

Energizing Kentucky Conference
9 a.m.
Friday, Sept. 19, 2008
Louisville
Gov. Steve Beshear
(Hassert)

The Oil Embargo of 1973 presented the United States with a “man on the moon” moment.

Unfortunately, the fear and economic pain inflicted on the American public in that chaotic period wasn't motivation enough for our leaders to act – not in a sustainable, transformational way.

And so, three and a half decades later, our country's position is remarkably and sadly unchanged:

- Our national security is jeopardized by countries who despise us.
- Our national economy is undercut by addiction to fossil fuels.
- Our nation's air, water and land are under siege.
- And our national future is uncertain – made so by our refusal to seize control of our destiny.

We are smart enough to fix this situation.

What we lack, collectively, is an appreciation of the urgency – and the will to be bold.

It is refreshing then to be surrounded today at this conference by people who recognize the crisis before us.

Even more so now than 35 years ago, it is incumbent upon us to act immediately, decisively and strategically to change the way this country produces and consumes energy.

Four issues add urgency and complexity:

- One, our changing climate and global warming must be addressed. Carbon constraints *are* on the way.
- Two, in a more global economy, the United States alone does not control energy prices nor the supply and demand.
- Three, our electricity energy infrastructure requires major rebuilding over the next 20 years. The average age of Kentucky's electric generating fleet is 35 years.

- And four, now more than ever, national security is directly tied to how energy independent we can become.

The era of cheap energy is over.

The driving public is in shock over gas prices, and as we've demonstrated over the last few weeks, my office and others are doing what we can in that regard, at least to ensure increases are justifiable and fair.

But those same market pressures are building against natural gas and electricity costs. Heating bills may soon replace fill-ups as cause for outrage.

And the costs are not just economic. How we produce and consume energy has dramatic implications for our health, the environment and our social network.

Our challenge for the 21st century is to develop clean, reliable, affordable energy sources that improve our energy security, reduce carbon dioxide emissions and provide economic prosperity.

In Kentucky, that mission is challenging given our historic reliance on coal for both energy and jobs.

How big is coal?

Kentucky accounts for one-tenth of total U.S. coal production. Coal provides more than 90 percent of our electricity, 17,000 high-wage jobs, more than \$1 billion in direct wages and more than \$3 billion in out-of-state sales.

We provide it, we consume it. In bulk.

Coal-fired plants have blessed us with some of the lowest electricity rates in the country, attracting an array of energy-intensive industries.

But they also leave a huge carbon footprint.

Kentucky's electric power industry emitted more than 93 million metric tons of carbon dioxide in 2006. The state was ranked seventh in per capita emissions and 13th in overall carbon dioxide emissions.

Those numbers are unacceptable, and we must prepare for carbon regulations from Congress. Those regulations will be onerous and costly, and that burden will filter down to everything, including food.

Underlying these challenges are projections that Kentucky will need an additional 7,000 megawatts of generating capacity by 2025, at an overall annual growth rate of 1.7 percent.

But big challenges present big opportunities.

I believe Kentucky can and will be a leader in emerging energy technology and national policy.

Back in July I laid out a goal for my administration: Kentucky will become the Energy Capital of the World.

I charged the secretary of my Energy and Environmental Cabinet, Dr. Len Peters, with making that happen.

Secretary Peters and his office are writing a comprehensive energy plan to serve as a road map for Kentucky's – and hopefully the nation's -- journey to energy security.

Reducing our dependence on both imported oil and natural gas is both one of this country's greatest challenges and highest priorities.

We are increasingly vulnerable to the whims of unpredictable leaders and the vacillations of the world market.

The United States imports about 60 percent of its petroleum needs, more than half of which comes from insecure or unstable regions of the world. The U.S. Energy Information Administration predicts that our dependence on imports will grow to over 70 percent by 2025 unless we develop domestic energy supplies.

I gave Secretary Peters ambitious goals for Kentucky. We want to:

- Conserve and use energy more efficiently.
- Achieve energy independence for transportation fuels.
- Use coal more cleanly and efficiently.
- Diversify electricity generation.
- Reduce emissions of greenhouse gases.
- Ensure strong economic growth in the state.
- Establish state government as a leader in green practices.

The plan is still being tweaked. But a few principles have emerged:

- One, the solution will be multi-pronged. There is no single answer to our energy challenges. We must employ a wide array of existing and emerging technologies and practices, and find various ways to utilize existing resources.
- Two, there are and will be no quick, easy fixes. Sustainable change requires difficult decisions that take long to implement. We need firm resolve.
- Three, renewable energies, while important, will have limited applications, primarily because of Kentucky's geography. Kentucky currently obtains about 3 percent of its energy from solar, wind and hydro-electric.

That figure must grow, but renewable energies are not currently sufficient for base-load generation in Kentucky.

- Four, conservation and efficiency will be critical. One consequence of our historically low electricity rates is that our per capita consumption of residential electricity is among the highest in the United States.

Low costs have also attracted energy-intensive industry, creating high commercial usage.

In both areas, there is room for greater efficiency, and companies like Toyota and Energy Star homebuilders are leading the way.

So is state government.

First Lady Jane Beshear, my wife, has had low-flow showerheads and modern light bulbs installed as part of a plan to make the Governor's Mansion more energy efficient and environmentally friendly.

She has also overseen the creation of a Web site with energy and cost-savings strategies for families.

And a comprehensive energy bill passed during the 2008 legislature session encourages statewide investments in efficiency, especially with building designs, and mandates such efforts for public buildings.

Efficiency presents opportunity for early gains, gains that are "clean" and "green." But let's be realistic. Those gains will be neither easy nor painless. Measurable and sustainable results will require concerted education and incentives to inspire public buy-in.

- Five, an energy transformation will require a more developed sense of personal responsibility. We've become a nation of gas-guzzlers, electric toothbrushes and huge homes.

Attitudes must change.

I will be challenging Kentuckians to do their part. With the public weary of high utility bills and \$4 gas, I hope to find a receptive audience.

- Six, we must recognize that our energy choices are the double helix around which both the environment and the economy are intertwined. As Sandra Meyer put it during the first Energizing Kentucky Conference, this is not a balance but a "harmonization." You can't separate ecology and economy.

We cannot and should not rely on low-cost electricity as a sole driver for economic development.

And we must protect our economically vulnerable citizens by ensuring access to reasonably priced and reliable energy.

- Seven, we must always remain mindful of the social, environmental and health costs of our energy decisions. As Tom FitzGerald of the Kentucky Resources Council so passionately reminds us, people live downhill, downwind and downstream, and some of them are hurting.

One example: Just this month, Lake Cumberland was added to the list of waters with fish-consumption advisories because of elevated levels of mercury.

Last month I wrote Kentucky's federal delegation to urge reinstatement or replacement of both the Clean Air Mercury Rule and Clear Air Interstate Rule, two crucial air quality measures struck down by federal courts.

This was a tremendous setback for federal and state agencies responsible for reducing emissions from electric generating facilities.

- Eight, Kentucky will not and cannot abandon coal. It is too important economically. But we will and must improve and enhance the way we're extracting it and using it to reduce impact on land and the air.

Carbon capture and storage could be a meaningful option, and we must be aggressive about perfecting and implementing these strategies.

- And finally, nine, nuclear power has to be part of the discussion.

Today 443 nuclear power reactors operate in 31 countries and generate electricity for nearly 1 billion people.

In the United States, 104 fully licensed commercial nuclear generating units – including those in five of our neighboring states – account for 20 percent of our nation's base-load electricity generation.

My point: Nuclear is here. It's already part of the national and regional equation. Kentucky must consider it too.

Like I said before, this plan will be a lofty one and the mission difficult and complex.

But it is feasible.

And I feel optimistic.

When I took office last December I inherited a financial mess and public distrust. Turned off by corruption, cronyism and bickering, Kentuckians no longer looked to government to do the right thing.

With tougher ethics policies, a spirit of collaboration, an array of cost-efficient restructuring and a focus on Kentucky's families, we've acted aggressively to create a culture of integrity and a sacred attitude toward public money.

We've also been working to modernize Kentucky's economy and create an atmosphere of innovation and imagination.

Along those lines I've been inspired by the efforts already under way, particularly in the area of energy. Outside the public eye, an array of cutting-edge research and pilot projects are happening here.

For example:

- Alltech is designing a rural biorefinery integrating feed, food and fuel production.
- The state is a partner in two consortiums looking at carbon issues.
- Several synthetic natural gas and coal-to-liquid plants are in various stages of planning.
- Seven native companies have received grants from the Kentucky New Energy Ventures program to study promising technologies ranging from biodiesel to wind to flue gas purification.
- Farmers near Maysville are growing switchgrass in a pilot project creating ethanol and electricity. (This by the way speaks to another byproduct of our energy re-configuration – diversification for our agricultural industry.)
- And our universities are furthering our understanding and use of bold ideas.

Witness the Center for Applied Energy Research and the Kentucky Geological Survey at the University of Kentucky. The University of Louisville's KEEPs initiative. Berea's sustainability program.

But I'm also optimistic for another reason – the caliber of the people involved.

- The leadership of Secretary Peters gives us national credibility, experience and ideas.
- The presidents of the four institutions sponsoring these conferences – Berea and Centre colleges and the universities of Louisville and Kentucky – are demonstrating great vision.

- Environmentalists like Tom FitzGerald – who just won a national award, and congratulations on that, Tom – and Judith Peterson keep the discussion focused on people and the land.
- And innovators like Pearse Lyons and Kris Kimel push us to take risks and think imaginatively.

It is time to act.

Kentucky's, and the nation's, prosperity depends on having a reliable supply of clean, sustainable energy now and far into the future.

If we fail in these efforts, by 2025 we will be ...

- Using substantially more energy.
- Paying significantly more for each unit of energy purchased.
- Still bemoaning our reliance on foreign sources of energy.
- Facing a declining coal industry.
- And finding ourselves captive to limited economic development activities.

And future generations will look back at these years in the same way that we look back on the early '70s.

They too will wonder: Where was the will, the foresight and the courage?

Thank you.

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