Thank you Chuck [General Charles F. “Chuck” Wald, USAF (Ret.), Chairman, CNA Military Advisory Board]. Thank you all for being here. Thank you, Sherri, my old friend, for giving me this opportunity and to the many great men here. I’ve had a relationship with almost all of these gentlemen for some time. I just want to single out one that is particularly timely, and that is -- General Keys was my military assistant last time I was in the early weeks of taking on a job in the Pentagon and, Ron, I wish you were over there now. I salute this Military Advisory Board and this organization for doing what it's done. I've read this report -- I learned a lot from it. I'm in the early weeks of trying to understand the Department of Defense's roles and responsibilities to ourselves and to the nation in this area of energy. And I've learned enough now -- including from this report -- to know that I would be remiss in my duties if I didn't put a priority on energy.

I'm going to give you some examples of the way that I intend to try and do that. I'd also be stupid not to because the President of the United States and the Secretary of Defense have made it pretty clear that this is something that they want the Department to do. So the survival instinct alone should recommend that I pay attention to this.

DOD is the largest single energy user in the United States. That gives us a lot of energy -- gives us a lot of opportunity. Just to remind you -- the world consumes about 86 million barrels a day, of which the United States consumes 21. We in the Department of Defense -- about 0.3 million barrels per day or about a percent and a half of the U.S. usage. For that we spent in the last fiscal year $20 billion, as you'll understand as people who fill up your own gas tanks, up from about $13 billion in 2007. So this is a big thing for the Department of Defense. I'd like to take a few minutes to walk with you through some of the responsibilities that my office has and how energy suffuses each and every one of them.
Now remember, this is the Under Secretary of Defense for Acquisition and Technology and Logistics, which my teenage children think is a completely useless title from their point of view. They say why can't you be Director of the CIA or something? Nobody is going to understand what this means. (inaudible) That's what my children think of Acquisition, Technology and Logistics.

But let me start with the last little piece of that -- and it's not a little piece at all, logistics -- which is essentially where half the dough goes. And a great deal more than half the responsibility if you consider that we are now trying to move a great deal of material out of Iraq on a timetable given to us by the President and a great deal of material most importantly into Afghanistan. One of the things that rings in my ears is Secretary Gates' statement, oft repeated in various ways but it goes something like this, "The troops are at war and the Pentagon isn't." By that he meant, importantly, the part of the Pentagon that I'm in now. And that means we need to do a lot of things -- we need to put things into the field that are needed faster, not in our usual 20-year acquisition cycle. We had to get some handle on how we contract in the battle field. But when it comes to the logistics area, energy turns out to be really critical. Seventy percent of our convoys in Afghanistan are carrying fuel and water. I don’t need to tell you that to guard those convoys puts people at risk. So obviously if we can reduce the number of convoys, we reduce the number of troops at risk.

What is that fuel being used for? In the Army -- in Iraq, now not in Afghanistan -- I don't have the numbers yet for Afghanistan, but in Iraq -- the great majority of that fuel was used to fuel generators. Not for helicopters, not for ground vehicles -- generators at forward operating locations. What are they generating power for? Importantly for air conditioning, pretty inefficient thing to do air condition a tent in the desert right? But we were air conditioning tents and we still are to a great extent and then it dawned on someone -- not me, obviously, I haven't been there long enough to have any influence on this -- but it dawned on my predecessors that if we insulated those tents, we would use a lot less energy. And indeed in Iraq and in some test facilities out on the West Coast we tried this out just by spraying foam over an ordinary tent that has an air conditioner in it. You reduce the energy consumption by 45 percent, which is integrated over all of Iraq, integrated all over Afghanistan. A lot of convoys had a need for them obviated. The risk of going through Pakistan, the geopolitical problems of bringing it through the various northern approaches, all of that lessened as a consequence. Something so simple, but no one had ever thought of it until they got this energy thing in their head.
Second priority the Secretary laid down is to implement the very far-reaching decisions he made a short time ago regarding the FY ‘10 program and beyond. And I've been spending a lot of my time over the last few weeks conducting review after review of those programs. I think it's the largest volume of acquisition-related activity -- I like to say I'm making this up, but -- since the Reagan administration. Not that there's -- the money's going up but the number of decisions that the Secretary has made (inaudible).

And that really gives us a tremendous opportunity give you an example. Future Combat Systems, for example. A program that has been ended but modernization of the Army obviously can't end and so there has to be something that follows FCS and we're trying to figure out what that will be, including the ground vehicle portion of FCS. And as we do that and as we in a separate program recapitalize the Humvee fleet in something called the Joint Light Tactical Vehicle Program, we have an opportunity to ask ourselves whether next time we go to war with the vehicles that we're conceiving and procuring now, we can be more fuel efficient that they are today, thereby reducing that logistic strain and so forth. And maybe if we work on that, maybe, maybe we'll make a contribution to the greater national effort to increase the efficiency of our transportation.

Third thing -- the Secretary has emphasized acquisition reform. A number of the programs that he canceled were canceled for cause, were canceled because they were performing poorly. They were over budget, they were over cost and behind schedule and that was the end for them. Acquisition reform’s a complicated subject. I think the Secretary says something very wise when he says "There is no silver bullet and there is no substitute for good sense and discipline. No amount of (inaudible) with the system can do that". At the same time Eisenhower was probably right when he said, "The right system doesn’t guarantee success but the wrong system guarantees failure." So we want to look at the system. And again -- I'm no fool -- the President, the Secretary of Defense and Chairman of our committees in both houses have all emphasized their commitment to acquisition reform.

So guess what? I'm committed to acquisition reform also. And there are some energy-related ideas we can incorporate there as well. One which is mentioned in this report is the so-called “fully burdened cost of energy”, which is a concept that asks us as we begin new programs -- be they aircraft programs, any fuel-consuming program -- to take into account what it really costs to fuel those weapons systems. Let me give you an example.
In Afghanistan today it costs about $13 a gallon at the pump when we gas up a vehicle there, if you fully burden all the transportation and everything, an airborne tanker $42 per gallon. So obviously, if you can reduce the consumption of the ground vehicles or the air vehicles and you consider the fully burdened cost of fuel as you conceive of the acquisition strategy for a given program, you might really be able to save money. It’s another way that energy consideration can come into everything that we do.

Fourth and finally, the Department is looking beyond FY ’10 to all the decisions that were not made in association with the FY ’10 budget and we have a quadrennial defense review, a nuclear posture review, a space posture review, a missile defense posture review -- one after another of these reviews -- which compel us all to think about the national security environment of the future. And this is where this far-sighted report makes so much sense.

As you look out over those scenarios and the sources of conflicts and the sources of threat to the United States, you see one after another that is driven by energy or in which energy is an important consideration; be it because the possibility of conflict over access to resources or energy wealth, Chuck mentioned this, getting into the hands of the wrong people -- antagonists, spoilers, despots -- or if it's rising prices, or difficulty of accessing countries that are about to break and thereby to become sources of threat. Or because in the search for alternatives, one turns naturally to nuclear power -- and at that point one needs to wrestle with the connection between nuclear power and nuclear weapons development. Or because, and Chuck mentioned this also, terrorist or other antagonists recognize the vulnerability the energy infrastructure and that becomes an object of disruption or attack. So in all these ways as you look out over the security climate of the future and try to figure out what we're going to do next in AT and L, energy's a driver. So I'm seeing it crop up everywhere. I'm committed to staying on top of this, using great brain trusts like this one.

We have some terrific opportunities in defense. We've tripled the amount of money that we're spending on energy R and D over the last two years and now up to $1.2 billion -- and that does not include the $300 million that’s in the stimulus package for energy. That's not a big deal compared to what the Department of Energy does, but I'm looking for a partnership with the other physicists in government who are Steve Chu and (inaudible) over in Energy and my buddy John Holdren over in the White House -- a little gaggle of physicists in here working on energy issues. 
One way that we can be complementary with the DOE's R and D strategy is we don't do a lot of laboratory work and they do, but we have a lot of very good testing demonstration facilities. So a good partnership is that they use our infrastructure to test, demonstrate, explore, we use their science base, which is richer than ours in this field, to get good ideas. So there's a lot of potential here and it's good for Defense. And as in so many other fields over the history of this country I think it's possible for the Department of Defense in serving its own needs also to serve a larger national need. So that's what we're determined to do and this report gives us a lot of the intellectual capital.

I'm very grateful and honored to be in the presence of all of you. I thank you all for coming; I thank Sherri for having me. I look forward to listening to the panel.