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Distinguished Members of the Committee,

Thank you for the opportunity to speak this morning. My name is General James Conway, and I served as the 34th Commandant of the United States Marine Corps, retiring in 2010 after 40 years of service. I offer this testimony as co-chairman of the Energy Security Leadership Council for Securing America's Future Energy (SAFE), which I co-Chair with Frederick W. Smith, the Founder, Chairman and CEO of FedEx. SAFE is an organization committed to reducing the United States' dependence on oil for the acute national security and economic vulnerabilities it creates for this country.

The context today is a discussion of the federal government's proposed rulemaking on fuel economy standards. I am here because this policy is among our greatest weapons to combat America's oil reliance, and our group is concerned that the proposal to freeze these standards at 2020 levels places America at a strategic disadvantage. Freezing this program threatens to reverse the significant progress that has been made towards the administration's goal of energy dominance—which we support.

Oil is the lifeblood of our transportation sector and, in turn, underwrites the entire U.S. economy. Oil is also a globally traded commodity, with prices influenced by events in oil-producing and consuming countries around the world. Changes in oil supply or demand anywhere affect prices everywhere. Moreover, the global oil market is subject to unpredictable, anti-free market behavior from oil-producing countries and OPEC. Approximately three-quarters of the world's proven oil reserves are held by government-owned national oil companies. In recent years, we have seen Saudi Arabia and Russia in a new era of collaboration, institutionalizing their control over the majority of the world's oil supply. This poses an existential challenge to America's interests that must not be ignored.

The fuel economy program helps America strike back at this collusion and market-distorting behavior. The federal government's proposal states that the United States should no longer concern itself with reducing oil consumption—we find this proposal deeply misguided. Our country has sent $1.6 trillion in the form of oil revenues to OPEC member states in the last 10 years alone. OPEC and other petrostates use these revenues to fund military spending, maintain autocratic rule, and support other initiatives that don't align with American interests and values. The proposal before us would increase oil demand by 500,000 barrels per day through 2030 versus the previous rulemaking. This is no way to achieve energy dominance.

Our group expresses concern regarding the assumption in the document that oil prices will remain low through 2050. This assumption is a dangerous one that defies current market dynamics and historical precedent. Market interference and geopolitics have left a legacy of boom and bust price cycles that will continue into the future. It would be foolish to cede strategic advantage on the hopes that conditions outside our control will resolve in our favor.

To understand the benefits of reducing our oil consumption, the federal government must update its methodology to account for the cost incurred by the military to protect the flow of oil. EPA and NHTSA do not currently include this cost in their regulatory impact calculation. Our conservative calculation shows that the burden to the military of securing the global free flow of oil is more than $80 billion a year, or 16 percent of the U.S. base defense budget. If one spreads this out over the 19.8 million barrels of oil consumed daily in the United States in 2017, the implicit subsidy for all petroleum consumers is approximately $11.25 per barrel of crude oil. This figure does not include the discrete costs of the strategic operations in Iraq and Afghanistan.

In addition to addressing this omission in the cost-benefit analysis, our group supports a negotiated settlement between the federal government and California. The upsides of a successful deal are significant. The opportunity to modernize the fuel economy standards, spur innovation in the industry to support a future that is electric and autonomous, and advance the administration's energy dominance agenda has never been greater. We support a compromise based on the following:

1. An increase of fuel economy standards by at least two percent per year during the model years in question;
2. A program that is national in scope with a path toward future standards through 2030;
3. Multiplier credits for all types of alternative fuel vehicles to offer fuel choice to consumers; and
4. An updated off-cycle credit program that incentivizes adoption of self-driving and advanced driver assistance features that will save both lives and fuel. SAFE's analysis finds that up to 18-25 percent system-wide fuel savings can be achieved by deploying existing driver assistance features that reduce fuel consumption while improving safety.

Overall, we at SAFE believe the national program may need to adjust to market realities, but it requires adjustments rather than a wholesale freeze. We stand on the cusp of a technology revolution that offers the chance to end oil dependence in a way that will no longer constrain our foreign and military policy or threaten our economic independence and growth. This is a good news story. I commend you on the progress that has been made so far. We stand ready to be supportive however we can. I thank you for the chance to offer this testimony.