

Homeland Security Capital Corporation: *McMillen One on One Podcast*

Spencer Abraham, Former US Secretary of Energy, and former US
Senator of Michigan
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McMillen: Thank you so much for being with us today and having this informal conversation about your work and your career. I was looking at your background and I was thinking about the time that you were in the Senate, George Bush calls you up and says, become my Secretary of Energy, and you take over that job and all of a sudden 9/11 hits. And Tom Freeman is writing column after column that this is the time that we should put a dollar gas tax in place; this is the time that we should put a floor on energy prices so that we are not caught up in the vagaries of OPEC. In retrospect, what do you think about his recommendations?

Abraham: Well, there is no question, Tom, that trying to reduce consumption of oil related products would reduce America's vulnerability to geopolitical threats and I think the price signal as you indicated is the strongest way to do it. I always tell people that the experiences I had at the Department of Energy suggest that ever passing such a piece of legislation would be extremely difficult. I always tell people about the experiences I would have virtually every May, when the price of gasoline tends to go up in America as the driving summer time season begins. And it wouldn't matter, how obvious it was that that was the trigger, our office would have phones ringing off the hook at the Department

of Energy, from Members of Congress on both sides of the aisle including both strong advocates of drilling for oil and strong opponents of it, demanding that we investigate oil companies, gas station owners, anybody, in the country who might somehow have been involved in this nefarious plot to raise prices. Which to me, suggests that in America there is just a strong aversion to paying very much for petroleum products. And so I think politically it's a very difficult project to try to pass such a tax, it really does take a lot of effort.

McMillen:...

The moment after 9/11 was probably an unusual moment, that was probably - would have likely been the opportunity to have done it. But what would you think about today, a carbon tax, a gas tax, any of that viable today, do we need that?

Abraham:

Well, I think again it's just the, politically it's not very viable for two reasons. One that it's always been unpopular to, you know, to raise the price of energy and Members of Congress I think have recognized that for some time. But in the current atmosphere, in terms of the economy, it's even harder because there is a perception that doing anything now that might undermine the precarious recovery we are hopefully enjoying, is too risky. That's why I think there has been support for a cap and trade type of an approach, which in effect begins the process of putting a cost on carbon. But doesn't do it directly so that Members of Congress can kind of in a certain sense have an arms length distance from increases in the cost of energy. But I do think it's a risky political move right now especially in light of the economy.

McMillen: Well, that makes sense. Turning to your book, *Lights Out*, just released where you talk about real solutions to America's energy crisis. Tell us about that, what are some of the real solutions that we ought to be seeking?

Abraham: Well, I wrote the book in part because of my frustration with the impact we have seen for , more than a decade in Washington on the energy policy, in fact I devoted a fair amount of the book to how we failed and in fact scrutinized not only the -behavior of others, but myself in terms of how some of us who are in leadership probably could have been doing a better job of educating the public and trying to make them better citizens when it comes to these energy questions. And what I argue in the book, is this that I see now once again, when President Obama was elected and had with him this large majority, there was I think an expectation that finally we would have decisive action on energy. And then here we are over a year into his administration, almost a year and a half, and still it's impossible to get a comprehensive bill passed. So what I am trying to do in the book is laying out a plan to maybe accomplish the same objectives that I believe there is a consensus for in Washington.

But without trying to pass a gargantuan piece of legislation, that may be simply impossible to do. And so for instance, I believe our top priorities need to be obtaining more energy security, and reducing emissions and trying to build a long-term strategy for energy that weans us off imported energy. And the way to get there in my judgment is to dramatically ramp up the use some nuclear energy, the use renewables and because I am a conservative, to conserve a lot more, I think we do a terrible job when it comes to energy efficiency. In America, we waste a lot

of energy. And I believe congress could pass a bill and I would urge them to do so which more specifically targets those objectives and tries to lay the ground work for and provide incentives for accomplishing a dramatic growth in those three areas, nuclear power, renewables and energy efficiency. And so I call it the 30-30-30 plan, I believe by 2030 we should try to have 30% of our electricity come form nuclear, today it's about 21. 30% from gains in energy efficiency and renewables, today those numbers are less than 5%. And 30% from natural gas and clean coal gasification plants and if we did that, the outcome would actually be very much like what we are trying to accomplish with these bills that have been so far unsuccessful and I think we could by targeting our objectives and sculpting the energy sector, I think we could makes some really good progress.

McMillen: We are turning to nuclear power. Our main company Safety and Ecology Corporation, Knoxville based, does nuclear remediation at Oak Ridge, Los Alamos, and other federal facilities. At a lot of the sites we also decommission nuclear power plants, we work in the global threat initiatives, we deal with nuclear waste around the world. So, we actually see the importance of nuclear power and agree with you on that premise. But even with the national commission that has been formed to look at the issue of the waste and so forth; how do we ever get over the waste issues, so that we can effectively store and move this industry forward?

Abraham: Well, that's one of the tough decisions that has been too long postponed. And I feel that, it's one that Congress and the current Administration, needs to be decisive about. In my

judgment if you look around the world, the one thing that's clear is that virtually everybody else has decided that they can safely recycle nuclear waste, and they are doing it. Back in the 1970s, the United States made the decision, we would not pursue a recycling strategy, we felt we might set a bad presence that other countries who would be less diligent about recycling would recycle and they might not be very good at protecting their nuclear materials. But our refraining from doing so hasn't discouraged anybody and so virtually worldwide now people are reprocessing and recycling from France to Japan to Russia to the UK and so on.

So I believe that's the smartest course because on the one hand it minimizes the total amount of nuclear waste and on the other hand it lets us reuse the fuel. And I know that it has been proven that it has worked and worked efficiently everywhere else in the world and I am sure with American technology and ability it can work very well here. So that to me is the smartest course. But, it just has been politically untenable for reasons that I think don't make much sense today, they might have made a lot of sense back in the 1970s.

McMillen: Or the global threat issues, are we bringing waste back and reprocessing it in the United States?

Abraham: That's part of the irony here that we do a lot of these things already, but what we don't do is reprocess the waste we are creating in our own nuclear power plants. And to me whatever threat is posed by the recycling system, is a lesser threat than leaving huge amounts of nuclear waste in various temporary storage facilities all over America outside these existing nuclear

plants. In many cases this was never intended, these temporary facilities do not in my judgment measure up to the kind of safety standards that I would like to see. And yet we have allowed this to occur in most of these plants, which of course are very near major population centers. So I think that's a much more risky course for us to follow than the one that would really emulate what's going on in places like Europe and Japan and so on where they have been able successfully to reprocess.

McMillen: When I was in Congress I visited France and saw their vitrification processes. But clearly I think President Obama gets a lot of credit here with his loan guarantees to new nuclear power plants.

Abraham: Yes.

McMillen: -- I agree with you, nuclear has to be part of our future. Now, turning to the Gulf of Mexico, obviously this is a very, very important issue. I am sure you saw the AP story where 27,000 abandoned oil and gas wells in the gulf that may be leaking because they were not sealed properly. What should be our policy with respect to offshore fuel drilling and how do you put in place the appropriate regulation so that, you know, we don't spoil, the world we live in.

Abraham: Well, this tragedy has once again in my opinion forced us or should force us to re-examine the whole concept of not in my backyard. A lot of the reason that we are doing these offshore and deep, particularly this deep water offshore drilling is because over recent decades, we have declared more and more areas either, the onshore areas as well as near offshore

areas to be under moratoria and off limits. And as a result, people say, well, okay then where do we go and, the government has been, I think probably a little more flexible about allowing drilling in these places that are more remote. The problem is that, we have no history and experience in dealing with trouble there. And, I was telling somebody the other day, I remember when I was, younger and I don't know if this was when I was a kid or maybe a little later, but there used to be this guy that was like a wild cat or kind of a guy that when there was a fire in oil rigs anywhere he and his team would come in and they could deal with it. They had the experience, they put these fires out, there wouldn't be serious damage and then they moved on.

There isn't that kind of expertise in dealing with these deep underwater drilling sites as we have wanted in the last three months. And this is a big challenge for us. Now, does it mean we should shut down the entire industry? I don't think so. To the contrary, there are reasons to believe that most of these are being operated properly and if there isn't reason to believe that, then we certainly or I think our oversight people from the Department of the Interior need to go, well by well and make sure that the things are being properly carried out. But I don't think you can draw, from this one experience the conclusion that everybody else is not a responsible player. But we need to I think reexamine how often these need to be overseen, how often they need to be visited, whether or not we have effective strategies for dealing with spills. Obviously we don't have that much here.

My parallel experience was the blackout of 2003 because when that happened, the blackout fell under the Department of Energy's responsibilities and fortunately we were able to get most of these grids back up and running in less than 24 hours. But we also had, I discovered when this occurred, we had tremendous amounts of strategy for how to deal with blackouts and how to get the grid going again. It doesn't seem that that is the case with regard to this type of a problem, and its absence clearly is something that needs to be a priority for the Department of Interior or maybe Congress to try to, put in place a much more effective response system than they have now.

McMillen: Which seems to me that because of the politics of this that we didn't really reach out to the industry. There is a lot of expertise in the oil industry about capping wells, We have got Exxon, Chevron and a lot of great companies. But, it seems to me because of the sensitivity of this issue that, our government really didn't reach out and instead took the position that big oil is bad and I think there was reaction to that. But my bigger concern is the five-year consequences of the politics.

Abraham: Yes.

McMillen: And do you have any insight? What do you think this will mean for America's energy needs five years from now?

Abraham: Well, it could have big consequences if it has the perverse effect or the similar effect of Three Mile Island. You know, that's the one that I worry about. We obviously had a tragic incident there though happily without fatalities. But the mere experience of Three Mile Island basically put nuclear power plants more or

less off limits in terms of new construction and so on for decades. And, if the effect of this is to just shut down, large percentages of our domestic energy development, it can only mean more dependence on foreign oil, it can only mean higher prices and I don't think you have to wait five years for those consequences, but probably begin much sooner than that. And so that's the trade off and I think what we have to do the right things in terms of reexamining how we regulate and how we oversee and so on. I worry that the result of this will be that we just freeze everything for such a long period of time that these industries essentially just grind to a halt, and if that occurs, I mean, it has geopolitical implications. Now look,, if there is anything more unpopular in oil companies in America's business community, I am not sure what it is, but we still have tremendous demand for energy and 20 millions barrels a day demand for oil and we can't - I don't think getting to a situation where all of that's coming from somewhere else. We do need to still produce here at home.

McMillen: And the question is, whether the whole peak oil issue is real or not...--

Abraham: Right.

McMillen: -- is there any validity to that or not, but clearly we have got to find a way to power our needs besides powerful fuels and I think you are right on with your diversity strategy.
Before we go, I was looking at your bio and realized that we were born about the same time, 1952. I was born on May 26 and you were born on June 12. But I am always curious how

people got involved in politics. You were teaching law, I believe, you are a law professor.

Abraham: Right.

McMillen: And then curious how you got into politics and that obviously led to the Senate race 1994?

Abraham: Well, I had actually a very politically active parent. My mother was at a time before women were as involved in politics as they are today, I mean, this is back in the 1960s when I was literally a teenager. My mother was the local chairman and party boss or whatever of the political, the Republican Party in my part of Michigan and so I grew up in a very political household. So I always had as a result of that a great deal of interest in politics and so on and then after I went off to law school I probably came about as close as I ever was to sort of separating myself. But, you know, you sort of slowly get drawn back sometimes and in my case when I became a law professor I ended up back in Michigan teaching and because I had been involved previously in politics in the state I kind of got, enticed. And then the next I knew people were encouraging me to get more active, and so in 1983 I, even though I was teaching at the time, the party, the Republican Party in Michigan, a lot of leadership came and asked if I would like to be the state party Chairman, which came kind of out of the blue, was unexpected. But I thought it would be kind of an exciting thing to do, I was 30 years old, and I knew there was nothing to lose because the party had lost every election in 1982. So it was one of those situations where there was nowhere to go but up, and so that's kind of how I made the transition from a legitimate career as a

teacher into the world, the exciting but somewhat occasionally dubious world of politics.

McMillen: Well, it's a very interesting story and again I thank you for being part of this today and good luck with your book.

Abraham: Thank you.

McMillen: I guess, you are on your tour right now and I am going to be sure to pick it up. Can I get it on my kindle?

Abraham: Yes, you can, actually.

McMillen: I will pick that up this afternoon, look forward to reading it. Thanks again, thank you so much for your time.

Abraham: Tom thanks for having me and as always, it's great to work with you.

McMillen: Thank you.