

Governor Edward G. Rendell
Address to
Joint Session of the General Assembly
Sept. 24, 2007

Good afternoon Mr. Speaker, Madam President, members of the General Assembly, honored guests, and fellow Pennsylvanians.

Since I delivered my budget address to the General Assembly on February 6th, 29 more Pennsylvanians have died fighting in Operation Iraqi Freedom and Operation Enduring Freedom in Afghanistan.

That brings the total number of Pennsylvanians who have died in these conflicts to 189. Sadly, that figure places our commonwealth 4th in the total number of losses among all states.

Thirty-eight of our fellow citizens died in these conflicts while serving in the Pennsylvania National Guard. No other state has lost more Guardsmen.

To honor these heroes who have given what Abraham Lincoln called the “last full measure of devotion,” I ask you to join me in a moment of silence to remember the men and women who have died and those who are still serving in these conflicts today.

(Pause)

With our 189 fallen citizens in mind, we begin our work together in this Special Session to address what Pennsylvania can do to help make our nation safer, and not only safer, but more prosperous.

The decisions we make about energy affect almost every aspect of our lives – how we get to and from work, how we heat and cool our homes, how we run our businesses, and how we protect our environment.

But more and more, energy issues affect our basic economic health and our national security – the issues that are at the core of every nation’s well being.

We have it in our power, today, to build an innovative “energy economy” in which Pennsylvania is a major supplier in the fast growing sector of renewable energy, not just a consumer.

In 2004, together we took an important first step toward building an energy economy in our commonwealth by enacting an Alternative Energy Portfolio Standard bill that requires our utilities to use renewable and alternative energy to produce a significant percentage of the electricity they sell.

This new standard immediately created a market for renewables in Pennsylvania and, in less than three years, we have already gained over 3,000 high paying jobs in this sector.

If we do not act to build on this success, we will be continuing on the path that we as a nation have been on for far too long – a path where supplies are increasingly unreliable and our dependence on energy coming from unstable regions of the world will continue to grow.

Make no mistake: energy is once again a “front burner” issue because the threat to America’s energy independence is real. We see it every day in many ways – high prices at the pump, huge home heating bills, and increasing dependence on foreign oil.

In a very real sense, what we do in this Special Session, the choices we make, will define us as a commonwealth for years to come.

As you know, earlier this year I proposed a comprehensive Energy Independence Strategy that will put Pennsylvania among the top tier of states leading America’s response to the energy challenges we face. We have made only modest progress on this agenda so far, and our challenge in the coming weeks will be to turn the good will many have expressed about completing the next phase of this work into the kind of real, concrete action that was not forthcoming last summer.

Before I address the specifics of this agenda and what I hope we can accomplish together in the coming weeks, I want to take a moment to recognize the forces on the national and world stages that set the backdrop for our work. In particular, three major factors make the challenge we face urgent and the benefits of meeting it head-on substantial.

First is the rapid growth of the new energy economy. The renewable energy sector is growing at a stunning rate, and it shows no signs of slowing down. Last year investors poured \$71 billion into the renewable energy sector, up 43% from 2005 and an additional \$85 billion in investment capital is expected to flood into this sector this year.

I believe renewable energy will dominate the economy of the next two decades the way information technology and life sciences have dominated the economy of the last two decades.

For too long, Pennsylvania has been held back because so much of our employment was in industries that were shrinking. But with renewable energy, we have a chance to be a leader in one of the fastest-growing segments of this new economy.

We should jump at this chance.

If we miss this chance, whether from fear of trying something new or from an unwillingness to invest in our own future, our workers and our businesses will pay the price. I can assure you that if we do nothing, others stand ready to take our place.

Already we are competing to be the destination state for energy research, development and production. California has made more than \$3 billion available to expand its solar energy sector, Iowa is making \$1.3 billion available -- mostly for bio-fuel production, Wyoming is making available more than \$400 million for alternative energy investments and even a state as small as Rhode Island gets it and now has over \$300 million available for alternative energy investments.

The new energy economy is coming whether we like it or not. The question now is whether it is coming to Pennsylvania.

The second factor is the rapid increase in energy prices. Even as we work to build the new energy economy, we are paying the price for the energy decisions we as a nation have already made. Crude oil hit an all time high price of \$83 per barrel last week, and over the last few years coal and natural gas costs have also risen sharply.

But price is not the only issue. Price volatility undermines our economy, too. Not only are we paying more, but it is harder than ever to budget for energy costs, and this is a burden for families and businesses alike.

And as we all know, in a few years the caps on electricity prices that have been in place for a decade will expire. If we do our work well today, we can reduce the chance that Pennsylvania will face the price shocks that have been so debilitating for other states.

The third factor, of course, is the price that we pay as a commonwealth and as a nation for our dependence on foreign oil as the very lifeblood of our economy. It is an economic issue, to be sure, but it is also a matter of life and death.

The price of our dependence was recently highlighted by a man whose credibility has been the bedrock of the federal banking system for more than a generation – a man not given to exaggeration.

In his memoir published this past week, Alan Greenspan said he was “... saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil.”

For too long, our nation has had to make foreign policy decisions influenced in great part by our need for energy. In 1991, on the eve of Operation Desert Storm, the U.S. imported 40 percent of the petroleum it consumed. Today that figure is around 60 percent.

The U.S. consumes 25 percent of all the oil produced in the world, yet we control just 3 percent of the world’s oil reserves.

And so our vital interests can be held hostage to political disputes occurring thousands of miles away.

Ladies and gentlemen, common sense tells us this is a recipe for disaster.

I have highlighted three factors that compel us to act, but clearly they are not the only ones. It almost goes without saying that switching over to renewable and alternative energy sources will dramatically improve our environment.

And as we learned in the aftermath of Hurricanes Katrina and Rita, having a diversified supply of energy, much of which is under our control, will enable us to avoid the devastating blows to our economy that can come from a natural disaster or terrorist attack.

As you consider the specific elements of my Energy Independence Strategy, I hope you will keep in mind these key realities: the opportunity we have to gain economically by becoming an energy leader; the cost we will bear if we don’t diversify our energy supplies; and the escalating price our nation and our fellow citizens are paying for an energy policy that leaves us in the grip of forces beyond our control.

My Energy Independence Strategy has many elements, but for the purpose of this Special Session, I would like to focus on two areas: renewable fuels, and new investments in technologies, businesses and products that either reduce energy use or produce clean, renewable energy.

In both of these areas, there is a clear roadmap we can follow to protect ourselves from the threats that confront us. My goal is to ensure that to the greatest degree possible, energy consumed in Pennsylvania is produced in Pennsylvania, by Pennsylvanians.

Last year, Pennsylvanians spent \$30 billion on energy we had to import into our state. Think of the impact it would have on PA’s economy if we spent this \$30 billion, or even half of it, on energy produced in Lancaster, Clearfield, Westmoreland or any of the counties throughout Pennsylvania.

And unlike life sciences and information technology, the economic boom from renewable energy will be felt mostly in the rural and agricultural parts of our commonwealth, where we need it the most.

To achieve these goals, first we should dramatically increase the production in Pennsylvania of two renewable fuels for our cars: ethanol and bio-diesel. These are made from crops we grow here in our state -- soybeans today, and soon other feedstock like switchgrass, wood chips, wood fiber and agricultural waste.

Every dollar we spend on these fuels is a dollar that stays here at home instead of being sent overseas.

To ensure that we ramp up bio-fuel production as quickly as possible, we have before us a plan called the PennSecurity Fuels Initiative. It will require a set percentage of all the fuel sold in our state to consist of renewable fuel: 10 percent of our gasoline will be replaced by ethanol, and initially two percent of our diesel fuel will be replaced by bio-diesel, and as our distribution system grows, as much as 20 percent.

We can reach these levels far sooner than you might think. By the end of this year we will have the capacity to produce at least 60 million gallons of bio-diesel fuel per year right here in Pennsylvania. More capacity will come on-line in the near future.

And private companies will be breaking ground on four new ethanol plants in the next twelve months.

Even more companies are hoping to locate plants in our state. But right now the sponsors of these projects are waiting to see if Pennsylvania is the right place to invest.

In the waning days of our spring session, Senator Brubaker brought one of these companies into my office and we met for close to an hour. At the end of the meeting, they pledged that if we enacted the PennSecurity Fuels plan they would invest right here in Lancaster County. If we enact the PennSecurity fuels plan in this Special Session many others are sure to follow and invest in our commonwealth.

If they do come, the impact can be dramatic. Consider that the ethanol plant being constructed by Bio-energy in the Clearfield County Technology Park will be a \$275 million capital investment -- an investment virtually unprecedented in rural Pennsylvania.

I am pleased that the House of Representatives approved Representative Gerber's version of this proposal in June. It is a great start on the road to energy independence, and I commend the bill's supporters in the House, on both sides of the aisle, for their commitment to this cause. Now we must work together to make the PennSecurity Fuels Initiative law.

Second, we must change how we use and produce electricity. My proposal will help us conserve electricity wherever possible, meet more of our energy demand from renewable sources like wind and solar power, tap the power of clean coal, reduce upward pressure on electricity prices, and bring as many jobs as possible from the new energy economy to Pennsylvania.

The centerpiece of this plan is a new, \$850 million Energy Independence Fund, that would make strategic investments to provide access to critically-needed seed money or venture capital, working capital, loans and limited grants. It will give us the resources to attract new, clean energy manufacturers to Pennsylvania.

The Energy Independence Fund will also help consumers save money, in part by offering rebates for the purchase of new, energy-efficient appliances. These new high

efficiency appliances – refrigerators, air conditioners and the like – will save consumers money over the long term, and reduce the overall pressure on the electricity grid – a win-win.

Additionally, the fund will offer a 50 percent rebate to homeowners, businesses and farmers who install solar panels. Our farmers are operating on a smaller profit margin than ever, and one of their biggest cost drivers is the price of energy. Solar panels can drive down this expense dramatically, and some farmers will be able to make money by selling excess energy back to the grid.

And this is not the only technology out there that can create this kind of win-win. Another tool is the smart electric meter. In a world where electric deregulation means prices can vary from day to day or even hour to hour, this technology gives consumers the option to benefit from deregulation by managing their usage more closely if they choose. If not, it can function just like a standard electric meter.

Even if consumers aren't clamoring for these devices today, that could change very quickly once rates are allowed to float on the open market. And when they do, consumers will be glad we took steps to provide a tool that enables them to make smart energy decisions.

The bottom line is that smart meters empower the consumer, and so all consumers should get them.

Moving forward with the strategy I have proposed will bring many benefits, but it is not without a cost. Under my proposal, the Energy Independence Fund would be financed by a modest charge on electricity consumption — just one-twentieth of one cent for each kilowatt of power sold in the state. This will cost the average residential customer just 45 cents per month.

Seventeen other states have programs of this kind, and we should join them. If we do not, we will fall further behind in the race to reap the economic benefits of the new energy economy.

Nobody wants to pay more for anything, but 45 cents a month per household is a small price to pay to reduce our dependence on foreign oil, grow our economy and strengthen our security.

Before I close I will remind you of something that I have said many times, but which bears repeating today. Although I believe my Energy Independence Strategy constitutes a sound approach to the challenges we face, I remain open to ideas that others may bring to the table.

I think that I have made my goals clear – a robust, guaranteed market for Pennsylvania-produced bio-fuels, and new investment capital for energy conservation, renewables and new energy technology. But again, I am open to other ideas about how best to reach these goals. I was pleased that the House Republican leadership statement on energy said “We agree on the destination...” Now we must work together to reach agreement on how best to get there.

Remember what we can accomplish when we work together, in a bipartisan effort. In the beginning of 2003 Pennsylvania's economy was struggling. We had suffered two consecutive years of job losses totaling nearly 90,000 jobs.

That March, I came before you to present an economic stimulus program to reverse this trend. The plan I presented to you that day was a very good one and over the next several months all four caucuses went to work with us adding new programs.

These programs included Penn Works and the Infrastructure Improvement Program and changes that saved debt service costs by turning our venture funds into a venture guarantee plan. As a result that very good plan became a great one – perhaps the most comprehensive and effective in the country. That bipartisan work has paid off for the people of Pennsylvania.

For eight of the past twelve months we have broken the record for the highest number of jobs in our state's history. In March of this year we recorded a 30-year low in our unemployment rate, and in 46 of the past 56 months our unemployment rate has been lower than the national average.

But the best evidence of how our economic stimulus plan has worked came when IBM's global consulting arm released a report on new investment flowing in to nations and states. That report found that in 2005 more investment projects occurred in Pennsylvania than in any other state in the nation. The year before, we hadn't even made it into the top 10.

Think of it, Pennsylvania beat out every state, including the Sunbelt economic powers of Florida, Georgia, North Carolina, Texas, Arizona and Nevada. And the good news keeps coming. IBM just released its 2006 report on global investment trends. This year their report focused on job creation due to foreign investment. Looking at 10,500 projects and 1.5 million jobs, IBM ranked Pennsylvania sixth highest of all the states for projects that created jobs with valuable foreign investment capital.

We can build on this progress by enacting a bipartisan energy plan.

In the fight for energy independence, I claim no corner on the marketplace of ideas. But we must have new ideas, and we must together build—

An energy policy that works for our citizens and puts more of our citizens to work;

An energy policy that allows us to reduce our dependence on foreign oil and makes our nation safer;

And most of all, an energy policy that helps us create a better world for our children by ensuring a supply of energy for generations to come that is clean, reliable and home grown.

We've got our work cut out for us, ladies and gentlemen. But the goal is well worth the effort: a Pennsylvania that fuels its own growth even as it enhances the security and quality of life of all our citizens.

Thank you.