other energy sources.*

Recognizing, however, that *two-thirds of U.S. oil consumption is by our transportation sector*, the Set America Free Coalition – which I am proud to represent at this hearing – has focused its efforts on promoting *fuel choice* for that critical part of our economy. I would like to thank the Co-Chairs of the Set America Free Coalition, Anne Korin and Gal Luft, for all their hard work and their considerable contributions to this testimony.

The Coalition's Blueprint calls for a variety of initiatives that would increase the availability of both alternative fuels and the vehicles and infrastructure that can utilize them. We support the expanded use of ethanol (derived not just from corn, but from sugar cane and other cellulosic feedstocks) and methanol (from coal as well as other sources). I am of the view that every car sold in America from now on should be required to have **Flexible Fuel Vehicle (FFV)** capability – that is, to be able to burn either ethanol, methanol or gasoline (or some combination thereof). This could dramatically increase the miles per gallon *of gasoline* (the relevant measure if we are concerned with reducing oil consumption) performance of such cars.

An Electrifying Prospect

Arguably, the most attractive of alternative fuels however, is electricity. Since only 2% of our electrical grid relies on oil to generate power, electrification of the transportation sector is a key element of the effort to reduce our consumption of oil. Automobiles and other vehicles that can use electricity to provide some or all of their fuel can make a real contribution to weaning us from our oil addiction and diminishing the national security vulnerabilities that arise therefrom.

For these reasons, the Set America Free Coalition has been active in encouraging initiatives on a broad front to realize the potential of plug-in hybrid electric and other electric vehicles. It has been very gratifying to see a-building in recent days in both the House and Senate a veritable *tsunami* of legislation that reflects these ideas, including: tax credits, loans and other incentives for federal, state and local government agencies to become early-adopters of PHEV technology; programs to foster electrification of vehicles used in seaports, airports and other transportation hubs; loan guarantees and plant conversion grants for battery manufacturers; and funding for PHEV-related research and development, demonstration and education programs.

I will leave it to my colleagues on this panel who are far better equipped to discuss the state of plug-in hybrid electric vehicle technology and the prospects for its introduction on a large scale – especially if some or all of the aforementioned initiatives are enacted. Suffice it to say, I am inspired by their efforts and believe we should do all we can to ensure their success.

Mr. Chairman, let me end where I began, with a threat from the Peoples Republic of China. It appears that Communist China will shortly be introducing to the U.S. and other export markets the Chery – a car that could sell for as little as \$10,000. Some believe the Chinese intend to translate their competitive advantage in battery technology to offer a plug-in hybrid electric variant of their vehicle at a price to consumers of \$13,000-\$15,000.

If such cars are also Flexible Fuel Vehicle-capable, they could get as many as *500 miles* per gallon of gasoline. With the price of gas at today's levels – let alone the *higher* prices that would be associated with one or more of the threats I have described above, it is hard to imagine that the U.S. automobile industry will remain in business for very long, with potentially far-reaching implications for our economy, society and security, *unless* Detroit is able to offer its own, competitive PHEVs.

Mr. Chairman, I thank the Select Committee and your colleagues elsewhere in the Congress for the appreciation you are showing for the contribution plug-in hybrid electric vehicles can make to the security and the economy of the United States. I encourage you to redouble your efforts on behalf of all those who stand to benefit from this important technology.

Frank J. Gaffney, Jr. formerly acted as the Assistant Secretary of Defense for International Security Policy in the Reagan Administration. He is currently President of the Center for Security Policy and a founding member of the Set America Free Coalition.