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THE IMPACTS AND FUTURE OF NORTH AMERICAN
ENERGY TRADE

WEDNESDAY, DECEMBER 13, 2017

House of Representatives

Subcommittee on Energy

Committee on Energy and Commerce

Washington, D.C.

The subcommittee met, pursuant to call, at 10:15 a.m., in Room 2322 Rayburn House Office Building, Hon. Fred Upton [chairman of the subcommittee] presiding.

Members present: Representatives Upton, Olson, Barton, Shimkus, Latta, McKinley, Kinzinger, Griffith, Johnson, Flores, Mullin, Cramer, Walberg, Duncan, Rush, McNerney, Peters, Welch, Tonko, Loeb sack, and Pallone (ex officio).

Staff present: Samantha Bopp, Staff Assistant; Allie Bury, Legislative Clerk, Energy/Environment; Wyatt Ellertson, Research Associate, Energy/Environment; A.T. Johnston, Senior Policy

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26 Advisor, Energy; Ben Lieberman, Senior Counsel, Energy; Mary
27 Martin, Deputy Chief Counsel, Energy & Environment; Brandon
28 Mooney, Deputy Chief Energy Advisor; Mark Ratner, Policy
29 Coordinator; Annelise Rickert, Counsel, Energy; Dan Schneider,
30 Press Secretary; Peter Spencer, Professional Staff Member,
31 Energy; Jason Stanek, Senior Counsel, Energy; Madeline Vey,
32 Policy Coordinator, Digital Commerce and Consumer Protection;
33 Priscilla Barbour, Minority Energy Fellow; Jeff Carroll, Minority
34 Staff Director; Rick Kessler, Minority Senior Advisor and Staff
35 Director, Energy and Environment; John Marshall, Minority Policy
36 Coordinator; Alexander Ratner, Minority Policy Analyst; Tuley
37 Wright, Minority Energy and Environment Policy Advisor; and C.J.
38 Young, Minority Press Secretary.

39 Mr. Upton. Good morning. Good morning, everybody, and
40 welcome to everyone that's here. Appreciate you all taking time
41 so close to the holiday season to be with us today. That's for
42 certain. This hearing builds upon the Energy and Commerce
43 Committee's impressive record of hearings on energy security, job
44 creation, and infrastructure.

45 One of the many things that I appreciate about this
46 subcommittee is that we have members who represent both northern
47 and southern border states.

48 As a proud Michigander, I will be focusing my comments and
49 questions more on our relationship with Canada, while I am sure
50 my friends from Texas -- it was a nice win by Michigan over Texas
51 in basketball last night -- will be focusing more on Mexico.

52 But one thing I want to make clear, this hearing is about
53 North American integration, specifically, the impacts and future
54 of North American energy trade.

55 We want to examine how North American energy trade has
56 strengthened all of our economies and our trading relationships.

57 Nationally, 14 million jobs are tied to trade with Mexico
58 and Canada. In Michigan, it is nearly 400,000. This trade makes
59 us more competitive internationally and can prove to be the
60 difference between creating or shedding
61 jobs.

62 Eighty-four percent of petroleum and coal products exported
63 from Michigan go to either Mexico or Canada. The energy markets

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64 of Canada, Mexico, and the U.S. are becoming
65 increasingly interdependent, thanks in large part to the free
66 trade status of energy commodities.

67 When we think about energy trade, we are including crude oil,
68 refined petroleum products and other liquids, natural gas, and
69 electricity.

70 To sum it up, we have transmission lines that go across the
71 border, we have got pipelines that go across or under the border,
72 and we have goods and services that go across the
73 border as well.

74 Energy trade is much more than just commodities. There is
75 also a huge supply chain supporting everything. The multiplier
76 effect of energy trade is great throughout our economy.

77 Trilateral engagement is not just about trade, but also about
78 information sharing. Just last month, the Energy Information
79 Administration announced the launch of a
80 website on North American Cooperation on Energy Information, or
81 NACEI.

82 This resource consolidates energy-related data, maps,
83 references from the U.S., Canada, and Mexico. The current areas
84 of focus include comparing, validating,
85 and improving respective energy import and export information;
86 sharing publicly available geospatial information related to
87 energy infrastructure, and exchanging views and information on
88 protection of cross-border energy flows with the harmonization

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89 terminology, concepts, and the definitions of energy products.

90 This will allow each country to work together for the benefit
91 of all three countries.

92 The centerpiece of our trade relationship, of course, is
93 NAFTA, which entered into force on January 1st, 1994. On May 18th
94 of this year, the Trump Administration sent a 90-day notification
95 to Congress of its intent to begin talks with Canada and Mexico
96 to renegotiate NAFTA.

97 Currently, negotiations are holding intersessional meetings
98 in Washington through mid-December in advance of a sixth round of
99 negotiations which are scheduled to be
100 held from January 23rd to the 28th in Montreal.

101 My expectation is that today's hearing will provide some
102 context for the NAFTA negotiations. I look forward to hearing
103 the testimony of our witnesses and engaging in a conversation
104 about the benefits of a robust North American
105 energy sector.

106 And with that, I yield to the ranking member of the
107 subcommittee, Mr. Rush.

108

109 [The prepared statement of Mr. Upton follows:]

110

111 *****INSERT 1*****

112 Mr. Rush. I want to thank you, Mr. Chairman, for holding
113 this important hearing on the impact and future of the North
114 American energy and trade.

115 Mr. Chairman, I have held several meetings with relevant
116 stakeholders concerned with the Trump administration's
117 ill-advised decision to try and unilaterally change or get rid
118 of existing agreements, existing accords, and treaties.

119 Unfortunately, Mr. Chairman, we have heard the president
120 talk of reneging on a mass array of deals signed by the previous
121 administration on everything from the Iran nuclear deal to the
122 Paris agreement up to and including major trade agreements such
123 as NAFTA.

124 Personally, Mr. Chairman, while I did not vote for NAFTA when
125 it came before the House, I do have concerns over the
126 constitutionality of a president singlehandedly changing or
127 overturning a trade agreement that was passed by Congress.

128 Additionally, Mr. Chairman, and as importantly, I also have
129 grave concerns over the global perception of the credibility of
130 the United States when neither our friends or allies nor other
131 foreign powers can depend on the sincerity of the U.S. government
132 if anything a new president -- if at any time a new president takes
133 office he or she chooses to reverse or renege on agreements signed
134 under the previous administration.

135 Unfortunately, Mr. Chairman, this appears to me a recurring
136 theme of this president's chaotic governing philosophy where no

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previous accord is ever safe from interference and any promise can be voided at any time regardless if it is made to friend or foe.

Mr. Chairman, based just on the merits, the Energy Information Administration estimates that energy trade between the North American countries exceeded \$140 billion just in 2015 alone and with the U.S. importing an estimated \$100 million and exporting over \$40 million in energy products with Canada and Mexico.

Additionally, Mr. Chairman, just last year, former President Obama signed the North American Climate, Clean Energy, and Environment Partnership along with his counterparts from Canada and Mexico.

This important agreement established several objectives, Mr. Chairman, and benchmarks aimed at advancing clean energy and reducing climate changing -- climate inducing pollutants between all three countries with the goal of 50 percent clean power generation by the year 2025.

Mr. Chairman, this pact would also help to develop cross-border transmission partners while improving it and aligning appliance and equipment efficiency standards between all three partners.

At a time when the U.S. has become more intertwined and interdependent in our dealings with other countries both economically as well as for national security purposes, we cannot

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162 expect to be seen as a credible leader within the global arena
163 while at the very same time thumbing our nose at previous deals
164 and agreements just because they were signed by a president from
165 another party.

166 Instead, we must show leadership in Congress to demonstrate
167 to our friends and allies as well as to our foes and competitors
168 that the U.S. will honor the deals that we signed and we will not
169 renege on our promises.

170 Mr. Chairman, I want to thank you. I look forward to hearing
171 from our witnesses today and also want to at the same time welcome
172 our witnesses.

173 And I yield back the balance of my time.

174 Mr. Upton. Chairman yields back.

175 I know the chairman of the full committee is on his way from
176 the hearing that's downstairs. So at this point I'll yield five
177 minutes to the ranking member of the full committee, Mr. Pallone.

178 Mr. Pallone. Thank you, Mr. Chairman.

179 Regardless of the outcome of the current NAFTA talks, the
180 U.S. will continue to trade fossil fuel commodities with Canada
181 and Mexico for years to come and I'd like to see a change in our
182 focus.

183 Rather than focusing on trading fossil fuel commodities, we
184 should prioritize expansion of renewable energy technologies and
185 how they can benefit the North American electricity grid.

186 According to the Energy Information Administration, more

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187 than half of new electricity-generating capacity added to the grid
188 between 2014 and '16 came from renewable technologies and we
189 should look at expanding this technology so that we can make
190 renewables a larger part of our electric exports.

191 In 2009, the U.S.-Canada clean energy dialogue was launched
192 to encourage clean energy technology development among our two
193 nations when key aspect of this collaboration focused on expanding
194 and modernizing the North American transmission grid to
195 facilitate movement of renewable power between the United States
196 and Canada, and right now there are several large-scale
197 transmission projects in the works to bring renewable power across
198 the United States' borders with Canada and Mexico and the
199 modernization of the grid in order to facilitate these types of
200 projects is critical to the overall future of energy development
201 in North America.

202 The United States has also forged a strong agreement with
203 Canada and Mexico to address climate pollution and advance clean
204 energy.

205 In 2016, the countries established the North American
206 Climate, Clean Energy, and Environment Partnership.
207 Collectively, the partnership set a goal of 50 percent clean power
208 generation and the more than 40 percent reduction on methane
209 emissions by 2025.

210 And the Trump administration has been silent on this
211 commitment. But based on the president's foolish decision to

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212 walk away from the Paris climate agreement, I do not have high
213 hopes that he will fulfill this commitment.

214 It's unfortunate that the Republic majority has focused
215 today's hearing primarily on fossil fuels. Instead, I believe
216 it's even more important for us to focus on ways we can continue
217 to work with our neighbors to reduce carbon emissions and expand
218 trade and clean energy technologies. We have a knowledgeable
219 panel of witnesses before us and I look forward to hearing their
220 testimony.

221 I don't know if anyone else wanted -- yes, I yield the
222 remainder of my time to Mr. Green.

223 Mr. Green. Thank you, Ranking Member, for yielding to me.

224 Energy trade between the U.S., Canada, and Mexico has been
225 at all-time high in recent years. Where the U.S. is the largest
226 producer of crude oil on the continent, Canadian reserves far
227 outstrip our own. Mexico also has significant discoveries of
228 offshore sites in the Gulf over this summer.

229 Many Texas refineries rely on Mexican imports for their
230 source of crude oil. At the end of this year, Mexico has a demand
231 of about 600,000 barrels a day of gasoline imports due to their
232 lack of refining capacity.

233 A huge percentage of this 600,000 barrels of day will come
234 from the refinery complexes we have along the Texas Gulf coast.
235 While the U.S. and Canada have integrated our energy markets to
236 a great degree post-NAFTA and with Mexico's recent reforms in the

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237 coming years cooperation among the countries will only get
238 stronger.

239 NAFTA has been a success in many ways but did not contain
240 many provisions on energy policy. Our first goal when discussing
241 how to improve NAFTA should be closer ties and friendship among
242 all three countries.

243 Our second goal should be an integrated North American energy
244 market. This is one reason I introduced our cross-border
245 infrastructure bill with our colleague, Representative Mullin,
246 earlier this year.

247 There are 11 cross-border projects awaiting a decision by
248 the Department of State in the present and including electric
249 lines and water pipelines. It's Congress' responsibility to
250 create the regulatory rules by which infrastructure is
251 constructed.

252 Our bill, H.R. 2883, which passed our committee on the floor
253 of the House, would create a regulatory process at the Federal
254 Energy Regulatory Commission, Department of State, Department of
255 Energy to permit cross-border infrastructure by recognizing the
256 energy trade between Mexico, Canada as in our national interest.

257 It is my hope that the Senate will soon take up this language
258 so we can continue building on that success and we should embrace
259 the changes taking place in North America and harmonize our
260 policies with those of our neighbors to the north and the south.

261 And again, thank you for the time by our ranking member.

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262 I yield back.

263 Mr. Upton. The gentleman yields back.

264 We are ready for the testimony. I want to appreciate our
265 witnesses providing the testimony in advance. It'll be made part
266 of the record.

267 You will be given each the opportunity take five minutes to
268 summarize that statement and then we will begin with questions.

269 Our witnesses today, Karen Harbert, president and CEO,
270 Global Energy Institute, U.S. Chamber of Commerce, and a former
271 under secretary from the Department of Energy -- goes back a long
272 ways; Chet Thompson, president of the American Fuel and
273 Petrochemical Manufacturers; Allen Burchett, global head of
274 strategic projects on behalf the National Association of
275 Manufacturers; and Alan Krupnick, senior fellow for the Resources
276 for the Future.

277 Ms. Harbert, we will start with you. Welcome. Nice to see
278 you.

?STATEMENTS OF KAREN HARBERT, PRESIDENT AND CEO, GLOBAL ENERGY INSTITUTE, U.S. CHAMBER OF COMMERCE; CHET THOMPSON, PRESIDENT AND CEO, AMERICAN FUEL AND PETROCHEMICAL MANUFACTURERS; DR. ALAN KRUPNICK, SENIOR FELLOW, RESOURCES FOR THE FUTURE; ALLEN BURCHETT, GLOBAL HEAD OF STRATEGIC PROJECTS, ABB INC., ON BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

STATEMENT OF MS. HARBERT

Ms. Harbert. Nice to see you. Thank you, Mr. Chairman, and thank you, Ranking Member Rush, and all members of the committee.

As the chairman said, I am Karen Harbert, president and CEO of the U.S. Chamber of Commerce's Global Energy Institute.

As many of you have noted, the U.S., Canada, and Mexico have a long history of shared energy trade but for most of that time as a global economic leader and a large energy consumer the U.S. has been purchasing large supplies of oil and natural gas from both nations.

Today, the U.S. has the largest hydrocarbon resource base in the world plus very large nuclear and renewable bases in this country.

The speed with which the U.S. has moved from energy scarcity to abundance has been nothing short of breathtaking. The U.S. is fortunate to have two neighboring countries -- Canada and Mexico -- that are also large energy producers. Canada ranks number eighth globally and Mexico twenty-fourth.

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304 Unthinkable 10 years ago today, North America's abundant
305 energy resources are upending the global energy market. Combined
306 production from the U.S., Canada, and Mexico accounts for 19
307 percent of all crude oil, 20 percent of natural gas, and 12 percent
308 of all coal output.

309 Having a large share of world energy production in North
310 America not only helps our own energy and national security, it
311 also helps global energy security by diversifying supplies,
312 ensuring that a large share of global output occurs in reliable
313 countries.

314 We have always had a very open trade relationship with
315 Canada. While our trade relationship with Mexico has
316 traditionally been strong, Mexico has long prohibited foreign
317 investment in its hydrocarbon sector.

318 But that all changed in 2013 when Mexico instituted
319 constitutional reforms to put an end to the more than 70-year
320 monopoly enjoyed by state-owned oil company Pemex.

321 Today, the U.S. is a net importer of crude oil from both
322 Mexico and Canada. In 2016, the U.S. imported about 580,000
323 barrels per day from Mexico and nearly 3 million barrels per day
324 from Canada.

325 Notably, the U.S. now imports more oil from Canada and Mexico
326 than OPEC. That's very important to take note of.

327 Since 2011, the U.S. has been a net exporter of refined
328 products. There was lively trade in products among U.S., Canada,

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329 and Mexico, and the trends now favor the United States, growing
330 its share.

331 Although the U.S. is a net importer of natural gas from
332 Canada, that is not expected to remain much longer. The U.S. has
333 been a net exporter of gas to Mexico since the mid-1980s and
334 exports are growing tremendously.

335 As more infrastructure is added linking the U.S. and Canada,
336 we welcome legislation to facilitate that. We expect that the
337 U.S. will be a net exporter to both countries.

338 In 2016, Mexico and Canada accounted for 13 percent of all
339 U.S. net coal exports which yielded a \$440 million trade surplus.

340 We expect the downward trend in coal exports to continue and
341 exports to other countries to grow. We have a growing and
342 integrated electricity market. There are 25 transmission
343 crossings between the U.S. and Canada and 11 crossings between
344 the United States and Mexico.

345 So in summary, for the last six years we have been running
346 a trade surplus with Canada and Mexico in refined petroleum and
347 coal, and while the trade deficit in oil and gas remains, it will
348 be shrinking rapidly.

349 The abundance of affordable energy in North America has given
350 U.S. businesses a critical leg up. We pay about two to four times
351 less for natural gas, coal, and electricity than many of our
352 competitors.

353 But the benefits aren't limited to just industry. It's

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354 consumers, too. Over the last six years, average annual
355 household energy expenditures declined by 14.1 percent.

356 Now on to NAFTA. As these trends demonstrate, the U.S.
357 energy economy has nothing to fear from NAFTA and a lot to gain.
358 A modernized NAFTA could sustain advantages for North American
359 industry and advance the market-based integration of our energy
360 sectors.

361 However, we are concerned that withdrawing from NAFTA would
362 impose unacceptably high cost to the U.S. when we are engaged in
363 historic tax reform and regulatory reform to get our economy
364 growing above 3 percent.

365 We are also worried about attempts to undermine the investor
366 state dispute settlement protections in NAFTA, which are
367 indispensable to maintaining our growing energy sector and
368 provide neutral arbitration to ensure other countries treat our
369 investors fairly.

370 In short, the robust energy trade amongst the U.S., Canada,
371 and Mexico would be threatened by a withdrawal from NAFTA. Given
372 all of this, it is our strongest recommendation that if NAFTA
373 modernization cannot be reached that the administration must
374 retain its commitment to the current trade agreement.

375 Today, the story of North American energy is one of increased
376 economic, national, and energy security for all three countries.

377 Thank you very much.

378 [The statement of Ms. Harbert follows:]

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*****INSERT 2*****

381 Mr. Upton. Thank you.

382 Mr. Thompson.

?STATEMENT OF MR. THOMPSON

Mr. Thompson. Good morning, everyone. Thank you, Chairman Upton, Ranking Member Rush, and the rest of the subcommittee members for the opportunity to testify today.

My name is Chet Thompson. I am the president of American Fuel and Petrochemical Manufacturers. AFPM represents 97 percent of the nation's refining and petrochemical manufacturing capacity including 118 refineries, 248 petrochemical facilities in 33 states.

We support more than 3 million jobs and add approximately \$600 billion each year to the U.S. economy. Our members make the gasoline, the diesel, the jet fuel, and the petrochemicals that make our modern way of life possible.

We are the world's largest refining industry today and a global leader in petrochemical production, making us the backbone of global manufacturing and transportation.

Our energy trade relationships with Canada and Mexico are critical to enhancing our position. I am going to expand -- I would like to expand on only a few points in my written testimony.

First, Canada and Mexico are helping us achieve North American energy security. Although U.S. crude production has increased dramatically over the last, you know, decade or so, our refineries still import on average 8 million barrels a day of crude.

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408 Canada and Mexico combined supply nearly have of this volume.
409 In fact, Canada is the largest supplier of crude oil to the U.S.,
410 supplying more than 3 million barrels a day, or 41 percent of all
411 of our imports.

412 We get more from Canada than all the other OPEC members
413 combined. Mexico supplies 600,000 barrels a day. They're our
414 fourth largest supplier, representing 7 percent. Not only do we
415 support to our neighbors -- import from our neighbors but we also
416 export a substantial amount of our energy as well.

417 The U.S. exports nearly 5 million barrels per day of
418 petroleum products. About a third of that goes to Canada and
419 Mexico each year. Mexico is our largest export market for
420 U.S.-refined products.

421 Last year, we exported approximately 14 billion gallons of
422 petroleum products to Mexico. This helped meet more than half
423 of their gasoline demand and contributed approximately \$11
424 billion of energy trade surplus -- surplus with Mexico.

425 Likewise, we exported almost 9 billion gallons to Canada.
426 Together, exports to Canada and Mexico have grown from essentially
427 zero before NAFTA to more than 1.4 million barrels per day.

428 That's about 7 percent of our total refining production and
429 about a third of our exports just to those two countries alone.

430 As a result of our increased energy production and the
431 increasingly integrated North American energy market, the IEA now
432 projects that North America will be energy secure by 2020.

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433 This is good for our country and it's good for the American
434 consumer. We also export a substantial volume of chemicals to
435 both Mexico and Canada. Trade in all chemicals has more than
436 tripled over the last two decades from approximately \$20 billion
437 in 1994 to \$63 billion in 2014.

438 My second point -- North American trade is growing our
439 economy. Our relationships with Canada and Mexico have made our
440 energy industry strong and that strength has attracted more
441 investment.

442 Indeed, right now there is more than \$185 billion in the queue
443 for further investments in our refining and petrochemical
444 industries.

445 With that investment comes the need for more employment and
446 a strong work force. Demand for skilled labor positions is
447 expected to grow by 12 percent by 2024. We will hire additional
448 skilled labor to work as welders, electricians, pipefitters,
449 boilermakers, and many other positions.

450 Changes in the global energy market, advances in technology,
451 and legal reforms will provide further opportunities for U.S.
452 companies. For example, the opening of the Mexican energy sector
453 has allowed us to compete and sell our products in Mexico, leading
454 to billions of dollars of investment by U.S. companies.

455 My last point I would like to make is that AFPM fully supports
456 NAFTA and believes it helps achieve energy security. North
457 American energy security is the result of our plentiful natural

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458 resources that we are blessed with, the ingenuity of our energy
459 sector, but also NAFTA. NAFTA has played a very important role
460 in our growth.

461 Thus, we support the continuation of NAFTA but think the
462 agreement should be modernized. For example, NAFTA's investment
463 protection should be strengthened consistent with other more
464 recent U.S. free trade agreements, or at the very least, investor
465 protections must be maintained.

466 Second, NAFTA should help increase regulatory coordination
467 in cross-border energy infrastructure. Finally, NAFTA customs
468 procedures should be streamlined and modernized to reflect the
469 way that energy and petrochemical trading occurs today across our
470 borders.

471 So, again, I appreciate the opportunity to be here and look
472 forward to answering your questions.

473 Thank you.

474 [The statement of Mr. Thompson follows:]

475

476 *****INSERT 3*****

477 Mr. Upton. Thank you.

478 Dr. Krupnick.

?STATEMENT OF MR. KRUPNICK

Mr. Krupnick. Mr. Chairman --

Mr. Upton. You got to hit that button.

Mr. Krupnick. There we go.

Mr. Chairman, Ranking Member, and other members of this subcommittee, thank you for inviting me to speak today about energy trade with our Mexican and Canadian neighbors.

I come before you as an economist, a senior fellow, and leader of the North American Energy Initiative at Resources for the Future.

RFF's mission is to improve environmental, energy, and natural resource decisions through impartial economic research and policy engagement. RFF is nonadvocacy and does not take positions on issues so these opinions are mine.

Today, I am here to advocate for greater harmonization and integration of energy markets and economic and environmental policies across the three countries, and I am very happy to hear the words today harmonization and integration across the aisle at this hearing from the members. That's great.

So with appropriate policies and agreements with our neighbors, North American can be the world's energy powerhouse. Free trade in energy and electricity promises greater economic prosperity, a cleaner environment, and greater energy security in all three countries.

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504 These countries have been moving towards harmonization in
505 these sectors for years now. On the economic front, the Mexican
506 energy reforms opened up oil and gas leasing and exploitation to
507 U.S. companies. The reforms also expanded markets for our
508 pipelines, generation technology, and natural gas.

509 Mexico continues to greatly increase natural gas imports
510 from the U.S. to replace oil fire generation. This development
511 will reduce electricity generation costs, lower air pollution
512 emissions from power plants, and increase energy security for
513 Mexico, which is a good thing.

514 And U.S. producers have access to a large market for their
515 natural gas. If, however, NAFTA negotiations go badly or if
516 political interference in the strait occurs, we could see increase
517 costs and delays in exporting gas.

518 We might even run the risk of Mexico eventually turning away
519 from the U.S. as a supplier, and we certainly wouldn't want that
520 for American producers or Mexican consumers.

521 The electricity sector, likewise, can benefit from increased
522 integration. We have found the cross-border interconnections
523 and capacity planning occur less frequently than they should to
524 maximize electricity reliability.

525 On the environmental front, as was mentioned, during the
526 Obama administration the U.S. became party to several tripartide
527 agreements to improve energy efficiency, reduce methane
528 emissions, work towards major CO2 reductions.

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529 These gains are being reversed by the Trump administration
530 even as Canada and Mexico continue to solidify their policies to
531 reduce greenhouse gases.

532 Canada has implemented a national carbon price for provinces
533 that do not already have a price for trading system. Mexico,
534 along with its limited carbon tax, is in the process of
535 implementing a pilot cap and trade program, and joining California
536 and some Canadian provinces in that.

537 So what can be done in general and specifically by Congress
538 to realize the benefits of greater harmonization? First, the
539 bill that you have introduced is a great start and be vocal in
540 supporting free energy trade and investment protections already
541 in NAFTA. We wary of unintended consequences of NAFTA failing.

542 Second, remember that as the U.S. continues to roll back
543 climate regulations such as its methane rules, our neighbors may
544 grow increasingly concerned about competitiveness issues.

545 Mexico and Canada may likewise become hesitant in efforts
546 to align environmental policies in the future, limiting our
547 opportunities that might improve environmental outcomes at lower
548 cost to the private sector and consumers here in the United States.

549 Third, Congress can support past and future efforts to align
550 economic, environmental, and safety regulations for offshore
551 drilling in the Gulf of Mexico. There is already an agreement
552 to build upon and DOI has worked closely with Mexican regulators
553 to share best practices and align offshore safety regulations.

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554 Such work should continue so that we can ensure successful and
555 responsible offshore drilling.

556 Fourth, Congress can help promote, along with our neighbors'
557 counterparts, the vision of renewable capacity growth in areas
558 that capture their locational advantages -- for instance, solar
559 in Mexico, hydro in Canada -- for selling into an integrated North
560 American grid.

561 Lastly, Congress can work to further improve the U.S.
562 infrastructure siting and permitting process. Pipelines,
563 transmission lines are needed to execute this vision of a North
564 America system.

565 Streamlining and strengthening this process can occur while
566 improving environmental social outcomes, for example, by using
567 cost benefit analysis in permitting decisions.

568 As our two neighbors are likewise facing similar challenges
569 in this area, we should aim to share best practice.

570 So, ultimately, the fates of the Mexican-Canadian-U.S.
571 energy sectors are intertwined. The interdependence actually
572 benefits the three countries, increases our joint energy
573 security.

574 Congress can play an important role in seeing this vision
575 become a reality.

576 Thank you.

577 [The statement of Mr. Krupnick follows:]

578

579

*****INSERT 4*****

580

Mr. Upton. Thank you very much.

581

Mr. Burchett.

582 ?STATEMENT OF MR. BURCHETT

583

584 Mr. Burchett. Good morning Chairman Upton, Ranking Member

585 Rush, members of the subcommittee, and my fellow panellists.

586 Thank you for the opportunity to testify. My name is Allen

587 Burchett and I am global head of strategic projects for ABB.

588 I am testifying on behalf of the National Association of

589 Manufacturers, which represent nearly 14,000 small, medium, and

590 large manufacturers in every industrial sector and in all 50

591 states.

592 We are the number-one manufacturer of power grids in the

593 world and a leader in industrial automation for the petrochemical

594 industries. We are the number-one producer of electric motors

595 and the second largest producer of electric drives and industrial

596 robots. We supply the energy, the electricity, and manufacturing

597 sectors with enabling technologies that help them stay

598 competitive.

599 ABB has a strong and growing U.S. manufacturing footprint

600 and is proud of our 20,000 employees across 50 manufacturing

601 facilities including those in Michigan, Texas, Oklahoma, Ohio,

602 Virginia, and North Carolina, which is home to our U.S.

603 headquarters.

604 Over the past decade, we've invested over \$11 billion the

605 United States, tripling our workforce. We have chosen to invest

606 in the U.S. because it's our largest market worldwide and we

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607 believe in being close to our customer. We believe in the
608 American worker.

609 A strong North American supply chain has supported our
610 domestic growth and investments, enabling ABB to competitively
611 manufacture here.

612 For manufacturers throughout the U.S., the North American
613 commercial market is the most important market in the world. Over
614 60 percent of U.S. manufacturing output in 2016 -- \$1.36 trillion
615 -- was sold in the U.S., Canada, and Mexico.

616 Canada and Mexico alone purchased one-fifth of all
617 U.S.-manufactured goods in 2016, more than the next 10 U.S.
618 trading partners combined. Eleven manufacturing sectors have
619 experienced growth of more than 50 percent since 1993.

620 Of particular interest to this subcommittee, energy products
621 have led the pack, with over 250 percent growth. Most U.S.
622 manufacturing sectors, 36 out of 42, count Canada or Mexico as
623 their top foreign market.

624 Despite growth in manufacturing and a changing energy
625 landscape has created a major need for new and improved energy
626 delivery infrastructure. Investor-owned utilities alone expect
627 to invest more than \$300 billion over the next three years.

628 ABB has been a participant in this manufacturing boom and
629 has developed an integrated North American supply chain that
630 supports our domestic manufacturing capabilities and operations.

631 While much of the manufacturing of these technologies

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632 happens domestically -- many of our customers are domestic --
633 certain parts of the manufacturing processes occur in Canada and
634 Mexico, and many of the offerings produced in the U.S. are exported
635 to customers in Canada and Mexico.

636 I would like to provide a few examples. ABB is the largest
637 producer of power transformers in the world. These transformers
638 can be found at power plants, manufacturing facilities, and in
639 neighbourhoods across the U.S. We build transformers at plants
640 in Mississippi, Virginia, Missouri, and Tennessee.

641 Yet, the insulation material used as inputs into these
642 transformers are sourced from a Canadian company. In
643 Bartlesville, Oklahoma, ABB manufactures measurement and
644 analytics products for the oil and gas sector.

645 Our factory imports metal housings from the supplier in
646 Mexico and electronic circuit boards from an ABB plant in Canada,
647 which are both then incorporated into the final products
648 manufactured in Oklahoma.

649 Many of our U.S. factories also export to Canada and Mexico.
650 For example, 50 percent of high-voltage surge arresters
651 manufactured in Mount Pleasant, Pennsylvania are sold to Mexico
652 and Canada.

653 ABB's Sugarland, Texas facility supplies electric
654 infrastructure control systems to Mexico's electric grid operator
655 and Canadian power generation.

656 Restrictions on trade or new barriers between the U.S.,

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Canada, and Mexico including on data transfer and digital solutions would put up barriers too large on markets in Canada and Mexico and could put upward price pressure on the U.S.-manufactured goods to all of our North American customers, potentially making U.S.-made products less competitive and adversely affecting our domestic factories.

In conclusion, ABB believes the future of the U.S. economy is bright. This is particularly true on the energy sector. The integration of the three major North American economies has enhanced ABB's competitiveness, encouraged our investments in the United States.

Building on the North American Free Trade Agreement's legacy of economic growth and job creation, we can set the stage for further gains in these areas by modernizing the agreement in ways that eliminate remaining distortions and barriers, raise standards, strengthen neutral enforcement mechanisms, and remove unnecessary red tape at the border.

Thank you for the opportunity to testify before the subcommittee today and I look forward to answering your questions.

[The statement of Mr. Burchett follows:]

*****INSERT 5*****

679 Mr. Upton. Well, thank you. Thank you all for
680 participating and at this point we'll start our questions.

681 I have to say at the onset that, boy, if there's anything
682 that our constituents understand it's gas prices and, you know,
683 back in 2008 the average gas at the pump was \$384 a gallon. Today,
684 or this last weekend I saw it for \$2.24.

685 But I think maybe it's a little bit higher in some other areas
686 of the country. But it's a pretty dramatic decline and, you know,
687 as you think about what NAFTA has done and where we are, as you
688 pointed out in your testimony, Ms. Harbert, that we've now been
689 running a trade surplus with Canada and Mexico in refined
690 petroleum and coal and the trade deficit with these countries in
691 oil and gas has been shrinking rapidly.

692 It's in large part because we now really truly have a North
693 American energy independent plan that is -- that is coming to
694 fruition, which is one of the reasons why these prices of energy
695 have fallen, whether it be in LNG, whether it be with the gas at
696 the pump as well.

697 You indicated at the end of your testimony that if NAFTA was
698 changed dramatically it truly would threaten our -- not only our
699 energy security but I have to presume it would also dramatically
700 increase prices to consumers as well.

701 Can you -- can we explore that a little bit?

702 Ms. Harbert. Certainly. We have benefited from increased
703 trade in North America and by lifting the oil export ban and

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704 increasing our LNG exports around the world the American consumer
705 and the American industry has benefited tremendously.

706 Consumer prices have gone down by about 14 percent, and if
707 that were to change and for some way we would jeopardize either
708 the certainty provided by NAFTA or the investor protections
709 provided by NAFTA or even the reforms that have been undertaken
710 in Mexico, that would threaten production in the United States
711 because it could not find its natural markets.

712 It would also undermine current investments planned for
713 Mexico, which would then bottle in some of our domestic capacity.
714 So it's a lose-lose if we undermine NAFTA in any way that has been
715 the basis for an incredible energy integration effort that is
716 providing tremendous benefits to industry, consumers, to our
717 national security as we are now getting more oil from them than
718 from OPEC, and also, obviously, our energy security.

719 Mr. Upton. Mr. Thompson, as we know, the Gulf Coast is home
720 to the most technologically advanced refineries in the world.
721 Many of us have been down there to see these advances.

722 How has the North American energy integration benefited the
723 consumers of these products and what -- how might we strengthen
724 as these negotiations are going on with the three countries?

725 What might you suggest to actually improve our situation in
726 regard -- in regard to the technological improvements that could
727 be done?

728 Mr. Thompson. Thank you for the question.

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729 I will just add that we have sophisticated facilities in far
730 more than just Texas. We have some in your fine state and we have
731 them in 33 states. So there's -- you know, a strong energy sector
732 helps out most of the country.

733 As far as, you know, NAFTA goes, as we talked about it, it's
734 pretty simple at its core. We got a lot of product from Canada
735 and we were able to sell a lot of finished goods to Mexico, and
736 this is good for consumers.

737 We get more than -- you know, 40 percent of all of our imports
738 come from Canada and we get it, you know, duty free. So that means
739 lower price for crude, which benefits the American consumer.

740 As far as additional protections, you know, we think that
741 a more robust chapter in NAFTA dealing with energy, dealing with
742 how it's developed and the modern way its trade would benefit all.

743 We certainly believe that we would benefit from having the
744 three countries work together on infrastructure. So we can find
745 the best ways to get crude to our refineries and products to
746 consumers in the most efficient way.

747 Mr. Upton. So, Ms. Harbert, you know, as we think back to
748 where we were, back particularly in the '70s, I mean, we've got
749 the new abundance that's there now -- the developments in shale
750 technology, all those different things.

751 Many of the laws and regulations were written back in those
752 days when we weren't exporters. What are some of the things --
753 what are some of the things that we could do to prevent us from

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754 being held back as it relates to energy exploration and increasing
755 exports to -- not only to these two countries but the other
756 countries around the world?

757 Ms. Harbert. Well, first, I think it's do no harm. Don't
758 do anything to impair our ability to export to North America and
759 beyond. Make sure that we can get those export facilities sited
760 very quickly.

761 We have to make sure that the regulatory process -- and you
762 guys have been working on this -- is fair, transparent, and
763 incorporates cost benefit analyses.

764 And last but not least, there is significant room for
765 permitting reform both within the country to move our products
766 around more efficiently and also to export them to North America,
767 both to Canada and to Mexico, and to import them as well.

768 We've had a seven-year waging war on importing more oil from
769 Canada. But we shouldn't lose sight of the fact that we have a
770 tremendous opportunity to export our own natural gas --
771 clean-burning natural gas -- to Mexico with some additional
772 permitting reforms.

773 So both, I think, a laser like focus in the upcoming debate
774 on infrastructure in the Congress, who really need to take a very
775 hard look at continuing reg reform and certainly permitting
776 reform.

777 Mr. Upton. Thank you.

778 Mr. Rush.

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779 Mr. Rush. I want to thank you, Mr. Chairman.

780 Dr. Krupnick -- Dr. Krupnick, right?

781 Mr. Krupnick. Sorry. Krupnick, yes.

782 Mr. Rush. Krupnick. I am sorry. In your written
783 statement you ask the members to envision a world where the three
784 North American countries act as a free trade energy bloc which
785 could rival every other nation or bloc in its ability to influence
786 world markets for oil and gas.

787 If we were to continue along the path we are currently on
788 with no changes to NAFTA and additional coordination,
789 harmonization, and integration between the U.S., Canada, and
790 Mexico, how long do you envision it would take for North America
791 to truly rival a competitor like OPEC?

792 Mr. Krupnick. Well, this is -- this idea of a future energy
793 bloc -- the United States, Canada, and Mexico operating as a unit
794 -- is, I think, a useful exercise to think about an ideal situation
795 from an energy perspective.

796 We are, obviously, I don't think, ever going to head in that
797 -- we are heading in that direction but we are never going to be
798 there. We are not going to have an E.U. type structure with
799 Mexico, Canada, and the United States.

800 But I think it's useful for thinking about how to realize
801 as many gains from trade and as many -- as lowest possible cost
802 to industry of addressing environmental regulations, let's say,
803 by harmonizing those regulations across countries so that there's

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804 sort of only one regulatory model that industry needs to address.

805 So I think it's a useful paradigm. It's not something I see
806 that's actually going to happen in my lifetime, anyway.

807 Mr. Rush. Thank you.

808 Mr. Thompson, in your testimony you noted that in 2016 alone
809 the U.S. exported \$20.2 billion worth of energy products to Mexico
810 and imported \$8.7 million worth of energy products.

811 How -- in terms of jobs, how many U.S. energy jobs would
812 potentially be impacted if the administration were to
813 unilaterally make changes to NAFTA in a way that might upset our
814 two trading partners and possibly hurt the mutually beneficial
815 energy trade that we all can agree is very notable and profitable
816 for all three countries?

817 Mr. Thompson. Thank you for the question.

818 We are optimistic that we are going to come through with
819 modernized NAFTA and these negotiations are going to stay on
820 track.

821 We certainly are proud of our -- what our industry means from
822 an employment perspective. As I said in my testimony, we support
823 3 million jobs and those jobs are there because of our strong
824 energy sector and it certainly are going to be strengthened the
825 more we work with our neighbors to the north and the south.

826 We believe that there's lots of opportunities in Mexico now
827 that they have liberalized their energy network and we already
828 have a number of companies. We have Andeavor and Valero and Exxon

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829 Mobil have entered the market -- the downstream market in Mexico
830 for the first time in many, many decades.

831 We are supplying over half of their gasoline needs and that's
832 going to continue grow and as that grows it's going to strengthen
833 our need for employment.

834 Mr. Rush. I want to just ask all the panellists, is there
835 anyone on the panel who believes that we would benefit -- our
836 nation would benefit if the administration unilaterally opened
837 up negotiations on NAFTA and insists on establishing new terms
838 that would be more beneficial to the U.S.?

839 Mr. Thompson. Well, to be clear, we certainly believe that
840 NAFTA would benefit by being modernized. So we do think if
841 modernized it could benefit the energy industries we talked about.

842 We believe that there could be a more robust chapter on energy
843 in NAFTA. We believe that the United States should make sure
844 that, you know, direct investors are protected, particularly now
845 that Mexico has liberalized its energy system.

846 We think that a modernized NAFTA could do that. We think
847 that it could be enhanced to help us with regulatory cooperation
848 with Mexico and Canada. So there are, Mr. Rush, lots of things
849 that could be improved through NAFTA modernization.

850 Ms. Harbert. We, at the Chamber, believe that withdrawal
851 would be devastating to the U.S. economy. Modernization is
852 preferable. First, do no harm and then make it better.

853 That's what modernization means, and that includes, from

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854 American business perspective, making sure that we have those
855 investment protections in place that ensure that we have an
856 ability to adjudicate our disputes fairly.

857 So we need to stay in this game. I think we've all laid out
858 -- all the panellists have laid out the stakes. They're high,
859 and we need to find a way to get to yes.

860 Mr. Rush. Thank you.

861 Mr. Krupnick. I just want to raise, there's more going on
862 than just NAFTA. So we shouldn't lose sight of these other
863 agreements that the administration is giving short shrift to or
864 even walking away from on the environmental side.

865 Mr. Burchett. From a North American Manufacturers' and an
866 ABB point of view. We support modernizing the agreement.

867 Mr. Rush. Thank you.

868 Mr. Chairman, I yield back.

869 Mr. Upton. Thank you.

870 Mr. Barton.

871 Mr. Barton. Thank you, Mr. Chairman and Ranking Member
872 Rush, for holding this hearing.

873 Before I ask my questions, I want to thank Karen Harbert for
874 her help in passing the repeal of the ban on crude oil exports.

875 You and the Chamber were big helps in that, and we've exported
876 as much as 2 million barrels a day in the last year and I think
877 we are about a million and a half barrels a day now. So thank
878 you and your organization for that.

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879 I want to ask a little bit different question than Mr. Rush
880 did, but it's basically the same thing. From reading your
881 testimony and listening, my impression is that all of your
882 organizations support staying in NAFTA in some way.

883 Is that true? Is there anybody that advocates getting out
884 of the NAFTA treaty?

885 Everybody's shaking their head so we'll say that that's a
886 no. I will ask Mr. Thompson, is -- will there ever be a day when
887 the U.S. refineries, which has really configured their refineries
888 to use the heavier Mexican and Canadian crudes, that they will
889 reconfigure to focus on the lighter U.S. shale crudes?

890 Mr. Thompson. Well, I certainly couldn't say there will
891 never be day. But right now, I think they're configured in the
892 most efficient way possible. As you know, oil is a global
893 commodity and the most efficient -- you know, we are configured
894 right now the most efficient that we can be. The heavier crudes
895 that we are designed to handle we are handling and the lighter
896 stuff that can be better processed is being exported.

897 And so can I say never? No. But I think right now we have
898 a very efficient system that's operating the way the global market
899 dictates.

900 Mr. Barton. Well, if that's the case, then we almost have
901 to maintain some sort of a NAFTA arrangement because the Canadian
902 and the Mexican crudes are the sour -- more sour, heavier crudes.
903 Is that not correct?

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904 Mr. Thompson. That's correct. And, you know, I shook my
905 head in agreement but I will say it out loud.

906 Yes, we certainly and wholeheartedly agree that we should
907 stay in NAFTA.

908 Mr. Barton. This is a little bit off the NAFTA issue. But
909 in that happy day if it ever were to occur that we would actually
910 build a new U.S. refinery -- and I know that's unlikely -- I know
911 we expand and modernize -- but if were to actually from scratch
912 build a new U.S. refinery, how would that refinery be configured?

913 Would it still be configured for the heavier crudes that we
914 import or would it be configured to use the lighter crudes that
915 apparently now we are exporting?

916 Mr. Thompson. You know, frankly, I am not in the best
917 position not answer that. I think, you know, people much smarter
918 than me would design it in a way where they believe they'll have
919 the best access to crude.

920 Could it be configured to handle the lighter stuff? Sure.
921 But there's arguments to handle the heavier stuff as well.

922 I will say on this point, you know, there is -- you know,
923 we have adequate refining capacity, you know, today to meet our
924 domestic needs. So, you know, right now there's no need to build
925 an additional refinery.

926 Mr. Barton. Okay. I will ask Ms. Harbert, with the -- I
927 don't know how you exactly how you say it but the Mexican
928 legislature and president have changed their policy and changed

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929 their laws to allow international companies to own more and be
930 more invested in Mexico. How is that going? Are they --

931 Ms. Harbert. Well, and first, let me thank you for your
932 support and leadership in lifting oil export ban which has done
933 a tremendous benefit to the American economy, and the EIA
934 estimated for 2018 we will -- we will produce more oil than ever
935 before in our nation's history and, obviously, a lot of that will
936 continue to be exports and particularly supplanting oil from other
937 countries that don't like us so much.

938 You know, in Mexico it's happening and we have to
939 congratulate the legislature and the president for being very
940 courageous in doing something that took a long time to undo. And
941 every major American company is down there with an office looking
942 at how they can take advantage of this opportunity. Permits have
943 been granted, infrastructure is being built, and, you know, to
944 stop something right in the middle of its tracks of enjoying a
945 boom of reinvesting back into Mexico would be tragic.

946 There are companies that, you know, have a lot of pent-up
947 energy and a lot of pent-up demand for realizing a better
948 relationship with Mexico.

949 So it's going great but it can only get better and what we
950 have to worry about is that a change in NAFTA or a change in
951 leadership in Mexico that would jeopardize any of that certainly,
952 you know, we would have to take that with a grain of salt -- a
953 grain of caution.

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954 Mr. Barton. All right.

955 Thank you, Mr. Chairman.

956 Mr. Upton. Mr. McNerney.

957 Mr. McNerney. I want to thank the chairman, thank the
958 witnesses this morning. I will start with Mr. Thompson.

959 You mentioned that North America will be energy secure by
960 the year 2020. Could you explain what that means exactly? What
961 does energy security mean to you?

962 Mr. Thompson. Well, let me just say that that's not, you
963 know, me saying it. That's the International Energy Agency --
964 the IEA -- that's saying it and what that means is that we are
965 producing a level of liquid fuels that satisfy our North American
966 needs.

967 So, basically, we are producing enough to satisfy our own
968 needs and we are not relying on any other country for our energy
969 needs.

970 Mr. McNerney. So we'd cut OPEC off, basically, from
971 American --

972 Mr. Thompson. Well, we would have that -- we would have the
973 potential to cut them off. Again, you know, whether the market
974 would dictate that is another matter.

975 But we could. We would be energy secure at that point.

976 Mr. McNerney. Do you disagree, Doctor?

977 Mr. Krupnick. I just wanted to mention that, you know, oil
978 is a global market and the price -- a price of oil is determined

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979 in a global market in the absence of, let's say, Saudi Arabia's
980 cutting back its supply voluntarily or on its own to change price.

981 So we can never really be independent of other countries,
982 other producers, because we'll always be dependent through the
983 price.

984 But, obviously, as our oil demand falls and our supply --
985 domestic supply grows it does give us a greater measure of energy
986 security.

987 Mr. McNerney. Well, you all -- you have been advocating for
988 harmonization, Dr. Krupnick. But just yesterday we had a hearing
989 on the CAFÉ standards -- tremendously difficult to get
990 harmonization within the United States itself. So is there a
991 pathway for us to reach harmonization with the other countries?

992 Mr. Krupnick. Well, initially, I would just hope that we
993 could get behind the agreements that we already had with other
994 -- with Canada and Mexico. The ones I mentioned were on
995 environmental issues.

996 There's an agreement with Mexico and the United States to
997 jointly inspect facilities in the deep waters of the Gulf of Mexico
998 to make sure that they're living up to the safety standards that
999 both countries are enforcing.

1000 So I think there's a lot that can be done bilaterally and
1001 trilaterally.

1002 Mr. McNerney. Well, you mentioned that pulling out of the
1003 Paris conference, I think I understood you to mention or imply,

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1004 that that hurt the confidence of investors. Could expand that
1005 a little bit?

1006 Mr. Krupnick. I don't know if I exactly said it that way
1007 but I think what we are seeing is that companies around the world
1008 and international companies that are located and based in the
1009 United States, plus companies in the United States, are already
1010 using what we would call as economists shadow prices of carbon
1011 -- that is, internal prices of carbon to help in their investment
1012 planning.

1013 So whether we pull out of the Paris Accords or not, companies
1014 can't afford not to bet on a future without climate legislation
1015 in the United States. So they have to take the long view with
1016 investments, let's say, in pipelines lasting 40 years.

1017 They've got to take the long view in their investment
1018 decisions about what's going to happen to climate policy in the
1019 future, in the U.S. and around the world, and they're doing that
1020 irrespective of whether we are currently in the Paris Accords or
1021 not.

1022 Mr. McNerney. One last question. You said that Congress
1023 could help promote renewable capacity using local resources.
1024 Could you expand on that a little bit as well?

1025 Mr. Krupnick. Yes. So I am not in Congress. I don't know
1026 the levers that you all have to use. Some of it is just moral
1027 suasion to -- some of it is, as I am sure, is passing bills.

1028 But Mexico is a -- is blessed with very good solar energy

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1029 and Canada has a lot of unexploited hydro electric energy. So
1030 the United States could benefit and Mexico and Canada could
1031 benefit by taking advantage of these vocational advantages that
1032 these countries have to have our electricity be cheaper for
1033 American consumers.

1034 Mr. McNerney. And these can be cost competitive with
1035 traditional fuels?

1036 Mr. Krupnick. Well, they can be, certainly in the hydro
1037 front they can be, and potentially in Mexico. Kind of better
1038 having solar in Mexico than having solar in New England.

1039 Mr. McNerney. Thank you. Mr. Chairman, I yield back.

1040 Mr. Upton. Mr. Olson.

1041 Mr. Olson. I thank the chair, and welcome to our four
1042 witnesses with a special Texas welcome to Secretary Harbert.

1043 Ma'am, you and I share a common bond. We are both Rice als
1044 -- Jones '85. Welcome. There we go. Well, Jones beats Hanson
1045 at all the sports that matter. So, again, welcome.

1046 Also welcome to Mr. Burchett. As you know, sir, ABB has a
1047 presence there in Sugarland, Texas, as you mentioned. Please
1048 come down and visit. You will love to see the facility. It's
1049 amazing.

1050 Also, right around the corner is a restaurant called the Live
1051 Oak -- the best burgers in Fort Bend County, right there at Live
1052 Oak right by ABB in Sugarland, Texas.

1053 And this is no news, but North America and energy trade is

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1054 vital to the world's economy. Heavier crude from Canada is a
1055 critical part of the American refining space.

1056 We all know that the Eagle Ford shale does not stop at the
1057 Rio Grande, waiting for a visa to cross, and we know that as Mexico
1058 improves its energy sector, our ties with that neighbor will only
1059 grow stronger.

1060 And make no mistake, we are on the verge of replacing OPEC
1061 with a de facto NAPEC -- North American Petroleum Exporting
1062 Countries.

1063 And, of course, my own state of Texas' ties to Mexico are
1064 also important for electricity. They have been invaluable to our
1065 -- in our electricity market.

1066 For example, in August of 2011, my state was hit with a
1067 statewide heat wave -- over 100 degrees on every square inch of
1068 our state the entire month of August.

1069 That put us in a situation of some rolling blackouts. Mexico
1070 sent power across the river to help us out. Over 200,000 homes
1071 were powered by energy electricity from Mexico.

1072 It's an important relationship for Texas and America to have.

1073 My first question is for you, Mr. Burchett. In your written
1074 testimony, you talked about how, one, electric transformers come
1075 together from sites all across the North America, and that's a
1076 great example of how trade works in energy.

1077 Can you discuss how trade deals like NAFTA make that possible
1078 and what would happen in the global supply chain -- if it spikes

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1079 with terrorists?

1080 Mr. Burchett. Thank you, Congressman Olson. And by the
1081 way, my office is in Houston, Texas. So I do get to Sugarland
1082 quite often. So --

1083 Mr. Olson. Remember, the Live Oak. Live Oak.

1084 Mr. Burchett. Live Oak. Got it.

1085 So ABB is a -- you know, we are a multinational
1086 multi-billion-dollar company and we look at -- we make investments
1087 all the time. What drives those investments is consistency,
1088 stability, low trade barriers.

1089 And so when we think of NAFTA, that helps drive those types
1090 of investment because we have the consistency and the stability
1091 that's provided there.

1092 Mr. Olson. Okay.

1093 Ms. Harbert, a question for you and the U.S. Chamber of
1094 Commerce. You were pretty clear in your testimony that our
1095 Chamber never ever wants to see America walk away from NAFTA.

1096 At a local five-star Chamber of Commerce in Sugarland, the
1097 Fort Bend Chamber of Commerce led by Kerry Schmidt, repeats that
1098 message to me every single time we meet at home.

1099 With that said, are there items that could be included in
1100 negotiations which would hamstring the agreement even if we stay
1101 part of it?

1102 To put it here in D.C. terms, is there a poison pill that's
1103 possible that looks benign that could bring the whole structure

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1104 down?

1105 Ms. Harbert. Well, and thank you for your kind comments and
1106 I will try and get the Hanson Athletics to step it up a little
1107 bit.

1108 You know, I am glad to see that the echo chamber is working
1109 because the business community is united in its support of NAFTA
1110 -- modernization, not withdrawal, and protection of those parts
1111 of NAFTA that are very important to the business community,
1112 specifically investor protections that are in there.

1113 If those were taken out, I think American industry would have
1114 a very, very large problem in agreeing with the future terms of
1115 NAFTA. There are lots of things that can be done to improve it.
1116 But that would be one that would be very difficult and if were
1117 to see that go away and then we would have steep tariffs, you can
1118 know what would happen to the American consumer here.

1119 So we have our eyes laser like focused on the investor
1120 protections to make sure they are included.

1121 Mr. Olson. I think I am out of time and, Mr. Chairman, again
1122 I thank the witnesses and merry Christmas.

1123 I yield back the balance of my time.

1124 Mr. Upton. Mr. Peters.

1125 Mr. Peters. Thank you, Mr. Chairman. Thanks to the
1126 witnesses for being here. Ms. Harbert, when we saw each other
1127 the last time it was probably 80 degrees where we were. Not that
1128 way today.

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1129 Thanks for being here. Just a couple observations. First
1130 of all, there's a lot to like about energy abundance for consumers,
1131 for manufacturing, and it's also -- even if our friends to the
1132 north and the south -- Mexico and Canada -- even if we don't act
1133 like OPEC it's still advantageous to have friendly countries to
1134 trade with for energy.

1135 Another observation -- this really has been about petroleum
1136 and hydrocarbons, not just -- not all energy trade. We haven't
1137 talked about next-generation nuclear or renewables.

1138 That's also part of the discussion. But just focused on what
1139 we've covered here, it does strike me as, with all this abundance,
1140 an odd time to be opening up Alaska to offshore drilling.

1141 I don't see the need for that. A tax -- it's part of tax
1142 bill, part of a tax bill. They didn't even ever discuss the \$2
1143 billion of subsidy we provide at a time of all this abundance,
1144 and then at the same time we are talking about depleting the
1145 strategic petroleum at prices that almost couldn't be lower. It
1146 doesn't seem like it's very smart. I observe that as part of the
1147 context.

1148 Ms. Harbert, I am with you on regulatory reform and
1149 permitting reform. Actually, in my previous I was -- I
1150 represented a lot of clients who tried to get through government
1151 processes that could be very, very frustrating.

1152 I believe we can achieve high environmental standards with
1153 less drag on the economy. Would like to work with you on that.

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1154 Along those lines, one thing I would point out is what's
1155 happening around methane right now. I think -- I saw today that
1156 the American Petroleum Institute -- and this is great news --
1157 started its own business partnership to deal with reducing VOCs
1158 and methane.

1159 They are probably observing what I am observing is that these
1160 rules are becoming politicized and that's bad for business because
1161 what's going to happen is you get this back and forth. If the
1162 -- if the president wants to undo everything because it's got
1163 Obama's name on it, that's not good for business either.

1164 So I congratulate the American Petroleum Institute. I know
1165 the Chamber is interested in certainty. We can have good methane
1166 rules that protect us and the environment and are certain for
1167 business. I would like to work with you on that.

1168 And I am with you on NAFTA. For me in San Diego, one of the
1169 most important parts of our economy is our trade with Mexico. Our
1170 relationship with Mexico is very important to us.

1171 I am a supporter of President Obama's TPP negotiations.
1172 Again, the business community seems united behind this. I don't
1173 particularly -- I can't speak for all Democrats here but I
1174 understand the need for dispute resolution that's free from some
1175 of the hometowning, particularly in developing nations. I think
1176 that makes a lot of sense.

1177 Maybe we should just rename it the Trump Pacific Partnership
1178 and be on with it. Maybe get a vote on it that way.

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1179 But what I did want to just say, because a lot of this has
1180 been covered, I heard mostly discussion in terms of modernizing
1181 about leaving it the same, making sure that we preserve dispute
1182 resolution, make sure that we don't -- we do no harm.

1183 I just wanted to give you an opportunity. I think we've been
1184 asked this before. Are there any specific changes you'd like to
1185 see in terms of modernization that we should be asking for?

1186 And Mr. Burchett, I will start with you.

1187 Mr. Burchett. Thank you, Congressman.

1188 There are more experts than I on the NAFTA agreement. I know
1189 in my career I remember when it started and I was doing business
1190 in Mexico. It's been 23 years. So I would defer to the experts
1191 on NAFTA for the modernization.

1192 But it just seems to me that given the -- given the changes
1193 that's happened in the 23 years, given the shale gas revolution,
1194 given the high-tech things that we do now, like the refineries
1195 mentioned by Congressman Upton, which is ABB technology, and given
1196 the level of trade that I see with our 50 manufacturing plants
1197 and a nice footprint in Canada also of manufacturing and a nice
1198 footprint in Mexico, it seems time to modernize.

1199 Mr. Peters. Yes. Anything, Ms. Harbert?

1200 Ms. Harbert. I have a couple of very specific things -- that
1201 a new NAFTA would ensure that the cross-border trade of crude oil
1202 and natural gas and refined product wouldn't be subject to any
1203 quantitative measures or tariffs -- secondly, that we could more

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1204 safely or more quickly develop safe cross-border interconnections
1205 of electricity and hydrocarbons, and lastly -- there's two more.

1206 We really need to look at and prohibit local content rules
1207 that the industry could not meet and we should take a hard look
1208 at some common standards and regulations.

1209 Not all -- where it makes sense in the energy sector so we
1210 can more harmonize, which is a scary word to our friends in the
1211 north. They don't like that word. But we could find some
1212 commonality.

1213 Mr. Peters. Okay. That's very constructive.

1214 Dr. Krupnick, anything you want to add, briefly?

1215 Mr. Krupnick. No. I think this has been pretty well
1216 covered.

1217 Mr. Peters. Okay. I really appreciate you -- I look
1218 forward to working with you to see if we can't say what's good
1219 and make it better.

1220 And Mr. Chairman, I yield back.

1221 Mr. Upton. Mr. Shimkus.

1222 Mr. Shimkus. Thank you, Mr. Chairman. I appreciate my
1223 colleague from California's questions. I've got a -- just a
1224 picture should go up on the screen, and I was trying to find another
1225 one but, really, that just gives you, you know, either pipelines,
1226 crude oil crossings, and sometimes they don't show going in to
1227 Mexico but there's a little, like, a dot where the crossing
1228 location is for crude, for refined product, for hydrocarbon gas

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1229 liquids, for natural gas, and for electric transmission.

1230 So I think what we struggle with is those of us who have been
1231 on the committee, which is one of the reasons why I love the
1232 committee -- we are interconnected. We are there. We've been
1233 there for a long time. We are going to continue to have this.

1234 So the -- why I think the hearing is important is -- and Ms.
1235 Harbert, you just raised some of the issues of the concerns that
1236 if there's a pull out of NAFTA what damage do you do to that
1237 interconnected North American grid or North American crude oil
1238 or oil refined product lines.

1239 Does anyone want to mention that real quick?

1240 Ms. Harbert. Looking at your map, if you can imagine in a
1241 world without NAFTA anything that would be coming into the -- for
1242 example, to Texas, if, you know, electricity, if there was going
1243 to be a toll or a tariff put on there that we would have higher
1244 prices than we actually, you know, charge in America, that would
1245 be a huge disincentive for our energy security because we depend
1246 on this, as you well pointed out, and if we change that economic
1247 equation that's going to raise prices here at home and we are going
1248 to have to search for other suppliers.

1249 Mr. Shimkus. And right now there's uncertainty because of
1250 conflicting messages. So I am from southern Illinois. We are
1251 pork and beans and corn. NAFTA is very, very important for my
1252 commodity-based products.

1253 But we also have the fear -- every small town in America

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1254 really has that small manufacturing facility that's moved. So
1255 that's the conflict of NAFTA for members.

1256 In fact, not to point out ABB but they announced a closure
1257 of the St. Louis plant -- a transformer manufacturer. I don't
1258 know where it's going. But I do know -- I drive by it every day
1259 when I go to the airport.

1260 So that's the struggle with how do you renegotiate while
1261 keeping the benefits of that or for my corn to be sold where you're
1262 ensuring that our manufacturing sector is equally treated,
1263 because we can't negotiate wages.

1264 We can't negotiate environmental standards. Well, maybe
1265 some people think we can but, historically, those are things left
1266 to the individual country to be able to do.

1267 Anyone want to comment on that -- those challenges?

1268 Mr. Krupnick. I could say something about the map and one
1269 thing that's not on the map. So there are a number of pipeline
1270 -- there's a lot of plans to grow the number of pipelines coming
1271 into Mexico to meet that rising natural gas demand. So those
1272 could be put in jeopardy.

1273 And then on -- in the Gulf of Mexico, the lease sale -- lease
1274 sale one -- round one was completed. Two is almost completed.
1275 Three is supposedly going to get into deep water and that could
1276 be held up.

1277 Mr. Shimkus. Right.

1278 Mr. Krupnick. So it could put us and, of course, indirectly

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1279 the Mexicans at risk as well.

1280 Mr. Shimkus. And for those that have followed the committee
1281 and what I've done in public statements, comments, Keystone
1282 Pipeline, Keystone XL, which feeds right, obviously, from the oil
1283 sands all the way down to my district. There was a big terminal
1284 there, and then it spreads throughout all the Midwest. So and
1285 we've seen not just an international negotiation but we've seen,
1286 obviously, just internal politics delay pipeline construction.

1287 Mr. Thompson.

1288 Mr. Thompson. So let me just say, I can say with certainty
1289 that my refining facilities are the most efficient in the world
1290 and we are not relocating anywhere, you know, under NAFTA. We
1291 are going to be there.

1292 But, you know, as our transportation demand for fuel flattens
1293 out, our facilities need export markets to continue to grow and
1294 prosper.

1295 Mr. Shimkus. Right. I think that's a good point and I was
1296 going to jump on that with the last 40 seconds. Just for the
1297 liquid transportation fuels debate, we had that hearing yesterday
1298 on CAFÉ and greenhouse gas, and the debate of EV penetration.

1299 Now, it's not huge across the country but electric vehicle
1300 penetration in California is noticeable, and international
1301 comments about, like, Norway and France who are trying to make
1302 -- or China, that really will -- could disrupt this market -- crude
1303 oil and refined products. Don't you think?

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1304 Mr. Thompson. It certain -- EV penetration could indeed,
1305 yes. It could be very disruptive.

1306 Mr. Shimkus. So we need to keep the liquid transportation
1307 market.

1308 Mr. Thompson. We need to keep the liquid transportation
1309 market strong.

1310 Mr. Shimkus. Thank you very much. I yield back.

1311 Mr. Upton. Mr. Loeb sack. Oh, I am sorry. He left.

1312 Mr. Tonko.

1313 Mr. Tonko. Thank you, Mr. Chair. Welcome, witnesses.

1314 One area where our energy sector is undeniably and quite
1315 literally interconnected is the United States and Canadian
1316 electrical grid systems.

1317 In 2016, the U.S. imported 73.1 million megawatt hours of
1318 electricity from Canada, about a quarter of which went to New York
1319 State, my hope state.

1320 Dr. Krupnick, do the interconnections between the United
1321 States and Canadian power systems improve greater reliability on
1322 both sides of the border?

1323 Mr. Krupnick. Well, sure. The short answer to that is yes.
1324 For -- to maximize the benefits of cross-border electricity trade
1325 what -- we have a report that talks about -- about what to do.
1326 There are several margins to increase reliability and one of them
1327 is to have capacity planning be a joint exercise between, let's
1328 say, control areas in the United States and in Canada. So --

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1329 Mr. Tonko. Thank you.

1330 Mr. Krupnick. So that's not -- there's a lot of things that
1331 we can do beyond what we are doing.

1332 Mr. Tonko. Thank you.

1333 And the Canadian hydropower is becoming increasingly
1334 important for New York State's plan to meet its clean energy
1335 targets.

1336 So I see big potential for increased renewable electricity
1337 trade, such as the importation of Canadian hydro, which will
1338 reduce emissions in our country.

1339 But these projects rely on cross-border transmission
1340 infrastructure. What unique challenges exist to siting,
1341 permitting, and constructing cross-border transmission compared
1342 to domestic transmission projects?

1343 Ms. Harbert. Well, I can take a stab at that.

1344 You know, you're absolutely right. The provision of
1345 Canadian electricity to the Northeast more broadly is hugely
1346 important for grid reliability. The Northeast suffered a very
1347 devastating blackout in the early 2000s and from that was
1348 established the north -- the Electricity Reliability Coordination
1349 Council, which seeks to look at these things and manage the grid
1350 up there more responsibly. And so that's an important new
1351 organization that helps us to do that.

1352 Cross-border is still hard and it takes approvals from both
1353 sides of the border. Sometimes it takes state and local, because

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1354 it's not just going -- crossing the border. It's going through
1355 other municipalities and counties that might not be excited about
1356 having a new transmission line.

1357 So we really need to take a look at the redundancy of federal,
1358 state, and local permitting so that we get things built in a
1359 predictable time frame.

1360 Mr. Tonko. Thank you. Anyone else want to respond to that?
1361 Yeah.

1362 Mr. Burchett. Yes. So as ABB, we invented high-voltage DC
1363 transmission, which is the way you do a lot of these
1364 interconnections. So we do them all over the world. We are
1365 working on one with Denmark and U.K. now.

1366 One of the biggest ones is for New England and it's to get
1367 the power from Canada there. So in talking to our customers, I
1368 have heard them describe the regulatory approval process as,
1369 quote, unquote, "a game of Chutes and Ladders," and that can seven
1370 to 10 years. And so what they would -- you know, would -- of
1371 course, they would like to see an expedited process but the
1372 technology is there to get particularly hydroelectric power from
1373 Canada into New England.

1374 Mr. Tonko. Thank you.

1375 Yesterday marked the second anniversary of the Paris climate
1376 agreement. One hundred and ninety-seven parties have signed the
1377 Paris Agreement and 170 parties have ratified it.

1378 The United States is the only country with the intention to

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1379 withdraw. Progress in North American and global emissions
1380 reductions will be hindered by the absence of our leadership --
1381 United States leadership.

1382 But we have seen no indication that our neighbors intend to
1383 back away from their Paris commitments or their carbon pricing
1384 policies.

1385 So Dr. Krupnick, do you believe it will be more difficult
1386 for the United States, Canada, and Mexico to cooperate on
1387 cross-border and environmental policy harmonization if the United
1388 States continues to be disengaged on global action on climate
1389 change?

1390 Mr. Krupnick. The answer is yes, of course, it'll be more
1391 difficult, and as I've tried to indicate, there is still at a state
1392 level, at a regional level, there is still opportunities for that
1393 kind of engagement, let's say, that we are seeing from California
1394 with Quebec, Ontario, Manitoba, and so on in their CO2 trading
1395 program.

1396 So it's not like all these interactions are going to stop.
1397 But, of course, we'll be -- we'll be hurt in our ability to
1398 negotiate further.

1399 Mr. Tonko. Right. And so the consequences, I believe, are
1400 probably that there -- we would be less likely to align their
1401 policies with ours and are there limits then to opportunities to
1402 lower costs to business and consumers?

1403 Mr. Krupnick. Yes. Anytime you put barriers into a

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1404 cooperation interaction you're going to create increased costs
1405 somewhere along the line.

1406 Mr. Tonko. Yes. With that, I thank you and yield back.

1407 Mr. Olson. [Presiding.] The gentleman yields back.

1408 The chair now calls upon the gentleman from West Virginia,
1409 Mr. McKinley, for five minutes.

1410 Mr. McKinley. Thank you, Mr. Chairman.

1411 In our binding or majority memorandum binder we said -- I
1412 read that we have -- apparently we have 73 gigawatts of electricity
1413 are being imported from Canada currently. For everyone to
1414 understand, that's the equivalent of anywhere between 70 and 120
1415 power plants.

1416 So I would like to focus on those implications if I could
1417 for -- with this panel, because currently -- the first is currently
1418 under construction is a Lake Erie connector. That's a
1419 1000-megawatt high-voltage underwater transmission line that
1420 would provide the first direct link between Ontario power
1421 generators and the America PJM.

1422 This will enable -- this Lake Erie connector will enable a
1423 subsidized Canadian power company to compete with American
1424 private sector energy producers.

1425 Secondly, the Quebec electricity sector is dominated by
1426 Canada's largest utility and it's a state-owned and operated
1427 monopoly which is heavily subsidized. According to CBC news
1428 reports, Canadian electricity producers are generating more power

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1429 than they consume and sell off excess power to the United States
1430 at rates below the cost of production, closed quote.

1431 This unfair competition may result in lower utility bills
1432 for us in America but this outsourcing of our electric generation
1433 costs American jobs and lost state and local tax revenue.

1434 Therefore, I am concerned that the U.S. markets are becoming
1435 the dumping ground for Canadian state-subsidized electricity,
1436 much like we've become the dumping ground for cheap subsidized
1437 steel from China. Those are my concerns.

1438 The Canadian government subsidizes electric exports to the
1439 United States, the government dumps electricity at below rate and
1440 it results in lost jobs and state revenue.

1441 So my question -- perhaps it's to you, Ms. Harbert -- should
1442 the new NAFTA negotiations -- and I would encourage those
1443 negotiations to take place -- address this unfair market
1444 distortion?

1445 Ms. Harbert. Sure, and one thing to point out, when we
1446 negotiated NAFTA the first time around energy wasn't even part
1447 of the equation. We didn't know how much we had, Canada had,
1448 Mexico had. We didn't anticipate the full integrated energy
1449 economy that we have today.

1450 So, you know, as we proceed in the fifth and sixth and,
1451 hopefully, conclusion of this, there are issues like that that
1452 should be discussed.

1453 But at the same time we also have to realize that in the

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1454 Pacific Northwest of our country, we are exporting a tremendous
1455 amount of hydropower up into Canada and some of those are from
1456 government-owned facilities as well -- back to the, you know, the
1457 TVA days and all of that.

1458 So, you know, it's something that should be looked at. That
1459 is not particularly my exact area of expertise but I think it
1460 should be talked about. But it probably floats on both sides of
1461 the border that we would have to consider that -- the equation.

1462 Mr. McKinley. Anyone else on the panel have comments about
1463 the subsidized --

1464 Mr. Krupnick. Sure. I think subsidies to renewables,
1465 subsidies to fossil fuels -- anywhere you see subsidies there's
1466 a case for eliminating them. All that I think it's important is
1467 that if we are eliminating subsidies on one type of fuel we should
1468 eliminate them on others as well.

1469 And so if Canada is subsidizing their hydro then that's an
1470 issue that should be taken up.

1471 Mr. McKinley. Mr. Thompson, anything? Any comments?

1472 Mr. Thompson. Well, this was certainly out of, you know,
1473 my area of expertise but I will say this speaks more broadly to
1474 the reasons that we need a separate, more complex title than NAFTA
1475 dealing with the energy issues.

1476 As Karen said, we need to -- at the time NAFTA -- when it
1477 was originally developed these issues weren't in front of us and
1478 we need to because --

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1479 Mr. McKinley. Okay. Because according to these same
1480 reports they're saying that we're ultimately going to be a net
1481 importer of electricity -- the PJM from Canada.

1482 So I am interested to know whether or not something like this
1483 in a NAFTA agreement should allow for some kind of cost recovery
1484 or tariff, if I use the T word. Any thoughts?

1485 Mr. Burchett. As a -- as a final statement, I would -- from
1486 an ABB standpoint, we are a technology provider so we do the
1487 high-tech and what I will tell you about those interconnects is
1488 the power can flow both ways.

1489 So I don't know what the potential there is in the future.
1490 From a subsidy standpoint I have no point of view. But I know
1491 the technology can go both ways.

1492 Mr. McKinley. Okay. I yield back.

1493 Mr. Olson. The gentleman yields back.

1494 The chair now calls upon the gentleman from the same home
1495 state as our chairman who wants me to say publicly I recognize
1496 that Michigan beat Texas in basketball yesterday 57 to 52.

1497 Mr. Walberg, you have five minutes.

1498 Mr. Walberg. With that kind introduction, Mr. Chairman, I
1499 won't add anything to it. Great basketball game.

1500 Mr. Olson. Thank you.

1501 Mr. Walberg. Ms. Harbert, thank you for being here and
1502 thanks to each of the panel members for being here.

1503 Many people think energy and they think oil and gas. What

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1504 other industries benefit from North American energy trade?

1505 Ms. Harbert. Well, I like to say that every one of our 50
1506 states is in the energy business. You may not be producing it
1507 but you're in the supply chain and, obviously, we are all
1508 consumers.

1509 So with a more integrated North American energy market, all
1510 of our consumers -- our families are benefiting, our industries
1511 are profiting -- not profiting but are benefiting from lower
1512 prices.

1513 And let's not forget that industries have moved back to
1514 America. The fertilizer industry is back, helping your pork and
1515 beans and et cetera, and corn. The petro chemical industry is
1516 back in the Gulf that was -- used to be in the Middle East. The
1517 steel industry is back in some form or fashion in Pennsylvania
1518 and Ohio.

1519 So manufacturing is back and critical inputs to our
1520 manufacturing are back. So it is an energy revolution in all 50
1521 states.

1522 Mr. Walberg. And I think that's important for us to get out
1523 very clearly. We often think of energy in combative terms at
1524 times -- it's not in my back yard -- and the impact is sometimes
1525 forgotten as well.

1526 So for us here in Congress and policy to think along those
1527 lines but also the industries to make sure that we broadcast it,
1528 assist in the long haul.

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1529 Mr. Harbert, the low cost of natural gas and electricity is
1530 driving a revival in U.S. manufacturing and providing our economy
1531 with a competitive advantage.

1532 However, free trade and market principles also allow
1533 producers of energy commodities such as natural gas and LNG to
1534 export their commodity abroad.

1535 How do we strike the right balance so that everybody
1536 including U.S. consumers can reap the positive economic benefits?

1537 Ms. Harbert. Well, natural gas is real great story for
1538 America. We are producing more natural gas than we can consume,
1539 and in order to continue to produce at that level they need export
1540 markets and that's what guarantees lower prices in those
1541 industries that are coming back.

1542 We have additional capacity being planned into Mexico that
1543 will be good because Mexico will then stimulate additional demand
1544 for our natural gas by developing new industries and new
1545 consumers.

1546 So having more than we consume is a good thing. They're not
1547 going to sell it at the expense of domestic producers because --
1548 domestic industry. They're getting all that they need but in
1549 order to keep those prices low for that domestic industry we want
1550 to be able to export.

1551 Mr. Walberg. Okay. Not a zero sum game then?

1552 Ms. Harbert. No.

1553 Mr. Walberg. Okay. Dr. Krupnick.

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1554 Mr. Krupnick. There are -- during the debate over LNG
1555 licensing for export there were many studies done on what the
1556 effect of those exports of natural gas would be on U.S. domestic
1557 prices and the best ones of those clearly said that there would
1558 be very little effect on prices.

1559 We have -- with the shale gas revolution we have such rapid
1560 response ability now in the fields to even small changes in prices
1561 with increased supply that we are in -- we are in a new era and
1562 I don't think we have to worry about increased exports of our
1563 natural gas.

1564 Mr. Walberg. Thank you.

1565 Mr. Thompson, what types of opportunities are opening up for
1566 American companies with Mexico's energy reforms?

1567 And we often talk about hydrocarbons but what about
1568 electricity?

1569 Mr. Thompson. Well, I can't speak to electricity. That's
1570 not what my members do.

1571 But I can speak to with the opening up -- the liberalization
1572 of their downstream sector we have a number of companies that are
1573 now entering the Mexican market.

1574 We had -- Andeavor has opened up the first Arco station in
1575 Mexico and they're supplying fuel from their refinery in the state
1576 of Washington.

1577 We have -- Valero now has entered into agreements to provide
1578 products -- Exxon Mobil, BP, Chevron. So we have a lot of U.S.

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1579 companies now that are entering Mexico to supply needed fuel to
1580 the Mexican economy.

1581 Mr. Walberg. Thank you, and Mr. Chairman, I yield back.

1582 Mr. Olson. The gentleman yields back.

1583 The chair now calls upon the gentleman from Ohio, Mr. Latta,
1584 for five minutes.

1585 Mr. Latta. Well, thank you very much, Mr. Chairman, and
1586 thank you very much for our panel today.

1587 You know, if I could follow up from my friend from Michigan,
1588 Ms. Harbert, when we were talking about the shale revolution
1589 because, of course, in Ohio what we have seen happen on the --
1590 eastern side of the state and also in western Pennsylvania when
1591 you look at the Utica and the Marcellus Shale that it has created
1592 a revolution out there with wide-ranging benefits to the economy
1593 and when you're looking at the creation of millions of jobs at
1594 a time when, you know, things are struggling out there.

1595 But overall, how has the consumer benefited from this
1596 revolution that we've seen out here right here at home?

1597 Ms. Harbert. Well, it's an American supply chain that has
1598 jumped in and fulfilled. We are making new products to fuel that
1599 revolution, which means more jobs, and for the American consumer
1600 prices are -- low natural gas prices here have saved the American
1601 family money.

1602 Over the last six years, prices have gone down by about 14
1603 percent for energy for a family, which provides additional

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1604 purchasing power which stimulates the economy.

1605 You know, in addition, if we were able to get more pipeline
1606 capacity out of the Marcellus and into the Northeast, those
1607 consumers up there would benefit from low natural gas prices as
1608 well.

1609 So it's jobs, it's new industries, it's low prices, and we
1610 are being more competitive with our exports overseas because our
1611 prices are two to four times lower than they are in Europe, which
1612 is a good thing. So we are more competitive on the global stage
1613 because of these low prices.

1614 Mr. Latta. Yes. Well, thank you very much.

1615 And Mr. Burchett, our electrical systems are evolving
1616 rapidly with the technological innovation and regulatory policies
1617 that's driving the change. In your view what does the grid of
1618 the future need to look like in order to deliver electricity, more
1619 efficiency, and more cost effectively?

1620 Mr. Burchett. So when we think of the future grid as we are
1621 working with most of the investor-owned utilities and our
1622 customers, I mean, we know the words reliable are there. We know
1623 the words renewable are there.

1624 But we also, when we look at power generation, we view it
1625 as an all of the above situation.

1626 Our future does have solar, wind, but also coal and nuclear
1627 -- traditional generation. If you look at studies from EIA out
1628 for the next 30, 40 years you still see all the different fuel

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1629 elements in play.

1630 With the technology in play, there's more around a
1631 distribution grid in the automation and being able to fully
1632 automate the grid so that when an occurrence occurs you got --
1633 the interruption and restoration of power happens almost
1634 immediately. So --

1635 Mr. Latta. Thank you very much.

1636 Mr. Thompson, with the huge increase in domestic production,
1637 our imports have, you know, fallen dramatically, as being
1638 discussed. We've cut OPEC imports in half in less than a decade.
1639 How has our energy security situation changed as a result of the
1640 North American energy trade?

1641 Mr. Thompson. Well, thank you for the question.

1642 So as, you know, you noted, our domestic production is near
1643 all-time highs and, you know, so we are, you know, more energy
1644 secure than we have been in quite some time.

1645 Now, that certainly hasn't eliminated our need to import
1646 crude into our country and that's more because, you know, our
1647 facilities are configured to handle the heavier crudes.

1648 So we are able to take our lighter crudes and export them
1649 to facilities that are better designed and equipped to handle
1650 those. But we've been able to get more of our crude from our,
1651 you know, friends up north in Canada and 41 percent of all of our
1652 imports come from Canada and that's a good thing.

1653 And as the IEA said, that we are all on track here as North

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1654 America to be energy secure by 2020.

1655 Mr. Latta. Well, thank you very much.

1656 And Mr. Chairman, I yield back the balance of my time.

1657 Mr. Olson. The gentleman yields back.

1658 The chair now calls upon the gentleman from Illinois, Mr.
1659 Kinzinger, for five minutes.

1660 Mr. Kinzinger. Well, thank you, Mr. Chairman, and I know
1661 there's -- based off of the last question I do want to make the
1662 point that I think, you know, energy security is essential, not
1663 just, you know, for our economy, which is great -- obviously,
1664 important -- but also because a lot of foreign actors use energy
1665 as a weapon and I think it's essential to note that, you know,
1666 if the West is ever going to fight back against some of the policies
1667 of the East or Russia, it's essential that we have a very strong
1668 energy platform to do so because the Russians in many case use
1669 -- cases use energy as a weapon to try to extract political favors
1670 from foreign actors and foreign governments and I think that's
1671 an essential point to know.

1672 Ms. Harbert, since NAFTA was originally negotiated, Mexico
1673 has instituted a number of reforms including opening its energy
1674 markets.

1675 What do these reforms mean for consumers in our country?

1676 Ms. Harbert. First of all, I just want to underscore what
1677 you just said, which is the mass security dividend of our energy
1678 revolution is enormous -- that we are able to provide exports to

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1679 allies who have been forced into choosing a single source for their
1680 oil or for their natural gas. So providing that choice provides
1681 national security for them and for us, providing choice.

1682 The opening up of the -- the reform of the hydrocarbon sector
1683 in Mexico which took a very long time and some courageous political
1684 actors to do has been an open invitation for American companies
1685 because they did the reform right and they're continuing to
1686 improve it.

1687 And so we've already had several lease sales there and
1688 there's one that's going into deep water and our companies that
1689 have the best technology around are going to be the ones bidding
1690 on it.

1691 So that, from an environmental standpoint, is very
1692 important. But also, as we have more of our -- all of our
1693 resources flowing across borders in North America, which makes
1694 that energy market more efficient, it keeps prices low --
1695 electricity prices, fuel prices, natural gas prices -- and it's
1696 stimulating that manufacturing revolution that's putting more
1697 Americans back to work.

1698 Mr. Kinzinger. And so you mentioned a little bit about, you
1699 know, future bids and technology. What are new opportunities
1700 that you see to engage Mexico's energy sector further?

1701 Ms. Harbert. Well, they're sort of threefold at the moment
1702 and all of them are ongoing and in rapid fire, which is
1703 cross-border electricity, which has -- we've had that for a while

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1704 but now there's a lot more demand on the Mexico side so more
1705 interconnected electricity.

1706 Natural gas -- we have a lot of American companies that are
1707 building pipeline right now, right at the border, waiting to go
1708 across and that will stimulate more demand for our products under
1709 NAFTA because they will have a more -- bigger middle class that
1710 can purchase our products.

1711 And then there's offshore, which I think between the North
1712 Sea and the Gulf of Mexico those are the most advanced companies
1713 ever. So we should take great comfort and that is our companies
1714 that will be investing in the Gulf of Mexico and these tricky,
1715 you know, deep shore --

1716 Mr. Kinzinger. And what do we do to ensure that the
1717 renegotiations won't have adverse consequences on our energy
1718 industry?

1719 Ms. Harbert. Well, on of the most critical things that we
1720 are looking at is the investment protections that have been
1721 provided for and need to be maintained.

1722 So the Mexican energy economy is reformed -- that's bright
1723 investment. Investment likes some certainty and so two things
1724 could upend that, which would be a withdrawal from NAFTA or
1725 something that jeopardizes the -- a NAFTA that does not have the
1726 investor protections.

1727 And so we as the business community are united and those
1728 investor protections need to be maintained in any type of

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1729 modernized NAFTA.

1730 Mr. Kinzinger. Okay.

1731 Mr. Burkett or Burkett, I am not sure -- in your testimony
1732 you provide examples of how ABB's supply chain spans North America
1733 including a supporting number of manufacturing sites in the U.S.

1734 As you say, the -- U.S., Canada, and Mexico do not simply
1735 trade with each other -- we build things together and rely on each
1736 other's markets to support millions of jobs.

1737 How can we ensure that NAFTA renegotiations won't have
1738 adverse consequences on ABB and similar U.S. manufacturers that
1739 have robust trade cooperation through North America as a central
1740 part of their business?

1741 Mr. Burchett. Yes, that's -- you know, that's from an ABB
1742 perspective. From a-from the National Association of
1743 Manufacturers, we are also now talking 14,000 small, medium, and
1744 large businesses that, you know, have similar levels of
1745 integration with Canada and Mexico, right.

1746 So when-and quite simply, when we look at what needs to
1747 happen, for manufacturers we, obviously, do a lot of investment.
1748 So the consistency, the stability, the lack of volatility allows
1749 us to make those investments, and these low trade barriers. So
1750 it's a pretty simple formula for us. Investment likes
1751 consistency.

1752 Mr. Kinzinger. Yes. And with my 20 seconds left, I yield
1753 back, Mr. Chairman. Thank you all for being here.

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1754 Mr. Olson. The gentleman yields back.

1755 The chair now calls upon the gentleman from South Carolina,
1756 Mr. Duncan, for five minutes.

1757 Mr. Duncan. My son tore an ACL on Sunday, Mr. Chairman, and
1758 he had a doctor's appointment so I've been Face Timing and trying
1759 to inform his wife on what's going on. So I appreciate it.

1760 As you can see, I am sitting down here. I've been in the
1761 Congress for seven years but I am the newest member on this
1762 committee.

1763 Before I came to the E and C, I chaired the Western Hemisphere
1764 Subcommittee, and I held numerous hearings on energy issues in
1765 the Western Hemisphere, specifically focussing on Canada and
1766 Mexico in a lot of those hearings.

1767 Yesterday, the House passed H.R. 357, reaffirming its
1768 strategic partnership with Canada, and when I think about the
1769 inner connectivity between Mexico and Canada, a lot of the -- some
1770 of the testimony that's been given today.

1771 You know, Canadian oil coming to America refineries,
1772 producing petroleum products that are then exported from the U.S.
1773 back to Canada and Mexico and really other parts of the world.
1774 It is a strategic alliance there.

1775 But when I think about Mexico, natural gas pipelines
1776 providing natural gas to Mexico, oil coming back to U.S.
1777 refineries, there is tremendous inner connectivity there.

1778 But it goes beyond North American strategic alliance. I

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1779 used to talk about American energy independence. Then I talked
1780 about North American energy independence and I really broaden that
1781 to hemispheric energy independence because if you think about
1782 Canada and Mexico and you think about the energy renaissance in
1783 this country and our ability to export an abundant natural gas
1784 through LNG, then you think about the needs in this hemisphere.

1785 You think about the Carribean nations that are relying on
1786 Venezuela and the Venezuelan situation. That's opportunity for
1787 Americans and American businesses and the oil and gas industry.

1788 But there are other opportunities where American technology
1789 can be exported. When we think about energy exports we just think
1790 about product.

1791 But we have fracking technology and other down hole
1792 technology that can be utilized off shore, say Guyana, which just
1793 discovered a tremendous oil field -- 32 trillion cubic feet of
1794 natural gas, not counting the oil.

1795 I don't have that number right off the top of my head. But
1796 it's an abundant find. American technology both onshore and
1797 offshore can be exported within this hemisphere. So I
1798 want to ask Ms. Harbert, because you seem to have a lot of knowledge
1799 about global energy initiatives, what are other opportunities
1800 that American industries can take advantage of? Because we are
1801 a leader in the energy area.

1802 Ms. Harbert. Well, you're absolutely right and the
1803 countries in Latin America, save for Venezuela -- Argentina, Peru,

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1804 Brazil -- they have welcomed American investment in the energy
1805 sector because they know we have the best technology and the best
1806 techniques available.

1807 We've been able to develop gas in Peru. We've been able to,
1808 with some hiccups along the way, be big investors in Argentina
1809 and the demand in Latin America as a developing world is going
1810 to go up.

1811 And so the opportunities for us to invest in some of those
1812 repositories in Latin America but also to export from America is
1813 huge, just like it is in Africa.

1814 Africa is going to be an industrializing part of the world
1815 and we want to be part of that industrialization through energy
1816 as a foundation for it. They don't have all the energy we need.

1817 So the opportunities, if you look at the International Energy
1818 Agency forecast, the demand for fossil fuels not only is constant
1819 but goes up and we will provide fossil fuels. We'll provide 80
1820 percent of all new -- the world's energy resources in 2050. So
1821 huge opportunities to export, way beyond just North America.

1822 Mr. Duncan. Mr. Thompson, are our refining capacity and
1823 refineries ready to receive, say, Guyanan oil for refining so that
1824 those products can be shipped around the globe?

1825 Mr. Thompson. Yes. We have the capability to take crude
1826 from all around the world and most importantly, you know, we look
1827 forward to the opportunity to export products back to the rest
1828 of the world.

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1829 You know, last year we exported 72 billion gallons and with
1830 the U.S. energy -- or transportation fuel demands staying
1831 relatively flat now we need those export markets.

1832 Mr. Duncan. Right.

1833 Mr. Chairman, in the remaining time I want to point all the
1834 committee members and the panellists to a Wall Street Journal
1835 article today, I believe: "Fracking Our Way to Mideast Peace."
1836 It's worth reading, and with that I yield back the balance.

1837 Mr. Upton. [Presiding.] The chair thanks the gentleman
1838 and yield back.

1839 The chair now calls upon the gentleman from Texas, Mr.
1840 Flores, for five minutes.

1841 Mr. Flores. Okay. Thank you, Mr. Chairman. I appreciate
1842 you holding this hearing and I appreciate the panel for joining
1843 us today.

1844 When NAFTA was negotiated, Mexico's energy sector was
1845 largely closed to foreign investment. This is important to me
1846 because I was -- one of my firms did substantial energy activity
1847 in Mexico and it was a very closed market. It was very arduous
1848 to deal in the energy space down there.

1849 But in recent years, as you have heard, I mean, Mexico has
1850 opened up -- Mexico has opened up their markets and they have --
1851 they've shown real leadership and we have substantial trade
1852 activities that opened up just in a short period of time.

1853 But in order for all of us -- Canada, the United States, and

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1854 Mexico -- to take advantage of that market opening, U.S. companies
1855 need to have the certainty that their investments will be
1856 protected against government mistreatment.

1857 The NAFTA renegotiation presents an opportunity to recognize
1858 Mexico's energy reforms and to maintain and strengthen NAFTA's
1859 investment protections, and this is why it's important.

1860 Mexico is the number-one export destination for U.S. gas
1861 exports, making up 60 percent of Mexico's total gas supply. Most
1862 of that gas comes from my home state of Texas. Mexico is also
1863 the number-one export destination for U.S. petroleum products.

1864 Half the gasoline U.S. refineries exported this year went
1865 to Mexico and energy and production activity off the shore of
1866 Mexico is just starting as well, creating new opportunities for
1867 U.S. businesses -- many folks that are friends of mine that I used
1868 to do business with when I was in the energy business.

1869 It's my understanding that the U.S. -- excuse me, that the
1870 White House and the USTR are supportive of locking in these energy
1871 reforms as is Mexico. Unfortunately, there are proposals and a
1872 NAFTA renegotiation would undercut if not eviscerate important
1873 investment protections in NAFTA typically via the well-recognized
1874 ISDS mechanism.

1875 So in light of the foregoing, here are my questions. Ms.
1876 Harbert, I believe that you touched on the importance of
1877 investment protection via the ISDS mechanism in your written
1878 testimony.

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1879 Will you please comment on the USTR's proposal to scale back
1880 investment protection, particularly the consequences for the
1881 energy sector? And Mr. Thompson, I will ask you the same thing.

1882 Ms. Harbert. Thank you for the opportunity.

1883 You're absolutely right. Anything from the U.S. side that
1884 would seek to upend the certainty that is necessary to continue
1885 the investments brought about by the reform are certainly
1886 unwelcome and I think they would have the following repercussions.

1887 Number one, it would jeopardize that American investment and
1888 that's what we are actually trying to protect. We would also
1889 jeopardize North American energy security.

1890 Without having that free cross-border trade we wouldn't have
1891 the benefit of both the import and export of energy from both of
1892 your trading partners, which would be a big setback to energy
1893 security.

1894 We would also jeopardize North America becoming the center
1895 of gravity of the world's energy market and that -- we talked about
1896 OPEC here. I mean, we are going to just throw that away and let
1897 them become dominant again? That would be a huge national
1898 security issue for us.

1899 And last but not least, let's not lose the fact that this
1900 would raise costs on the consumer because if we are forced to only
1901 consume our domestic resources from North America and our
1902 producers don't have export, they're going to start producing less
1903 and that really is a lose-lose for the American economy.

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1904 So serious consequences. Those investor protections are
1905 fundamental and they are present in all other trade agreements.
1906 I don't know why we'd want to make something new here.

1907 Mr. Flores. I agree. I agree.

1908 Mr. Thompson.

1909 Mr. Thompson. Yes. So I echo everything Ms. Harbert said.
1910 We have members that are investors at the moment hundreds of
1911 millions of dollars to enter the Mexican downstream market.

1912 If you take away ISDS protections, it's going to jeopardize
1913 that. We need to make sure that the Mexican market stays open.
1914 We need an agreement that locks that in and we need to protect
1915 our investors. It's critical that the ISDS mechanisms remain in
1916 NAFTA.

1917 Mr. Flores. Okay. So, I mean, just simply, I mean, to put
1918 it this way.

1919 I mean, on one hand the White House says, we believe in energy
1920 dominance for our country and for North America. On the other
1921 hand, the USTR is undercutting that by any conversation about
1922 getting rid of the ISDS mechanisms. Is that a simple way to put
1923 it?

1924 Ms. Harbert. And we hope through continued discussions that
1925 they can understand how important it is for all the reasons I
1926 articulated.

1927 But at the end of the day, if we are trying to protect American
1928 investors, let's not take away the thing that protects American

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1929 investors.

1930 Mr. Flores. Exactly. Okay.

1931 Thank you, Mr. Chairman. I yield back the balance of my
1932 time.

1933 Mr. Olson. [Presiding.] The gentleman yields back. The
1934 chair now calls upon the gentleman from the Commonwealth of
1935 Virginia, Mr. Griffith, for five minutes.

1936 Mr. Griffith. Thank you very much, Mr. Chairman. Let me
1937 apologize to you and for the committee. I usually like to come
1938 and listen to everything and today, because I've been in another
1939 committee hearing, I have been unable to do so. But your
1940 testimony is important and we appreciate you being here today.

1941 So I have no problem with this trading with our friends, north
1942 and south. But there needs to be, I believe, a more balanced and
1943 fair deal between our respective countries.

1944 My district in southwest and south side Virginia was
1945 devastated by NAFTA and we lost tens of thousands of jobs. You
1946 know, back when that was all going on, you know, there would be
1947 a press conference and 3,000 people would be out of work.

1948 We didn't get those jobs back. We also have a heavy -- that
1949 was textiles predominantly. We also have a heavy dose of coal
1950 in my district and, you know, it shows me part of the problem we
1951 have with NAFTA.

1952 A lot of the coal mining in Mexico -- and we are not importing
1953 a lot but we do some. But that's not the issue. The point is

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1954 they have coal mines there. But a large part of their coal
1955 industry is now controlled or managed by elements of their drug
1956 cartels and the working conditions are horrible.

1957 But we are supposed to be considered equals, and the same
1958 problem happens with all industries. So what do we do in areas
1959 that have been devastated like my district where the jobs never
1960 came back, the help from the federal government was never there
1961 to rebuild our economy, and I am dealing with communities that
1962 have parts of their downtown that used to flourish they're now
1963 -- you know, there's a block I am thinking of in particular that's
1964 just empty.

1965 All of the stores are gone. It's not like a shell of itself.
1966 It's just not there. It's a ghost part of that community. Part
1967 of it's surviving but just barely. Part of it's doing better.

1968 How do we solve that problem? As we look at making a better
1969 deal, how do we rectify when you have disparities in working
1970 conditions, disparities in regulations, that then make the
1971 American product uncompetitive against our colleagues and our
1972 friends in the south who don't have those rules?

1973 And some went to Canada but they're more like us in the regard
1974 of their regulations and rules. Who wants to handle that?

1975 Ms. Harbert. Well, I will take a stab at one part of that
1976 -- two parts of it.

1977 First, I do think it's important to recognize that coal
1978 exports are on the rise in America and 13 percent of all of our

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1979 coal exports are going to Canada and Mexico -- predominantly
1980 Mexico, right. So they are a good and important and potentially
1981 growing destination for our coal exports.

1982 On the relocation of industries, you know, I think that is
1983 why we find ourselves back at the table, that we want to update
1984 and modernize NAFTA from where it was, you know, 30 some odd years
1985 ago and that there's an opportunity to open up some of these things
1986 and look at that, and it's complicated.

1987 And if you have ever been in a trade negotiation, you know,
1988 if you come out with -- the acronyms they use are mind boggling.
1989 And so I think that's the reason we are at the table. At the end
1990 of the day, there are going to be, you know, industries that choose
1991 to move for economic reasons. That has been the history of free
1992 enterprise and capital markets and free trade.

1993 But there are things that we are looking, you know, at the
1994 coal industry in particular. We have the Appalachian hub that's
1995 going to be built, a new ethylene storage hub in Appalachia that
1996 will take some of those coal miners and put them to work in
1997 something else.

1998 Mr. Griffith. Where is Appalachia is that going to be?

1999 Ms. Harbert. Well, that's a great question and that's up
2000 for the industry to decide and those -- and all of the states in
2001 Appalachia to say what makes the most sense. But at the end of
2002 the day, it will benefit that region and provide sort of, you know,
2003 a relief valve for some of the miners that lost their jobs.

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2004 But it's not just NAFTA. I think we have to realize it's
2005 robotics. It's artificial intelligence. It's mega, you know,
2006 data. It's all kinds of things that, you know, 21st technology
2007 has brought us that make moving around a little bit easier.

2008 Mr. Griffith. Well, let me just say, I actually believe that
2009 if we could get some of our textile industry back it would mostly
2010 be robotics. But that would still be some good high-paying jobs.

2011 But when we lost those jobs 20 years ago, 25 years ago, it
2012 was all based on regulations and wages and it just disappeared.
2013 In a matter of a couple of years, we went from being vibrant to
2014 having been crushed. We made a bad deal. We got to fix it.

2015 Thank you. I yield back.

2016 Mr. Olson. The gentleman yields back.

2017 The chair now calls upon the gentleman with the Bakken Shale
2018 Play in his home state of North Dakota, Mr. Cramer, for five
2019 minutes.

2020 Mr. Cramer. Thank you. Thank you, Mr. Chairman. We are
2021 known for lots of other things as well. A lot of food.

2022 First of all-- and I am sorry I had to step out for a little
2023 bit -- but this has been a really good hearing. All of you,
2024 tremendous job. Thank you. Very well done, and I share all of
2025 your concerns with what's going on with regard to NAFTA.

2026 And it's particularly in the energy area -- and I am concerned
2027 about some other things too but the energy area being sort of new,
2028 if you will, since NAFTA was first passed to seek to present so

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2029 many opportunities.

2030 But here's an opportunity I want to raise just sort of
2031 rhetorically and then get your responses to it. And by the way,
2032 I am going to be -- I am going to be sort of fuel agnostic on this.

2033 I really don't think the fuel matters. I think that what
2034 matters is whether it's intellectual, whether it's fossil,
2035 whether it's technology -- just there's so much opportunity.

2036 But we talk a lot about trade with one another, you know,
2037 the big three of us, and we are all important to each other. As
2038 I like to tell my Canadian friends, however, as important as you
2039 are to us we are critical to you. So we have a leverage that you
2040 don't and always remember that, and our president understands that
2041 very well.

2042 So anyway, but here's what I think we miss so oftentimes in
2043 the discussion that I wish -- I wish we could get to. Just as
2044 sure as all the statistics you have shared in terms of how much
2045 we trade with one another and what -- a large percentage of our
2046 business with, you know, the other two -- Mexico and Canada --
2047 I think somebody said that the next 10 added up don't add up to
2048 what -- in certain areas what Mexico and Canada add up to for us
2049 in terms of market.

2050 What I get enthused about is the opportunity as a bloc --
2051 as a seamless -- and by the way, when I was sitting here earlier
2052 I pulled up my -- one of my favourite maps in the world is the
2053 North American petroleum products pipeline map.

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2054 It knows nothing of borders and I remember the first time
2055 we reversed a pipeline in North Dakota, that instead of bringing,
2056 you know, Canadian crude down we went Bakken crude up on the very
2057 same line. Just not necessarily even to get it to Saskatchewan
2058 but perhaps to get it to the Gulf Coast. I mean, that's how
2059 important that infrastructure is. So I appreciate all the
2060 emphasis on infrastructure.

2061 But what I -- I just -- I would love to just hear some comments
2062 and maybe beginning with you, Ms. Harbert, and all of you could
2063 if you have an opinion.

2064 But what's the potential opportunity from a security as well
2065 as -- an economic security as well as a national and energy
2066 security opportunity? If we as a bloc get our act together,
2067 harmonize everything we are talking about, and then -- and then
2068 who needs OPEC, right? I mean, that's -- that's how I view it.

2069 So just open it up for discussion.

2070 Ms. Harbert. Absolutely. The national security dividend
2071 of this should not go unnoticed in the energy sector. First, from
2072 an American standpoint, we are importing more oil from Canada and
2073 Mexico than we are from OPEC and so that's been a change in energy
2074 fortune for sure.

2075 And the opportunity to full develop the resources of Canada,
2076 the United States, and Mexico and become the center of the world's
2077 energy market, which would send shock waves into not just OPEC
2078 but Russia sort of warms my heart.

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2079 Mr. Cramer. Yes.

2080 Ms. Harbert. So I think that we shouldn't lose -- this is
2081 not just an economic negotiation. This is a national security
2082 negotiation as well because the stronger we are, the more
2083 competitive we are on the world's stage as a bloc, if you will,
2084 but also from an energy standpoint, the more energy secure we are
2085 the more economics -- the more national secure we are and that
2086 provides our allies with choices of where they can get their oil,
2087 their gas, their technology. They probably can't import their
2088 renewables but there's growing renewables within our bloc and it's
2089 a tremendous win-win.

2090 Mr. Cramer. Mr. Thompson.

2091 Mr. Thompson. Well, let me say without sounding too corny,
2092 I mean, I think it would give us lots of things. It would give
2093 us unprecedented freedom in North America -- freedom and to take
2094 away the leverage that the rest of the world or certain parts of
2095 the world have over us now.

2096 It will give us prosperity. Our nations will prosper. Our
2097 employees will prosper. Our consumers will prosper. We'll
2098 continue to benefit from low oil prices and low gasoline prices
2099 and good high-paying jobs. We can become an energy-dominant
2100 region.

2101 I think the possibilities are endless. We should all be,
2102 you know, trying to get there.

2103 Mr. Cramer. Doctor?

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2104 Mr. Krupnick. In our report to the Department of Energy on
2105 these issues, we call very strongly for thinking about ways of
2106 moving towards this bloc -- a concept that you're talking about
2107 and we talk about that as well.

2108 So I think the way to move forward on this is to give DOE
2109 responsibility and the charge to develop pathways for the future.
2110 What are the current challenges? How deep do you have to go in
2111 environmental policy and tax policy to make all this a reality?

2112 You know, I am amazed at how much agreement there is about
2113 moving in this direction and it's great. But someone needs to
2114 think through it carefully.

2115 Mr. Cramer. Thank you.

2116 Mr. Olson. The gentleman yields back. The chair thanks him
2117 for bringing up the bloc we call NAPEC -- North American Petroleum
2118 Exporting Countries.

2119 And seeing that there are no further members who wish to ask
2120 question, I would like to thank all the witnesses for being here
2121 today.

2122 Merry Christmas. And pursuant to committee rules, I remind
2123 members that they have 10 business days to submit additional
2124 questions for the record and ask that all witnesses submit their
2125 responses within 10 business days upon receipt of those questions.

2126 [The prepared statement of Chairman Walden follows:]

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*****INSERT 6*****

2130 Mr. Olson. Without objection, this subcommittee is
2131 adjourned.

2132 [Whereupon, at 12:14 p.m., the committee was adjourned.]