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# *Breaking America's Addiction to Oil through Agriculture*

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It's particularly nice to be back here at South Dakota State University, my *alma mater*. In Washington, I sometimes come across people who haven't heard of our school. I tell them it's the Harvard of South Dakota—but with a better animal husbandry program. That line usually gets a laugh, but today it's no joke. Agriculture programs like the one here at South Dakota State—and it's one of the best in the country—have never been more relevant. In coming years, we're going to rely on our farmers not just for food, but also for fuel. And that puts the work here at South Dakota State not just at the center of our farming policy, but also at the center of our environmental policy, our national security policy, and our economic policy.

## CLIMATE CHANGE

Today, Americans use 21 million barrels of oil a day. We're a twentieth of the world's population, and we use a quarter of its oil. Our consumption will keep growing, to an estimated 40% by 2025. That wouldn't be a problem except that when we burn oil, we're also burning up our planet.

There's no doubt any more that global warming is happening. 2006 was the hottest year in recorded history. The second hottest year? 2005. When 99% of scientists say something is happening, it's happening. But we're only just beginning to see its effects.

A couple of weeks ago, I spent a few days in Aberdeen, SD, helping my mother dry out from terrible flooding caused by a torrential rainstorm. The local meteorologists call it a 5,000-year flood. Although nobody can say that global warming caused that flood, we do know that global warming is going to make events like these more frequent. And more intense.

It won't just be big storms now and then. Climate change is also going to affect day-to-day life. One recent estimate said that if global warming continues unchecked, it will push land suitable for wheat cultivation deep into Canada and Alaska by 2050. I'm all for promoting our state's farmers. But the minute they start having to grow tropical fruit, we're all in trouble.

And we'll actually have it better here in South Dakota than on the coasts. Rising temperatures mean melting ice caps, and melting ice caps mean rising ocean levels, which is a big deal when more than half of Americans live within 50 miles of the ocean.

So that's one consequence of our appetite for oil: we're wrecking our climate with no idea whether we'll ever be able to fix the damage. But our dependence on oil doesn't just threaten the survival of our planet; it also threatens our national security.

## NATIONAL SECURITY

We saw last summer just how vulnerable we are to fluctuations in the price of oil. We depend on oil to run our factories, to get to work, to fuel our military. The countries that control its price are the countries that have it. And that's not us, at least not any more.

Today, the United States has just 3% of the world's oil reserves, compared to 60% for the Middle East. Nearly 80% of the world's reserves are held by state-controlled companies. We spend \$50 billion per year to protect these oil supply lines, but that's no guarantee. All a country like Iran or Saudi Arabia or Venezuela has to do is turn off the tap to send prices skyrocketing. Many of these countries do not like us, and they are more than likely to express their dislike by squeezing us with the power they have: the power over our energy. When they do, the cost can be enormous. Economists say these fluctuations in the price of oil have cost our economy \$7 trillion over the last 30 years. And today, oil imports account for \$260 billion a year – half our trade deficit.

Here's what these numbers mean in simple terms. We are borrowing money from our economic competitors in order to burn up our planet and indirectly subsidize some of the very people who we are asking our soldiers to fight. By any measure, our addiction to oil is a huge and growing problem. It threatens our climate, our economy, and our place in the world. It is related to every other big problem we face. And it is not getting better.

## ONE REALISTIC SOLUTION

There are two possible solutions. One is to use less oil—for Americans to drastically cut down on their driving, for businesses to use less heavy machinery, for our military to ration itself. This is not going to happen in a significant way.

The second solution is to replace oil with an alternative fuel. Thankfully, we have a substitute at hand. Ethanol is clean, renewable, and can be grown right here by American farmers. It represents the obvious next step in human evolution. Thousands of years ago, we went from hunting for our food to growing it; today we're doing the same for energy. It's so obvious that you'd think politicians would be pushing each other out of the way to embrace it. But 7 years ago, when Senator Lugar and I introduced the first Renewable Fuels Standards (RFS) bill, we faced great skepticism about our initial goal of producing 5 billion gallons of ethanol by 2012.

You don't hear much from those skeptics any more. This year, it looks like we will exceed the new RFS requirement of 7.5 billion gallons by almost 1.5 billion gallons, 5 years ahead of schedule.

One hundred and fifteen ethanol plants have been built in the United States since the late 1970s. Today, seventy-nine more are under construction. In the last 5 years, new demand for biofuels has led South Dakota farmers to plant 300,000 acres that had never been farmed before. South Dakota leads the United States in farmer-owned ethanol plants, leads the country in percentage of corn used for biofuels, and is fourth in total ethanol production.

South Dakota has also led the country in reaping the economic benefits that can come from growing fuel. Ethanol plants in South Dakota have produced returns of 33% for their investors and have drawn \$400 million in new capital investment into the state. More than 14,000 South Dakotans have some stake in ethanol production.

And there's plenty of room to grow. South Dakota alone has enough agricultural land to produce more energy than all but one member of OPEC. It used to be a political punch line when people said the Midwest could replace the Middle East as the world's energy supplier in the twenty-first century. It's not any more.

We've made great progress over the last 20 years. But today, ethanol makes up just 3% of American auto fuel. We have a long way to go.

## PROMOTING ETHANOL WITH GOOD POLICY

It starts with smart policy. That means, first, raising the RFS to reflect the increasing output of America's farmers and the increasing urgency of climate change and our dependence on oil. We need to keep boosting production of domestic, corn-based ethanol.

But we also need to start moving towards the next generation of biofuels. That's why we need a Low Carbon Fuels Standard like the one being advocated for by Governor Schwarzenegger and Senator Obama.

Today, the only guaranteed consumption of ethanol is from the E10 standard blend market, or about 15 billion gallons annually. But ethanol will truly succeed when it's not a petroleum additive, but a petroleum substitute. That means exploring variations like cellulosic ethanol. In particular, that means more of the great research being done here at South Dakota State on potential sources of energy like switchgrass and big bluestem. And if the government sets incentives, our businesses and best minds will rush to claim them.

We need to work steadily towards these goals when the price of oil is high, but also when the price of oil is low. In the past, oil-producing companies have been able to temporarily drop prices, destroy investments in oil alternatives, and then raise prices even higher than they were initially. We can't let other countries dictate our energy policy. That's why it is time to make the tax credit for blenders of ethanol variable, meaning producers get more help when the price of oil is low, and less when it is high.

Together, these three policy changes will allow America to start shrinking its oil addiction and growing its stake in the fuels of the future.

## BLASPHEMY BECOMES TRUTH

The Irish playwright George Bernard Shaw once wrote that, “All great truths begin as blasphemies.” That’s how it was for ethanol. In the late 1980s, the oil companies tried to stamp it out. In 1990, during the debate over the Clean Air Act, the first President Bush called it “Daschle gasoline.” Back then, it was a put down. Today, it’s a badge of pride.

We know that we’re addicted to oil. Even President Bush has admitted it. And we know that addiction is bad for us. But we have a solution. Ethanol and other biofuels come from American farmers and producers, pass through American refiners, and fulfill American energy needs. No soldier will have to fight overseas to protect them. And no international cartel can turn off the spigot on us. By making smart investments, we can turn America’s farms and fields into the victory gardens of the twenty-first century.

It won’t be easy. It will take smart research like the kind discussed at NABC 19. And it will take smart government policies that unleash the innovation and productivity of the private sector.

But we’ve met huge challenges before. When Sputnik first shot across the sky in 1958, we worried that we had fallen behind the Soviet Union forever. Eleven years later, we had a man on the moon. Breaking our addiction to oil will require the whole country—farmers, scientists, businesses, and government—working together. But working together, there is nothing we cannot achieve.

And South Dakota can lead the way.



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Senator Daschle serves on the boards of InterMedia Partners, the Freedom Forum, CB Richard Ellis, the Mayo Clinic, the National Democratic Institute for International Affairs, and Carolinks, Inc., and is a member of the Council on Foreign Relations. He is also a visiting professor at Georgetown University's Public Policy Institute.

From 1978, he served four terms in the House of Representatives then four terms in the Senate. He was appointed to the powerful Senate Finance Committee and in 1994 was appointed minority leader, and after Democrats gained control of the Senate in 2001 he held the position of majority leader until 2003. During that period, he worked with members of both parties in Congress and the administration in crafting the response to the attacks of 9/11/2001. He also served as a member of the Agriculture, Veterans Affairs, Indian Affairs, Finance and Ethics Committees.