

Compiled by: South Florida Water Management District
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Lawsuit US Sugar deal violated Sunshine Law

08/02/2008

Wichita Eagle - Online

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MIAMI - Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed Friday.

Attorney Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. He filed the lawsuit against the South Florida Water Management District.

Lehtinen contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal.

'There are a lot of unanswered questions that they've managed to not answer,' Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.'

Lehtinen said the public has been denied specifics on how the proposal would be funded and whether other Everglades projects would have to be scaled back to make money available.

'If this is added on to the existing projects then it's OK,' he said, 'but I have every indication it's not going to be added on. It's going to be used as an excuse.'

Lehtinen doesn't expect his lawsuit to dissolve the deal, but he said he wants all further discussions to be held in accordance with the Sunshine Law and he wants to know what effect the U.S. Sugar buyout would have on current environmental programs.

Sterling Ivey, a spokesman for Gov. Charlie Crist, who brokered the deal, said, 'We support the South Florida Water Management District and have confidence that the district has operated within the public record laws of Florida.'

The water management district issued a statement saying the agency 'remains committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations.'

Crist announced in June that the state and the nation's largest producer of cane sugar were close to an agreement on turning over the land for Everglades restoration. The deal would mean the end of U.S. Sugar's operations and the loss of 1,700 jobs.

Officials hope to have a final agreement by November. U.S. Sugar

would then be allowed to continue farming for another six years.

Water managers plan to use the land to construct a network of marsh treatment areas and reservoirs to clean and store water before sending it south into the Everglades.

Lehtinen is a former state legislator and Miami U.S. attorney who brought a key federal lawsuit in the 1980s aimed at stopping environmental damage in the Everglades. In private practice he has long represented the Miccosukee Indian tribe in similar lawsuits aimed at accelerating Everglades restoration. He is a Republican, like his wife, U.S. Rep. Ileana Ros-Lehtinen.

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CHANNEL 9 NEWS

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BOILING. BUT THE BIG TICKET ITEM THAT BRINGS PEOPLE BACKPACK... AND WE'RE TOLD PLANS TO GET EXTRA BACKPACKS TO THE PEOPLE WHO MISSED OUT TODAY. WE'RE LIVE IN ORANGE COUNTY, SL CH9EWN. AN ATTORNEY IS CLAIMING THAT GOVERNOR CRIST'S PLAN TO BUY AND RESTORE PARTS OF THE EVERGLADES WAS ILLEGALLY BROKERED.THE SOUTH FLORIDA ATTORNEY FILED SUIT YESTERDAY Anthony is allowed three jail visits a week. We'll be there every step of the way. STAY WITH US FOR ANY NEW INFORMATION IN THE CASE. WE'LL PASS IT ALONG. AS ALWAYS, LOG ON DO WFTV.COM FOR INSTANT UPDATES IN THE SEARCH FOR CAYLEE ANTHONY.

THE FIRE HAD SELF- EXTINGUISHED BECAUSE OF A LACK OF OXYGEN.

THE SOUTH FLORIDA ATTORNEY FILED THE SUIT YESTERDAY AGAINST THE SOUTH FLORIDA WATER MANAGEMENT DISTRICT. THE ATTORNEY SAYS THEY BROKE THE SUNSHINE LAW BY CONDUCTING CLOSED DOOR MEETINGS WITHOUT THE PUBLIC'S KNOWLEDGE. THE WATER MANAGEMENT DISTRICT NEGOTIATED THE \$1.7 BILLION DEAL WITH THE U.S. SUGAR CORP.

AN AMAZING CRASH SURVIVAL STORY TO TELL YOU ABOUT. HOW ONE DRIVER WALKED AWAY FROM A COLLISION WITH A LIGHT POLE.

I'LL BE SHOWING YOU WHERE HIGHER RAIN CHANCES WILL BE

TOMORROW, AND DURING EYE ON THE TROPICS, YOU SEEL'LL SEE WHERE THE DEVELOPING SYSTEM 0002IN THE GULLF IS HEADED.

AND HOW CAB DRIVERS USED THE PRESIDENTIAL VISIT TO BRING NA SIT RIGHT THERE.

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Around the Nation

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Faster Pace for Admitting Iraqi Refugees

The United States allowed in more than 2,300 Iraqi refugees last month, setting a record and putting the Bush administration on pace to surpass its goal of accepting 12,000 by the end of September. July's figure brings to 8,815 the number of Iraqi refugees admitted in the current budget year. Officials said they expect to admit more than 1,600 Iraqi refugees in both August and September.

Florida Lawsuit Alleges U.S. Sugar Deal Broke Law

MIAMI -- Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, a lawyer claims in a lawsuit. Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. Lehtinen, the husband of Rep. Ileana Ros-Lehtinen (R-Fla.), contends that meetings about the deal were illegal because they evaded Florida's 'sunshine' law, which mandates advance notice of government meetings and their agendas.

Louisiana Judge Removed From Jena Cases

NEW ORLEANS -- The judge overseeing the criminal cases for the remaining 'Jena Six' defendants was removed for making questionable remarks about the teenagers. Judge J.P. Mauffray Jr. had acknowledged calling the teens 'troublemakers' and 'a violent bunch' but insisted he could be impartial. Judge Thomas M. Yeager, who was asked by defense attorneys to review the case, found there was an appearance of impropriety and took Mauffray off the case.

Lawsuit US Sugar deal violated Sunshine Law

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t 7:16 p.m. Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed Friday. Attorney Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. He filed the lawsuit against the South Florida Water Management District.

Lehtinen contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal.

"There are a lot of unanswered questions that they've managed to not answer," Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. "I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers."

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Lehtinen doesn't expect his lawsuit to dissolve the deal, but he said he wants all further discussions to be held in accordance with the Sunshine Law and he wants to know what effect the U.S. Sugar buyout would have on current environmental programs.

Sterling Ivey, a spokesman for Gov. Charlie Crist, who brokered the deal, said, "We support the South Florida Water Management District and have confidence that the district has operated within the public record laws of Florida."

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Environmental elites are a force behind Everglades restoration

08/03/2008
Tribune, The
CURTIS MORGAN

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Early in the hush-hush negotiations to buy U.S. Sugar, Florida Gov. Charlie Crist dropped by a fundraiser for the small but powerful Everglades Foundation.

At the ritzy Mar-a-Lago Club in Palm Beach, the governor hobnobbed with gossip-page lovebirds Chris Evert and Greg Norman, celebrity magnate Donald Trump and the not-so-famous but even richer Paul Tudor Jones II, a Wall Street wizard and avid tarpon angler who chairs the nonprofit foundation.

Behind the glitter was a more telling measure of the foundation's clout: Crist's office put his hosts in the loop on the secret sugar talks well before the February shindig - and before many of his own top administrators.

Audubon, Sierra and many other brand-name environmental groups have sparred with the sugar industry. But the low-profile Everglades Foundation has played the biggest role, and spent the biggest bucks, trying to cut Big Sugar down to size. Led by Jones, prominent activists Mary Barley and Nathaniel Reed and a small group of directors and staff members, the Palmetto Bay-based foundation has never been more influential.

A former director sits as vice chair of the agency in charge of Everglades restoration. The governor fishes with its billionaire chairman. Its galas and grants provide millions of dollars that support a network of other groups' advocates, attorneys and lobbyists.

And when Crist unveiled the \$1.75 billion proposal in June, the foundation supplied the glossy press kits hailing the buyout of its longtime foe as the 'missing link' to Everglades restoration.

'They're wealthy people. They're philanthropists. They pick their causes, but they like to win, too,' said Frank Jackalone, director of the Sierra Club's Florida office.

The foundation isn't one of those trendy new 'green' groups. For its leaders, trying to save what's left of the Glades goes back decades.

Barley, named a 'Hero of the Planet' by Time in 1999 for her Everglades efforts, said the foundation's most important role has been to keep activists' eyes on the prize.

'We have only one issue,' said Barley, a vice chair who lives in Islamorada. 'We are where we are because we brought together everybody who is working on the Everglades.'

Having deep pockets hasn't hurt, either.

Jones, whose net worth is estimated at \$3.3 billion, ranked No. 105 on Forbes' 2007 list of richest Americans. Other directors, including Jack Nicklaus and Jimmy Buffett, also qualify as well-heeled, well-connected or both. Forget scruffy stereotypes - these are enviro-elites.

Foundation and tax records don't detail individual giving, but its chairman also is its largest donor. Jones, a hedge-fund manager who lives in Greenwich, Conn., and owns an Islamorada vacation home, has easily poured \$20 million-plus into the foundation himself - \$11 million alone on a bruising but losing 1996 drive to pass a penny-a-pound pollution tax on sugar growers.

Three weeks before Crist's election, Jones gave \$400,000 to the Florida Republican Party - the largest individual donation in at least a decade. If it didn't quite match Big Sugar - U.S. Sugar and Florida Crystals gave more than \$690,000 - it signaled the foundation's intent to be a major player when Crist waded into Everglades politics.

Jones, traveling in Africa, declined to respond to e-mail questions. But foundation leaders and Crist aides said the men built a relationship through calls and fishing trips.

Before leaving on a European tour, Crist praised Jones to reporters: 'This is a guy who cares very deeply about the Everglades and has put his money where his mouth is.'

Foundation leaders downplay their role in the U.S. Sugar deal. But if they didn't exactly plant the seed, they plowed the field.

Crist spoke freely and frequently on Glades issues with several board members and listened along with aides as foundation scientist Thomas Van Lent detailed the water storage and pollution problems that hamper restoration, said Reed, a vice chair from Hobe Sound.

'He became engaged very early on, during the campaign and after,' Reed said.

A few months into office, Crist boarded Jones' skiff for a fishing trip.

The destination, troubled Florida Bay, was the place the foundation was created to protect in 1993. Originally called Save the Everglades Foundation, the group was born out of anger that Jones and the late George Barley, neighbors in the Keys, felt when algae blooms fouled their backyard fishing grounds.

'George and Paul liked to fish for tarpon in the Everglades, and that's how all this got started,' said Karl Wickstrom, the publisher of Florida Sportsman magazine, who joined as a director. 'They thought Florida Bay was being trashed by sugar. I agreed.'

Barley, an Orlando developer and state marine commissioner, became chief architect of the penny-a-pound proposal and a fierce critic of the sugar industry - a role his wife, Mary, assumed after his death in a 1995 plane crash. Jones became its chief financier. At Barley's graveside, his widow and his friend made emotional pledges to continue his fight.

Crist acknowledged the trip with Jones influenced him - but only to appoint another foundation director, veteran environmentalist Shannon Estenoz, to the board of the South Florida Water Management District, the agency overseeing Everglades projects.

'I think she's a great appointment,' Crist said.

Estenoz's appointment and three others by Crist changed the balance of power in an agency previously protective of agricultural interests. Last August, Crist's appointees blocked the sugar-backed practice of replenishing Lake Okeechobee with polluted runoff.

That milestone defeat was high among concerns that led U.S. Sugar to call a meeting last year in which Crist said he seized on an

unexpected 'opportunity' and pitched the buyout proposal.

Kirk Fordham, a longtime Capitol Hill aide who is the foundation's chief executive, scoffed at speculation that Jones helped broker the complex deal. He said Jones was too busy with businesses and other charities to act as 'some Wizard of Oz pulling the strings.'

Downsizing Big Sugar isn't a new idea, Barley said. Environmental groups had urged it for decades, and Crist, as lawmaker, had backed the failed sugar tax.

Whatever its influence, the foundation's importance to the state's environmental interests is huge.

In the past three years alone, the foundation gave more than \$4 million to 16 groups, including Audubon, Sierra and many of the state's big green groups. Each grant comes with one requirement: Spend it on Everglades issues.

Grants are lifeblood for smaller groups such as Everglades Law Center in Fort Lauderdale, whose four attorneys represent environmental groups in lawsuits. The center has received more than \$700,000 since 2005.

'We simply would not be able to do the work we do without the foundation's help,' director Richard Grosso said.

Estenoz, who is married to Grosso, resigned from the foundation after Crist named her to the water board. She recuses herself on the firm's cases and dismisses any conflict.

'I don't take marching orders from anybody,' she said. 'The goal of all of us is to restore the Everglades. It's not to get rid of sugar.'

That's a stark change in tone from the foundation's first nasty bout with Big Sugar. The industry defeated the sugar tax in 1996, countering with a \$24 million campaign that portrayed penny-a-pound backers as environmental elitists and Jones as a sharpie scheming to make a killing on the sugar market.

By 2000, both sides had agreed to compromise enough to cajole politicians into supporting the \$10.8 billion state-federal Everglades restoration plan. After the landmark deal, technical disputes became as crucial as political ones, and directors decided to overhaul the foundation.

'What we needed were engineers and hydrologists,' Mary Barley said.

In the past three years, the foundation has begun building just such an in-house staff. They now occupy offices overlooking Biscayne Bay in the former Burger King headquarters.

Van Lent, a former hydrologist at Everglades National Park, was the first hire - 'the best hire we have and ever will make,' Barley said. His computer models helped make the case that acquiring a swath of sugar fields would fix a flawed plan to restore flow to the River of Grass.

The board also has hired politically plugged-in managers and ramped up fundraising. The centerpiece is an annual gala - hosted this year by tennis icon Evert and headlined by Diana Ross - that nets about \$1.4 million.

In some ways, the new approach-in-house consultants, big political donations - mirrors tactics employed by developers and industries.

For environmentalists, turnabout is fair play. The foundation, Grosso said, 'levels the playing field.'

'It's about time somebody did it on the side of the environment,' Grosso said. 'If Paul Jones has the ear of the governor, I'm thrilled.'

(McClatchy Newspapers correspondent Marc Caputo contributed to this report.)

Lawsuit US Sugar deal violated Sunshine Law

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Townhall

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Oil near \$125.50 a barrel in Asia on Iran concerns

08/04/2008

Times-Picayune - Online

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Fed likely to hold rates steady amid crosscurrents 8/4/2008, 3:59 a.m. CDT

WASHINGTON (AP) An ugly brew of rising unemployment, spiking foreclosures and gyrating energy prices is plaguing the country and making life difficult for Federal Reserve Chairman Ben Bernanke as he tries to right the economy.

8/4/2008, 3:46 a.m. CDT

SINGAPORE (AP) Oil prices rose to near \$125.50 a barrel Monday in Asia on concern that a showdown over Iran's nuclear program could threaten crude supplies out of the Middle East.

Rich begin feeling the pain in down economy 8/3/2008, 10:01 p.m. CDT

(AP) The rich are sharing your financial pain and contributing to it.

Campaigns spar over drilling as leadership issue 8/3/2008, 7:38 p.m. CDT

WASHINGTON (AP) The different paths John McCain and Barack Obama have taken to support expanded offshore drilling for oil demonstrate how each would govern as president, their supporters said Sunday.

Fed likely to hold rates steady amid crosscurrents 8/3/2008, 7:21 p.m. CDT

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making life difficult for Federal Reserve Chairman Ben Bernanke as he tries to right the economy.

Abbott faces more litigation over AIDS drug 8/3/2008, 7:16 p.m. CDT

SAN FRANCISCO (AP) When Abbott Laboratories Inc. hiked up the price of a popular AIDS drug by 400 percent in 2003, executives prepared for the inevitable public relations hit, but assured themselves the backlash would be brief.

With automated tagging, Web links can surprise 8/3/2008, 3:17 p.m. CDT

NEW YORK (AP) It wasn't what anyone expected to see while perusing a news article.

Verizon, unions continue contract negotiations 8/3/2008, 12:23 a.m. CDT

NEW YORK (AP) Verizon Communications Inc. and two unions representing some 65,000 of its workers have agreed to 'stop the clock' on contracts that were set to expire at 12:01 a.m. Sunday.

Lawmakers award gas line license to TransCanada 8/1/2008, 11:46 p.m. CDT

JUNEAU, Alaska (AP) Alaska lawmakers approved a state license Friday for TransCanada Corp. to pursue construction of a natural gas pipeline, ending a decades-long battle to open up 4.5 billion cubic feet of North Slope natural gas daily for use in North American markets.

Lawsuit: US Sugar deal violated Sunshine Law 8/1/2008, 7:16 p.m. CDT

MIAMI (AP) Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed Friday.

Disney theme park ticket prices to rise 8/1/2008, 7:12 p.m. CDT

LOS ANGELES (AP) As if rising gas and food prices weren't enough, a ticket to the Magic Kingdom will soon cost a few bucks more.

Yahoo board emerges unscathed from annual meeting 8/1/2008, 6:42 p.m. CDT

SAN JOSE, Calif. (AP) Yahoo Inc.'s board emerged largely unscathed from the Internet company's annual meeting Friday as a subdued crowd of shareholders raised few questions about the directors' rejection of Microsoft Corp.'s \$47.5 billion takeover bid.

GM, Monster, Sun, Ambac, Biogen Idec big movers 8/1/2008, 6:04 p.m. CDT

NEW YORK (AP) Stocks that moved substantially or traded heavily Friday on the New York Stock Exchange and Nasdaq Stock Market:

US auto sales slump to 16-year low in July 8/1/2008, 5:52 p.m. CDT

DETROIT (AP) U.S. auto sales slumped to a 16-year low in July as

automakers failed to keep up with consumers' growing demand for smaller, more fuel-efficient vehicles. While production changes may help that problem, trouble in the credit and auto leasing markets will continue to take a toll on sales.

Clorox to raise prices further to offset costs 8/1/2008, 5:49 p.m.
CDT

NEW YORK (AP) Clorox said Friday it would raise prices on more than half of its portfolio which includes Glad trash bags, its namesake bleach and Brita water filters over the next year to offset higher input costs.

Fitch sends Ford deeper into junk territory 8/1/2008, 5:47 p.m.
CDT

NEW YORK (AP) Fitch Ratings says it downgraded its rating on Ford Motor Co. and its credit arm further into junk status.

FDA rejects Schering drug to reverse anesthesia 8/1/2008, 5:37 p.m.
CDT

WASHINGTON (AP) Government regulators dealt a major setback to Schering-Plough Corp., rejecting a highly anticipated drug designed to help patients recover from anesthesia.

Sun 4Q profit falls 73 pct, guidance hurts stock 8/1/2008, 5:14 p.m.
CDT

SAN FRANCISCO (AP) Sun Microsystems Inc.'s profit plunged 73 percent in the most recent quarter as slumping sales to big U.S. companies and restructuring charges weighed on the server and software maker.

Stocks pull back after another decline in jobs 8/1/2008, 5:11 p.m.
CDT

NEW YORK (AP) Wall Street retreated again Friday after readings on jobs and manufacturing the first reports for the third quarter indicated that businesses and workers still face a tough economy. The major indexes ended a turbulent week narrowly mixed.

Corn, soybeans decline on Midwest rain forecast 8/1/2008, 5:04 p.m.
CDT

NEW YORK (AP) Corn and soybean prices fell sharply Friday as forecasts for rainfall in the steamy Midwest boosted expectations of good crop development and lessened supply concerns.

Costco shareholder files stock option lawsuit 8/1/2008, 4:52 p.m.
CDT

ISSAQUAH, Wash. (AP) A Costco shareholder has filed a lawsuit against the wholesale club company, claiming its insiders were involved in a scheme to illegally backdate stock options.

Citigroup faces charges by Cuomo, SEC probe 8/1/2008, 4:47 p.m.
CDT

NEW YORK (AP) New York Attorney General Andrew Cuomo on Friday said he is prepared to charge Citigroup Inc. with fraudulent sales of auction-rate securities and with the destruction of key documents.

Treasurys little changed after data, earnings 8/1/2008, 4:45 p.m. CDT

NEW YORK (AP) Treasury bond prices were little changed Friday after the Labor Department said the economy lost fewer jobs than expected last month.

Anheuser-Busch says data loss affects employees 8/1/2008, 4:37 p.m. CDT

MILWAUKEE (AP) Personal information for current and former employees of Anheuser-Busch Cos. Inc. in several states is missing, the nation's largest brewer said Friday.

GM posts \$15.5B 2Q loss, 3rd-worst in its history 8/1/2008, 4:33 p.m. CDT

DETROIT (AP) With another huge quarterly loss now in its rearview mirror, General Motors Corp. faces the ominous task of raising revenue by selling cars rather than trucks.

Lawsuit US Sugar deal violated Sunshine Law

08/02/2008

TimesDaily

MATT SEDENSKY

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Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed Friday.

Attorney Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. He filed the lawsuit against the South Florida Water Management District.

Lehtinen contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal.

'There are a lot of unanswered questions that they've managed to not answer,' Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.'

Lehtinen said the public has been denied specifics on how the proposal would be funded and whether other Everglades projects would have to be scaled back to make money available.

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to be used as an excuse.'

Lehtinen doesn't expect his lawsuit to dissolve the deal, but he said he wants all further discussions to be held in accordance with the Sunshine Law and he wants to know what effect the U.S. Sugar buyout would have on current environmental programs.

Sterling Ivey, a spokesman for Gov. Charlie Crist, who brokered the deal, said, 'We support the South Florida Water Management District and have confidence that the district has operated within the public record laws of Florida.'

The water management district issued a statement saying the agency 'remains committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations.'

Crist announced in June that the state and the nation's largest producer of cane sugar were close to an agreement on turning over the land for Everglades restoration. The deal would mean the end of U.S. Sugar's operations and the loss of 1,700 jobs.

Officials hope to have a final agreement by November. U.S. Sugar would then be allowed to continue farming for another six years.

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Lawsuit US Sugar deal violated Sunshine Law

08/02/2008

Telegraph, The

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Everglades Advocate Sues Over U.S. Sugar Deal Secrecy

08/02/2008

Tampa Tribune - Online

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Lehtinen, husband of U.S. Rep. Ileana Ros-Lehtinen, contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal. 'There are a lot of unanswered questions that they've managed to not answer,' Lehtinen said by phone after the filing was made in Palm Beach County Circuit Court. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.' Lehtinen said the public has been denied specifics on how the proposal would be funded and whether other Everglades projects would have to be scaled back to make money available. 'If this is added on to the existing projects then it's OK,' he said, 'but I have every indication it's not going to be added on. It's going to be used as an excuse.' Lehtinen doesn't expect his lawsuit to dissolve the deal, but he said he wants all further discussions to be held in accordance with the Sunshine Law and he wants to know what effect the U.S. Sugar buyout would have on current environmental programs.

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08/03/2008

Star Tribune - Online

MATT SEDENSKY

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SUGAR DEAL NEGOTIATED ILLEGALLY, LAWSUIT SAYS

08/02/2008

South Florida Sun-Sentinel

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A plan for the largest conservation land deal ever in Florida is being challenged by a former U.S. attorney who alleges that the South Florida Water Management District violated state laws when brokering the \$1.75 billion deal.

Dexter Lehtinen, an advocate of open government and the Everglades, filed the suit Friday in Palm Beach County Circuit Court. He accuses the water district of holding illegal meetings in violation of Florida's Government in the Sunshine Law, which is among the broadest open-government measures in the country. It requires advance notice of government meetings and their agendas, a provision Lehtinen says was ignored in the lead-up to the deal with U.S. Sugar Corp.

"I'm not necessarily against the deal, just the way it was brokered," he said Friday. "It's a true example of why the Sunshine Law was needed. We don't know where they're going to get the money or how the deal was made. Everything the public wanted to know they did in the shade."

Among the questions Lehtinen wants answered: How will the purchase be funded? How will the land be used? And how does the land fit into the restoration plan adopted by Congress?

Lehtinen wants a judge to find that the district violated the Sunshine Law and order it not to participate in closed-door meetings in the future and to have the June 30 vote declared null and void.

In a statement, the district called the project one of the most important opportunities to protect the Everglades ecosystem since the designation of the Everglades National Park 60 years ago. The district is "committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations," the statement read.

The district says it will pay for the land and assets without raising taxes or requiring new funding, a promise Lehtinen finds troubling, adding that buying the land is only the beginning.

"It costs more to engineer the projects than to buy the land," he said. "It's a silly, no-new-taxes pledge. One-point-eight billion dollars ... there's no free lunch. That's coming from somewhere."

The deal calls for Florida to buy 187,000 acres of farmland owned by U.S. Sugar for \$1.75 billion and use the land to re-create water

flows between Lake Okeechobee and the Everglades. Over the course of at least six years, U.S. Sugar's property would be transferred to the state, which would then use the land to re-create a link between the lake and the Everglades, which would restore water flows cut off by modern farming. Officials hope to have a final agreement by November.

Lehtinen is also a former state legislator and the husband of U.S. Rep. Ileana Ros-Lehtinen. He has long represented the Miccosukee Indian tribe in similar lawsuits aimed at accelerating Everglades restoration.

Information from The Associated Press was used in this report.

Missy Diaz can be reached at mdiaz@sun-sentinel.com or 561-228-5505.

INFORMATIONAL BOX:

See more

Take a look at the history of the sugar cane industry in South Florida through an interactive photo gallery and video report at Sun-Sentinel.com/sugar. You can also take an interactive tour of the Everglades and learn more about Florida's unique "river of grass."

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A SUGAR-FREE SOLUTION

08/03/2008

South Florida Sun-Sentinel

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New islands, rising from Lake Okeechobee like a bass fisherman's version of Atlantis, could become a tourist-attracting, economic alternative for Pahokee's life after U.S. Sugar.

The state's proposed \$1.75 billion buyout of U.S. Sugar to further Everglades restoration threatens to leave Pahokee and other Glades cities without a major employer. This comes at a time when lingering low lake levels have hurt marinas and other water-dependent businesses.

That has the city teaming with Palm Beach County in a renewed push to dredge channels, clearing the way for boat traffic in low water.

The material dredged from the lake bottom would be used to create proposed "eco-islands" - fishing, camping and bird-watching destinations that would also provide a safety buffer for the lake's aging dike.

The major hurdle is the steep price tag, as much as \$55 million according to a study released in July.

The city and county are counting on the federal government to help pick up the tab. But now, the spending priority is the decades-long, billion-dollar repair of the Herbert Hoover Dike - named one of six

in the country most at risk of failing.

Supporters say the islands could help shield the dike, while at the same time creating an economic lifeline for communities in need of a boost.

Boat slips at Pahokee's refurbished marina and campground often are empty because low water levels have stopped vessels from using the lake to travel between Florida's east and west coasts. Back-to-back years of drought, coupled with decisions to keep the lake lower because of concerns about the dike's strength, resulted in the low water levels.

Factoring in the economic ripple effects of possibly losing U.S. Sugar's 1,700 jobs, the situation is going to get worse for restaurants, hotels and shops, said Jim Sheehan, whose company manages Pahokee's marina and campground.

"There is no business," Sheehan said. "We've got a marina that you can't get boats to."

Palm Beach County paid for the \$50,000 study that explored the possibility of dredging lake channels and creating the islands.

Now the county is considering spending another \$150,000 for engineering and design plans needed to keep the project going. The county finalizes its budget in September.

"Create a destination for boaters, create good fishing habitat ... it is just very promising," county Parks Director Dennis Eshleman said.

The plan proposes three types of islands: one creating an extended shoreline, reachable by those without boats; several shallow-water islands that cater to canoes; and a larger deep-water island near the Pahokee marina with boat moorings and campgrounds.

Aside from cost concerns, island backers have to overcome regulatory and permit obstacles from state and federal agencies, most notably the Army Corps of Engineers.

The corps in a June 25 letter raised concerns about covering the lake bottom with man-made islands as well as using the dredged material to create those islands.

The corps also wants to finish building a reinforcing wall through the dike before allowing dredging. Work on the southeastern side of the dike is supposed to last until 2013.

Using dredged material to build the islands could be a cost-effective way to move and contain the polluting sediment that covers much of the lake's bottom, said Paul Gray, a scientist for Audubon of Florida.

"The mud center of the lake is just a crippling problem," Gray said. "Part of dealing with the mud is where do we put it?"

The cost of the islands and environmental concerns raised by the corps are important issues, but so is the need to create attractions that compensate for the loss of sugar industry jobs, Pahokee Mayor Wayne Whitaker said.

"That is a big opportunity for tourism," Whitaker said. "We have got to provide for ourselves and provide jobs for people."

Andy Reid can be reached at abreid@sun-sentinel.com or 561-228-5504.

PHOTO: SHALLOW WATERS: The floating docks at the Pahokee Marina indicate the water level of Lake Okeechobee is still below normal on Thursday. Glades cities are considering the islands to improve navigation in the lake's shallow waters.

Staff photo/Scott Fisher

Plans: These before and after pictures outline the proposed location of the \$55 million eco-islands project. Materials dredged from the bottom of the lake would be used to create the islands.

Photo courtesy Gentile, Holloway, O'Mahoney & Associates

Diagram: Lake Okeechobee Islands - The City of Pahokee is pushing a plan to create new islands that could become tourist attractions. SOURCE: Gentile Holloway O'Mahoney & Associates. Staff graphic/Alex Bordens

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Lawsuit says Everglades deal is illegal

08/02/2008

Sarasota Herald-Tribune - Online

MATT SEDENSKY THE ASSOCIATED PRESS

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Lawyer claims it was brokered in meetings that violated state law

Last Modified: Friday, August 1, 2008 at 9:10 p.m.

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New Islands Could Be Sugar-Free Alternative for Glades' Economy Eco- Island Plan Would Shield Lake's

08/03/2008

RedOrbit

Andy Reid

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To see more of The South Florida Sun-Sentinel or to subscribe to the newspaper, go to <http://www.sun-sentinel.com/>.

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NATION BRIEFS

08/02/2008

Press of Atlantic City

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Florida / Sunshine Law suit hits Sunshine State

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Alan S. Gold

08/03/2008

Palm Beach Post - Online

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Who he is: United States district judge for the Southern District of Florida.

The difference he made: The judge ruled last week - forcefully - that Florida and the federal government can't break promises about cleaning up the Everglades and void deadlines for making progress, just because doing so happens to be easier than complying with the law.

The result: Renewed protection for the Everglades. After being sued by the Miccosukee Indian Tribe two decades ago, the state finally agreed after a 1994 settlement that by 2006 runoff into the Everglades should not contain more than 10 parts per billion of phosphorus, which is a pollutant. But in 2003, the Legislature reset the deadline to 2016.

In doing so, Judge Gold ruled, the Legislature 'violated its fundamental commitment and promise to protect the Everglades.' And he blasted the U.S. Environmental Protection Agency for going along.

The runoff problem could get easier, now that the state's new plan is to buy 187,000 acres from U.S. Sugar for filtering. But Judge Gold has made clear that new plans still have to abide by the established standards.

LAWSUIT ALLEGES SECRECY ON DEAL

08/02/2008

Palm Beach Post

Sorentroue, Jennifer

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A former U.S. attorney sued South Florida water managers Friday, alleging their initial talks about the proposed \$1.75 billion U.S. Sugar buyout violated the state's Government-in-the-Sunshine Law.

Among other steps, Dexter Lehtinen wants a Palm Beach County circuit judge to toss out the South Florida Water Management District's "statement of principles" outlining the broad terms of the deal, which could convert 187,000 acres of farmland into marshes and reservoirs to help restore the Everglades.

The suit complains that Gov. Charlie Crist's representatives and district leaders, including members of the district's board, "participated in secret negotiations" on the proposed deal before Crist announced it June 24.

"The transparency issue is critical," Lehtinen said in an interview. "They have developed this without revealing the details and without answering the serious questions. The Sunshine Law is designed to allow the public to get answers to those questions."

Water managers defended the deal, calling it one of the most important moves to protect the Everglades since the creation of Everglades National Park in 1947.

In a statement Friday, the district said it "remains committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations."

Thom Rumberger, an attorney for the Everglades Foundation, which has hailed the buyout, said the suit will not derail it.

"I would think that this lawsuit would be far away from breaking down any of the negotiations," Rumberger said. "I would be positive the district and the state would have abided by all of the rules and regulations."

In the suit, Lehtinen alleges that the nonbinding statement of principles "in all likelihood would not have withstood the public scrutiny" that Florida's open-government laws require.

District board Vice Chairwoman Shannon Estenoz signed the statement June 24 at a public ceremony west of Wellington, with Crist looking on. At a public meeting six days later, the board endorsed the statement and authorized its staff to begin formal negotiations.

Estenoz could not be reached for comment Friday.

In the suit, Lehtinen alleges that Estenoz was "involved in the secret negotiations and communications" leading up to the June ceremony, and that other board members "appear to be complicit in the violations of law."

The suit calls on a judge to prohibit the district from participating in closed-door meetings about the U.S. Sugar deal, and seeks to have the June 30 vote and the statement of principles declared "null and void."

Lehtinen, who was acting U.S. attorney in Miami from 1988 to 1992, has a history of Everglades-related litigation against the

district.

In 1988, he filed a suit against the state that forced the district to embark on a \$1 billion-plus Everglades cleanup. Eleven years later, on behalf of the Miccosukee tribe, Lehtinen filed a Sunshine Law suit that prompted the district to abandon a controversial purchase of 400 homes near Everglades National Park.

Lehtinen's latest suit comes amid increased jockeying over the future of the Everglades in light of the U.S. Sugar deal -- a subject on which the district has offered few specifics.

On Wednesday, members of Florida's congressional delegation told state officials in Washington that they're concerned about how the deal will affect the economies of communities that depend on the sugar industry. They also expressed worries about the deal's effect on federal support for Everglades restoration -- especially since the state kept the feds out of the loop in the initial negotiations.

~ jennifer_sorentrue@pbpost.com

~ eliot_kleinberg@pbpost.com

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Everglades deal shrouded in improper secrecy, lawsuit alleges

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Lehtinen contends meetings about the deal were illegal because they evaded Florida's 'Government in the Sunshine' laws, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal. 'There are a lot of unanswered questions that they've managed to not answer,' Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.'

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Sterling Ivey, a spokesman for Gov. Charlie Crist, who brokered the deal, said, "We support the South Florida Water Management District and have confidence that the district has operated within the public-record laws of Florida."

The water-management district issued a statement saying the agency "remains committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations."

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Mexican man requests hal

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Mexican man requests halt to execution

WASHINGTON - Four months after losing his case at the Supreme Court, a Mexican citizen facing execution next week in Texas asked the justices Friday for a last-minute reprieve.

Jose Medellin, set to die Tuesday for his participation in the gang rape and beating deaths of two Houston girls, said that the high court should block his execution until Texas grants him a new hearing to comply with an international court ruling.

The state has so far refused, and the court ruled in March that neither President Bush nor the international court can force Texas' hand. But Medellin says Congress or the Texas legislature should be given a chance to pass a law ordering a new hearing before he can be executed.

Florida

Big land deal planned out of public eye

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Wisconsin

Man suspected of killing swimmers

NIAGARA - A dragnet ended Friday with the arrest of a man accused of emerging from woods in camouflage and opening fire with an assault rifle on a group of young swimmers who had gathered at a lake. Three were killed and another wounded.

Scott J. Johnson, 38, was in camouflage as he walked out of some woods near the scene of the shooting and dropped his weapon as officers approached, said Jerry Sauve, chief's sheriff's deputy in Marinette County.

More than 100 law enforcement officers from at least 10 agencies were called in to hunt for the gunman in Thursday's attack. Authorities had set up roadblocks and evacuated some homes in the northern Wisconsin area just across the state line from Michigan's Upper Peninsula.

Kentucky

Airline settles with crash victims' families

LEXINGTON - A judge called off a trial Friday to hear lawsuits stemming from a 2006 plane crash that killed 49 people in Kentucky after family members and the airline reached settlements in most of the cases.

Mark Armstrong, chief deputy clerk for U.S. District Court for the Eastern District of Kentucky, confirmed the Monday trial was canceled. Details of the settlements have not been released.

The lawsuits claimed Comair was negligent because its pilots steered the plane in the pre-dawn darkness to the wrong runway, one that was too short for a proper takeoff. The jet hit trees and a perimeter fence before crashing in a farm next to Lexington's Blue Grass Airport.

Minnesota

Airport manager says runway long enough

OWATONNA - The manager of a regional airport where eight people died in the crash of a business jet said Friday that the 5,500-foot runway is adequate, noting that similar aircraft land there routinely.

Dave Beaver, manager of the Owatonna Degner Regional Airport, said severe weather in the area had calmed down by the time the Hawker jet crashed at about 9:45 a.m. He said he would let investigators decide whether the airport's systems were working properly at the time of the crash.

An hour before the crash, a wind gust of 72 mph was reported in Owatonna, according to the National Weather Service. But witnesses said the crash occurred after the worst of the storm had passed, with the sky clearing and only light rain.

One witness said there was standing water on the runway. But Beaver said during a news conference that no other pilots reported braking problems.

Olympian news services

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U.S. Sugar buyout could cost counties \$1.6 billion

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News-Press

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More than \$1.6 billion a year, and more than 10,000 jobs.

That's the hit counties in South Florida could take if the state buyout of U.S. Sugar Corp. happened now, according to a draft research paper by University of Florida agricultural economists.

Key findings, still unpublished by the university, were first reported Tuesday on news-press.com. The economic impact estimates were for Hendry, Glades and Palm Beach counties. 'Some big numbers ... pretty scary,' said Miller Couse, chairman & CEO of First Bank of Clewiston, who saw a copy of the report Monday.

In Clewiston, a community of 7,000 that brands itself 'America's Sweetest Town,' emotions differed over how the sale of U.S. Sugar might reshape their futures.

Clewiston resident Alphonso Lyman called the pending sale 'bad.' 'We don't talk about it,' he said. Lyman is a 17-year employee of the sugar company that has dominated the economy of the Lake Okeechobee region for more than 70 years.

Downtown at the Common Grounds coffee shop, owner Lori Williams said: 'This community is strong. I don't think this city is going to go under.' Williams acknowledged not everyone shares her hopefulness. 'I think a lot of people will be scared,' Williams said. 'They will uproot, and they will go.' Couse was one of the few Clewiston residents to have seen the draft report from the University of Florida. It offers preliminary estimates of direct and indirect economic impacts from the \$1.75 billion sale of the sugar corporation properties to South Florida Water Management District for Everglades environmental conservation and restoration.

Impacts are expressed in 2008 dollars, although the deal allows U. S. Sugar to continue operations for up to six years.

The document lists its authors as Alan W. Hodges, W. David Mulkey, Thomas H. Spreen and Rodney L. Clouser of UF's Institute of Food and Agricultural Sciences. It was prepared at the request of Florida Farm Bureau.

Researchers acknowledged they assumed some outcomes unlikely to occur, including a complete and permanent end to all agricultural operations formerly done by U.S. Sugar. The report doesn't include estimates of new revenues from environmental restoration and management after the sale. 'The economic impacts of the U.S. Sugar Corp. buyout will be very large in magnitude,' said the report, dated July 23, as its bottom line.

It said the effects could be particularly acute in Glades and Hendry counties. Hendry is where the company's main processing plants are. 'It's showing a worst-case scenario,' Couse said of the

economists' report.

Couse noted in the Clewiston area, where his family grows sugar cane, 'people still cannot figure out how this (transaction) will be pulled off. Who's going to own U.S. Sugar or will they let it close? 'If that industry closes here, it would be devastating to our community,' Couse said. News

That's not likely to happen, however. The most fervent Everglades restoration supporters and members of the farm community agree many of U.S. Sugar's key assets will be sold or leased to other agribusinesses. Not all the sugar corporation's properties are needed for environmental restoration, they said. 'I think we'll have sugar there for another 50 years,' said Eric Draper, Tallahassee-based public policy director for Audubon of Florida. 'The Southern Gardens Citrus (juice) plant (and surrounding company orange groves) are valuable commodities. We just feel someone will keep those businesses going once the deal is approved,' said Ron Hamel. He's executive director/general manager for Gulf Citrus Growers Association, a trade group based in nearby LaBelle, Hendry County's seat.

Count Mary Ann Martin among the most eager to see the sugar corporation sale. 'We've been locked with U.S. Sugar. Now that lock has been opened,' said Martin, owner-operator of Roland Martin Marina, a Lake Okeechobee-based draw for boaters and fishermen.

South Florida, Martin said, has 'the best tourist attractions in the state' - Lake Okeechobee and Everglades National Park.

These natural assets suffered under water-management policies that favored agribusiness, Martin said. 'The old ways have not been working; the lake is not working,' she said. 'I can't wait to get this lake cleaned.' Martin doesn't want farming to disappear altogether from the community. 'Agriculture is not going away. We have neighbors who are farmers. We can work together,' she said.

Florida Suit Filed Over Everglades Deal

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A lawsuit claims that Florida's proposal to acquire 300 square miles of Everglades land from United States Sugar was illegally brokered in closed-door meetings. Dexter Lehtinen, a lawyer who filed the suit and has led efforts to restore the Everglades, is challenging the \$1.75 billion deal in which United States Sugar would go out of business and sell its land to the state for restoration. Mr. Lehtinen argues that meetings about the deal were illegal because they evaded the state's sunshine law, which requires advance notice of government meetings.

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MIAMI ATTORNEY FILED A LAWSUIT CLAIMING THE EVERGLADES BUYOUT DEAL ISN'T SO SQUEET AFTER ALL.

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MIAMI ATTORNEY FILED A LAWSUIT CLAIMING THE EVERGLADES BUYOUT DEAL ISN'T SO SQUEET AFTER ALL. DEXTER LEHTINEN SAYS FLORIDA'S HISTORIC DEAL TO BUY US SUGAR CORPORATION VIOLATES THE STATE'S SUNSHINE LAW. LEHTINEN SAYS THE \$1.75 BILLION DEAL WAS BROKERED IN SECRET, CLOSED-DOOR MEETINGS.

Lawsuit U.S. Sugar deal violated Sunshine Law

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Lawsuit US Sugar deal violated Sunshine Law

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Brief

Wire

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He contends the meetings violated the state's Sunshine Law.

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Lawsuit U.S. Sugar Deal Violated Sunshine Law

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Lawsuit US Sugar deal violated Sunshine Law

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Lawsuit U.S. Sugar Deal Violated Sunshine State Law

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Lawsuit US Sugar deal violated Sunshine Law

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[08/01] Lawsuit US Sugar deal violated Sunshine Law

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MATT SEDENSKY Associated Press Writer

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MIAMI (AP) - Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed Friday.

Attorney Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. He filed the lawsuit against the South Florida Water Management District.

Lehtinen contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal.

'There are a lot of unanswered questions that they've managed to not answer,' Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.'

Lehtinen said the public has been denied specifics on how the proposal would be funded and whether other Everglades projects would have to be scaled back to make money available.

'If this is added on to the existing projects then it's OK,' he said, 'but I have every indication it's not going to be added on. It's going to be used as an excuse.'

Lehtinen doesn't expect his lawsuit to dissolve the deal, but he said he wants all further discussions to be held in accordance with the Sunshine Law and he wants to know what effect the U.S. Sugar buyout would have on current environmental programs.

Sterling Ivey, a spokesman for Gov. Charlie Crist, who brokered the deal, said, 'We support the South Florida Water Management District and have confidence that the district has operated within the public record laws of Florida.'

The water management district issued a statement saying the agency 'remains committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations.'

Crist announced in June that the state and the nation's largest producer of cane sugar were close to an agreement on turning over the land for Everglades restoration. The deal would mean the end of U.S. Sugar's operations and the loss of 1,700 jobs.

Officials hope to have a final agreement by November. U.S. Sugar would then be allowed to continue farming for another six years.

Water managers plan to use the land to construct a network of marsh treatment areas and reservoirs to clean and store water before sending it south into the Everglades.

Lehtinen is a former state legislator and Miami U.S. attorney who brought a key federal lawsuit in the 1980s aimed at stopping environmental damage in the Everglades. In private practice he has long represented the Miccosukee Indian tribe in similar lawsuits aimed at accelerating Everglades restoration. He is a Republican, like his wife, U.S. Rep. Ileana Ros-Lehtinen.

Lawsuit US Sugar deal violated Sunshine Law

08/03/2008

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MIAMI (AP) - A Miami attorney says Florida's historic buyout of U.S. Sugar Corp. was illegal.

Dexter Lehtinen filed a lawsuit Friday in Circuit Court in Palm Beach County, claiming the \$1.75 billion deal violated the state's Sunshine Law because it was brokered in secret, closed-door meetings.

Environmental advocates have hailed the deal because the state wants to use the land for Everglades restoration.

Lehtinen is an advocate for the Everglades, an attorney for Miccosukee (mi-ka-SOO'-kee) Indians who live there, and the husband of Republican Congresswoman Ileana Ros-Lehtinen.

Attorney challenges historic deal to buy US Sugar land for Everglades restoration

08/02/2008

Fargo Forum

MATT SEDENSKY

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Florida Crystals In The Middle Of Debate To Save Everglades

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Environmental Leader

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Floridas plan to save the Everglades by buying United States Sugars land could depend on the cooperation of Florida Crystals, a family-run sugar company that owns 35,000 acres that the state needs to recreate the water flow from Lake Okeechobee south to the Everglades, the New York Times reports.

The state hopes to trade some of United States Sugars assets for the property owned by the Fanjul family. While the owners have said their on board, the issue has raised some interesting questions about how business, government and environmental groups can align environmental and economic efforts. "We really want to be as green as we possibly can be," said Alfonso Fanjul, the company's chief executive. But, J. Pepe Fanjul added, "You have to have a balance between the environment and economic development. Something has to be done for the humans, too." eBay saves water and energy with a program that'll achieve ROI within 18 months. How much could you save? Hybrid Cooling Solutions from Ice Energy. There's no cooler way to improve your bottom line. Eliminate server sprawl, reduce costs and save energy with Clear Standards environmental intelligence software helps businesses measure, analyze, and reduce their carbon footprint.

REP. ELIOT L. ENGEL HOLDS A HEARING ON ENERGY IN THE AMERICAS

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HOUSE FOREIGN AFFAIRS COMMITTEE, SUBCOMMITTEE ON THE
WESTERN
HEMISPHERE HOLDS A HEARING ON ENERGY IN THE AMERICAS

JULY 31, 2008

SPEAKERS:

REP. ELIOT L. ENGEL, D-N.Y.
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REP. LINDA T. SANCHEZ, D-CALIF.
REP. ALBIO SIRES, D-N.J.
REP. GABRIELLE GIFFORDS, D-ARIZ.
DEL. ENI F.H. FALEOMAVAEGA, D-A.S.
REP. DONALD M. PAYNE, D-N.J.
REP. BILL DELAHUNT, D-MASS.
REP. RON KLEIN, D-FLA.
REP. GENE GREEN, D-TEXAS
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REP. ELTON GALLEGLY, R-CALIF.
REP. RON PAUL, R-TEXAS
REP. ILEANA ROS-LEHTINEN, R-FLA.
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WITNESSES:

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BUREAU OF ECONOMIC, ENERGY AND BUSINESS AFFAIRS,
DEPARTMENT OF STATE

JEREMY MARTIN,
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JAMES MARTIN,
CHAIRMAN,
NATIONAL DEFENSE COUNCIL FOUNDATION

[*]

ENGEL: A quorum being present, the Subcommittee on Western Hemisphere will come to order. It's my pleasure to welcome everyone to today's hearing entitled, "Energy In The Americas."

I'm pleased to have assistant Secretary of State for Economic Energy and Business Affairs, Dan Sullivan, here with us. We've met several times. I appreciate his good work in so many different ways, and I look forward, Mr. Sullivan, to your testimony.

The New York Times columnist, Thomas Friedman, recently wrote an article entitled, "9/11 and 4/11," or 9-1-1 and 4-1-1. In this column, Friedman argues that, since 2000, the United States has faced two major crises, 9-1-1 and 4-1-1.

We all know what 9-1-1 is. Unfortunately, I was just in my other committee, Energy and Commerce, and we were having a Health Subcommittee hearing on 9-1-1 with Mayor Bloomberg and others, talking about persistent health problems that first responders and others have as a result of the tragedy of 9-1-1.

But what's 4-1-1? Well, that's -- he says, Mr. Friedman, "When gasoline prices in the United States crossed \$4.11." Friedman contends that history judges us on how we respond to crises and whether we'll respond to the energy crisis today.

With gas prices so high -- even though it's dropped a pittance in the past week or so -- and consumers demanding answers, I decided to hold this hearing to look at the role of the Western Hemisphere in the production and supply of energy and whether the region holds any of the answers we are seeking.

The most obvious feature of the energy profile of the Western Hemisphere is that it is the leading energy supplier to the United States. Most people think that we get most of our oil from the Middle East. It's not true. It comes right from the Western Hemisphere.

Canada, the number one exporter to the United States, supplies us more oil than Saudi Arabia, who is number two on the list. Numbers three and four are Mexico and Venezuela respectively, and they round out the list of nations which send the US over one million barrels of oil per day.

Combined with other countries, our region supplies just above 50 percent of our total oil import. That's right. Contrary to popular opinion, as I just mentioned, the majority of our imported oil comes from the Western Hemisphere, not the Middle East.

Our region also leads all others in the amount of natural gas imported by the United States. While the United States has the largest share of proven natural gas reserves in the Hemisphere, Canada supplies more than 80 percent of imported natural gas, and Trinidad and Tobago supplies the majority of our liquefied natural gas, or LNG. Our subcommittee just within the past year took a trip to Trinidad and Tobago to speak with officials there about energy.

But traditional hydrocarbons are not the only energy products where the Hemisphere is in the lead. Between the United States and Brazil, we produce the majority of the world's biofuels in the form of ethanol.

While there are questions about what is the right feedstock to produce ethanol and other alternatives, the future for biofuels is bright. And one scientist unlock the door to cellulosic ethanol, production could increase dramatically.

Unfortunately, as we look at energy in the Americas, there are many areas with which we should be concerned. According to an excellent series on energy in the Washington Post this week, output from existing oil fields around the world is falling by as much as 8 percent per year.

In our hemisphere, oil output is dropping substantially in two of the major suppliers to the United States, Mexico and Venezuela. In Mexico, oil output fell 9.7 percent in the first half of this year compared to the same period in 2007, while second-quarter profits fell 56 percent. At a time of record oil prices, this was very shocking to me.

In April, President Felipe Calderon proposed reforming PEMEX, Mexican state-owned oil company, to give it more flexibility in hiring foreign and private companies to explore, produce, refine and transport oil. Although Calderon's bill seems stuck, there is hope that a compromise might still be found.

Like Mexico, Venezuela supplies more than 10 percent of US oil import, but, unlike Mexico, our relations obviously with Venezuela are not close these days. Obviously, Venezuela needs us and we need Venezuela, so, despite lots of rhetoric, we continue to march in lockstep.

As I mentioned at a recent hearing that we had, they hearing just before this one on Venezuela, I'd like to see improved relations with Venezuela but, in the meantime, we must be wary of heavy dependence on a country which apparently considers itself an opponent of the US.

Furthermore, the increasing nationalization of oil reserves by the Chavez government is causing some multinational energy companies with the expertise to maintain Venezuela's oil infrastructure to flee, leaving Caracas without the ability to keep production of over three million barrels per day.

Just as problems are mounting in the Mexican and Venezuelan sectors, Brazil is lining up to take their place. The Tupi oilfield recently discovered off Brazil's Southeastern coast is thought to hold between

five through eight billion barrels, while it will take up to a decade to exploit this resource.

In May of this year, Brazil was actually one of the 10 largest oil suppliers to the United States, beating out oil emirate Kuwait. Yet, unlike Mexico and Venezuela, Brazil is not burdened with a poorly managed and legally restricted state-owned oil company. Petrobras is widely recognized as one of the best energy companies in the world.

But when you talk energy in Brazil, it is in biofuels and energy independence where Brazil leads the world. Our subcommittee traveled to Brazil in the past year. I've said many, many times that Brazil made itself energy independent, decided 30, 35 years ago that it would set itself on a course of energy independence, and has essentially achieved that goal.

The United States can learn a lot from Brazil in this regard, and I would hope that the United States and we in Congress would make a commitment so that the United States could follow Brazil's lead and be energy independent.

Everybody says it wants to be independent. We want to be independent. But somehow or other, with bickering and partisan politics, we never quite get there.

And the time, I think, is to put partisan politics aside and, as Americans, we can follow Brazil's lead in terms of being energy independent because I just believe that we can talk all we want about truly being free in our foreign policy but, as long as we are dependent on oil from hostile regimes and questionable regimes, we are never totally independent and free. And that is why it's so important that the United States become energy independent like Brazil.

So I take my hat off to Brazil, which made far-reaching decisions 30 years ago to develop a domestic biofuels industry which allowed it to become energy independent.

Imagine today what the United States would be like if we were not addicted to oil from Saudi Arabia, Venezuela and Nigeria and anyplace else. Imagine further if the world could simply say to Russia and Iran, "Thanks but no thanks, we don't need your oil." We could actually stop pouring money into the coffers of unstable and unfriendly nations.

We have a great deal to learn from our friends in Brazil because, in the end, the only real alternative for the United States is alternatives. We must follow Brazil's lead into alternative energy if we're going to break our addiction to oil and slow the production of

greenhouse gases.

Still, if we have it bad, countries in the Caribbean and Central America have it even worse. In fact, 17 countries in our region are 100 percent dependent on foreign sources of oil, most in the Caribbean and Central America. It's really shocking.

The US-Brazil Memorandum of Understanding on biofuels is just the kind of policy to help promote alternatives to oil. And I was delighted when President Bush and President Lula assigned that understanding.

With Brazil, we have selected four countries -- the Dominican Republic -- just came back from the Dominican Republic the other day. I'm meeting with its president, President Hernandez, so we have four countries -- the Dominican Republic, El Salvador, Haiti, and St. Kitts and Nevis, where we are trying to stimulate the development of a domestic biofuels sector.

Now more than one year into the program, I am concerned that this process is going much slower than we had hoped, and I look forward to Secretary Sullivan's update on our joint effort. In particular, I would like to hear more about efforts to help Haiti promote biofuels, in particular the potential of (inaudible) Jatropha as a feedstock for producing biodiesel.

Jatropha, which has historically been viewed as a weed, is now seen as a possible trifecta for Haiti. It would provide domestic energy health, it would help re-forest barren hillsides, and employ thousands of people, all things that Haiti desperately needs. This opportunity must be explored aggressively, and I'd like to hear what we are doing to promote this resource for Haiti.

There are opportunities for alternatives throughout the hemisphere, and I'm glad that we are working with Colombia, Peru, and other countries on biofuels. We need to break our addiction to oil, and, as co-chair of the House Oil and National Security Caucus, I think there's no better place to promote the search for alternatives than right here in the Western Hemisphere.

So, in conclusion, as we strive to deal with the crisis of 4/11, let us not forget the importance of the Western Hemisphere to our country's energy profile. I hope that we continue to work with our friends to the south as we strive to diversify our energy sources and, most importantly, develop clean alternatives to oil for the US and the region.

I'm now pleased to call on Ranking Member Burton for his opening statement.

BURTON: Thank you, Mr. Chairman.

Mr. Chairman, you're absolutely correct. We get 14.5 percent of our oil from Saudi Arabia. We get 4.8 percent of our oil from Iraq. We get 4.4 percent of our oil from Algeria. We get 10.8 percent of our oil from Nigeria.

And if you all that up, that means, from that part of the world, from Africa and the Middle East, we're getting 39.5 percent of our oil. If you add into that the 11.5 percent that we're getting from Venezuela, which is not a friend of the United States, at least that's what we all think and Mr. Chavez seems to reinforce that, that means 51 percent of our oil either comes from Africa, the Middle East or from a hostile regime in Latin America, 51 percent.

Mr. Chairman, I'm for biofuels, and I'm for wind and I'm for solar, and I'm for the transition to all these forms of energy. But while we're doing that, we need to drill for oil in the United States and off the Continental Shelf and elsewhere.

Now, you're absolutely correct. We're not going to get anything done unless we have bipartisan support for our program. My colleague down at the other end of the dais here, he and I and Neil Abercrombie and Mr. Peterson, we're working on a piece of legislation which is bipartisan in nature.

One of the things that's been controversial in this body has been whether or not we drill in the ANWR, and, in the legislation that this bipartisan group drafted, we left the ANWR out. And the reason we left the ANWR out was because that was a controversial area. But we did support drilling off the Continental Shelf.

And while you talk about drilling off the Continental Shelf, there's a controversy about how far out you go and who should have control. So 25 miles out from the Continental Shelf, we have prohibited in our legislation the drilling for oil. Then, from 25 to 50 miles out, we have said that the governors in the states that are in question can also prohibit drilling in that area.

So if a state says they don't want drilling off the Continental Shelf in their area, they can stop it from up to 50 miles out. And there will be a minimum to 25 miles out before there will be any drilling whatsoever.

Now, people are concerned about looking at our oil derricks. You can't see them 10 miles out, and you sure can't see them 25 miles out. And there's huge reservoirs of oil 25 miles out from the United States on the Continental Shelf.

The technology that we had 10, 15, 20 years ago, which would only allow us to drill maybe two, 3,000 feet under the surface of the ocean, now they can go down five, 6,000 feet and maybe even further. And the oil derricks, which cost \$2 billion, the platforms out there,

to construct, they're very safe.

When Katrina hit, there wasn't one drop of oil spilled. And so, it can be done in an environmentally safe way.

Mr. Chairman, this is one of the most contentious issues we're dealing with right now, and, while we're dealing with it, the American people are suffering.

Brazil's economy is booming. It's booming in part because of what you said, because of their transition to all kinds of other fuels. But they're also drilling off of their shores. And because of that, their economy -- in part because of that -- is because they're doing very well. Their economy is booming, and that's really good because Latin America needs that kind of enterprise and that kind of economic expansion.

But here in the United States, we are really suffering. People are going out, Mr. Chairman, and they're spending 80, \$90, \$100 for one tank of gas. And while they're doing that, we are sitting around here fiddling.

And it really bothers me. If you go out to any gas station, Mr. Chairman, and we'd talk to anybody filling up their gas tank, and they're going to be ticked off. I'll tell you an example, Mr. Chairman.

I went to get gasoline the other day, and there was a guy pulled up in a pickup truck. He didn't know who I was, and I was standing there putting my gas then. And I heard him talking to his son, and here's what he said. "You want to help you pump the gas? It's paying for part of your -- it's taking away from your college education." This was a guy that had a pretty nice pickup truck in a pretty nice area of this country.

The people of this country want us to drill in the United States while at the same time he they're very much aware that we should transition as much as possible to alternative types of fuel and new types of energy. They want us to do that. They understand that there is a limited amount of fossil fuels in this world.

But at the same time, they don't want us to be dependent on the rest of the world, particularly the Middle East, Africa and our friend in South America for 51 percent of our energy. Anything could disrupt that. In the Strait of Hormuz over off of Iran, if two ships are some over there, we could have serious problems. I know the chairman took a little extra time, so you'll have to forgive me for going on.

But I think it's extremely important on a bipartisan basis, my colleagues on the other side of the aisle as well as us on our side of

the aisle to make some concessions to one another. The bipartisan group headed by Abercrombie, Democrat of Hawaii; Peterson, a Republican of Pennsylvania, about 15 or 20 of us have gotten together, and we worked out a bill.

And I sincerely hope when we come back in September, that we'll move that bill to the floor, and I hope everybody will take a hard look at the bill and talk to the speaker about bringing it to the floor because it is bipartisan.

And if we do that, and there may be some disagreement on this, I believe that the price of oil will start to drop, the speculators will -- there will be a movement on the part of the speculators to start dumping some of their acquisitions, and I think you'll see the price of oil drop and the price of gasoline dropped.

When the president decided to do away with the prohibition on offshore drilling from the executive branch, the price of oil dropped pretty rapidly. And I think if Congress takes action, it will help in here as well.

I love you guys. Let's get together and solve this problem. And I look forward to the testimony.

ENGEL: Well, thank you, Mr. Burton, and I certainly think that we should do this on a bipartisan basis and also look into why the oil companies have plenty of areas that they can drill on now and they have not. I think that should be in the mix, too, and the oil reserves. We've seen gas can drop when -- price of gas when the oil reserves are released, and I hope the president can be persuaded to do that as well.

But I do agree that we need to work in bipartisan fashion.

Mr. Sires, any opening statements?

SIRES: Thank you, Mr. Chairman, for holding this hearing. I'm also interested in working together so we can solve this issue, but I'm also interested in knowing why the output -- there's such a reduction in output in some of these countries in South America, Central America. Is it purposely done, or is there a dwindling number of barrels coming out of the wells?

And I'm also interested in this new fuel that was discovered by Brazil, in the southern part of Brazil, close to Uruguay, and I'm wondering if they found this, why is it going to take us 10 years to get the oil out of it? Obviously they have to drill. Everybody's talking about drilling. But here we are, low on reserves, and before we get a drop out of it, it's going to be 10 years. So, obviously we're in the same predicament here in this country if we start drilling now.

And also, I want to learn a little bit about natural gas. We had a meeting yesterday, and I understand we have a large, large number of cubic feet in this country, one of the largest in the world, as an

alternative fuel for cars.

And I thank you very much for having this hearing, Chairman.

ENGEL: Thank you very much.

Mr. Delahunt?

DELAHUNT: Yes, Mr. Chairman. Let me commend you for suggesting that we closely examined what Brazil has done, and to remind ourselves that oil is a world commodity.

One doesn't go in and shop for Saudi Arabian oil or oil from Canada or Venezuelan oil. Give me five quarts of Mexican oil. But the price is the cause of their reality that it is a world commodity and that, in terms of Brazil, they -- I think you indicated it was a 30 year plan.

I think we all can regret that, in the aftermath of the embargo back in the 1970s when the price of oil came tumbling down, the political will just simply evaporated. And we can't let that happen this time as we see the beginnings, hopefully, of a significant decline over the course of the past several weeks in the price of oil.

I would put forth a concept that the oil is a commodity in terms of particularly transportation fuel that has no competition, or real competition at this point in time. So the answer from my perspective is to provide those options in terms of how we produce energy to move our trucks, our planes and our cars. And I think if we do that, we will really have in place an opportunity for the law of supply and demand to operate.

And I want to commend the Ranking Member, too, for his call for a bipartisanship to solve this problem, and I look forward to working with him and my Ranking Member over there, Mr. Rohrabacher.

With that, I yield back.

ENGEL: Thank you.

Mr. Klein?

KLEIN: Thank you, Mr. Chairman, and I appreciate the fact that you and the ranking member called this hearing today. This is a very important hearing.

I think that we've heard from some of our members, and I look forward to Secretary of State Sullivan's comments. And we are all intrigued I think nationally in the United States by Brazil and by their interests and by their perseverance and following through on something that was important to them at that time.

And of course, we all recognize the important to hear. I also echo the sentiments -- solution than American people are looking for, and

it's frustrating that when the debate goes into this, "Oh, well, if we drill, we solve the problem."

Now, we've all been sort of listening to T. Boone Pickens a little bit and his, "Can't drill our way out of this problem." He's absolutely right. Absolutely.

We need to drill more. We need to create more consumption -- excuse

me, more supply. But that is not the long-term answer based on our

reserves in the United States and based on all the other reasons we already know.

And I'm from Florida, and it's particularly annoying when I hear people talk about, "Oh, we're going to drill off" -- why aren't we drilling off Cuba or off the coast of Florida, because Cuba is drilling through China? That's not true. It's been debunked.

So let's make sure we keep the facts on the table, because we can work

this out in a very logical, common-sense, let's get the true facts on the table, recognized we're going to have to drill more, but our national policy needs to be very much tied to incentives, tax incentives, incentives for business and entrepreneurs and incentives

for consumers to help develop and commercialize these other alternatives.

Part of it will be natural gas (inaudible) natural gas. Part of it will be any number of other things that the market will help dictate to us. And we'll be successful at it. And also, just want to echo the fact that the international environment we are working in here.

So, we need to think that way. We can't put up walls around the United States and say this is just our problem, or, when we make decisions, this was going to be limited by what happens within the 50

states. We can't control that.

We can control the fact that we do consume 25 percent of the world's

energy on a daily basis right now, the oil energy. But we can certainly recognize we have to do more both in transportation and power and energy sources.

So I thank the gentleman for being here today and for helping us understand what's going on in our hemisphere so we can make sure that

we make policy that is based on fact and will help us both short-term and long-term.

Thank you, Mr. Chairman.

ENGEL: Thank you, Mr. Klein.

Mr. Green?

GREEN: Thank you, Mr. Chairman, and I appreciate my colleague's comments about the need for energy. And first of all, Mr. Sullivan, (inaudible), I appreciate what our State Department does all over the

world, having spent the fourth of July in Pakistan, Afghanistan, but also in Latin America with our chair in Ecuador and Bolivia and Argentina talking about energy over the February break.

Coming from Houston, energy is what we do. And I think Brazil is a great example. They are the world leader in ethanol from sugar-based ethanol, but they are also a big explorer and have found some of the largest deposits of oil off their coast. And coming from Houston, I guess this meeting is so important, this hearing, because our relationship with Latin America is so intertwined in our country, and I'll give you an example.

In the oil industry, there are refineries in my district. Linedell (ph) Petrochemical has PDVSA, the Venezuelan oil company, invested \$2 billion in the 1990s to handle heavy Venezuelan crude. That project is still ongoing until 2011. There have been some dust-ups, five, eight years ago, but there's no problem now.

PEMEX, the oil company from Mexico, invested in the Shell refinery in our district to handle crude from Mexico. And those tankers come in and use the (inaudible) for Linedell (ph) and Shell Refinery. So it's Mexican oil, although we do send refined product to Mexico.

A few weeks ago we heard how terrible it was we're sending refined product. Well, when you invest a billion dollars in refinery, you get a contractable relationship. You can get some of that refined product back to your country.

And the last thing, though, and congratulate Brazil, one of my refineries, the Pasadena refinery, is actually expanding -- substantially expanding refinery in a partnership with Petrobras. From what I understand, it'll be the first effort in our country, and will handle Brazilian crude.

So we are so inter-related, and that's not even talking about Colombia and natural gas and everything else that the chairman talked about. So it is important, and we do need everything.

But I also believe, like my Ranking Member on our subcommittee, we have to also drill in our own country because I don't like the idea of going to Saudi Arabia or even telling President Chavez we want you to drill more, and yet we won't. And if we're going to use hydrocarbons, we need to also produce them like we expect our trading partners to, or we're subject to whatever they're going to do.

So, Mr. Chairman, I'd like to have my full statement placed into the record, and I appreciate this hearing today, particularly from the district I represent.

Thank you.

ENGEL: Without objection, Mr. Green, so ordered.

Mr. Rohrabacher?

ROHRABACHER: Mr. Chairman, first of all I'd like to thank you for the courtesy of allowing me to sit in on the subcommittee. And as a member of the full committee, I have a keen interest in these areas, and I appreciate that.

ENGEL: Well, let me just say, as a classmate of mine 20 years ago, believe it, it's a pleasure to have you here.

ROHRABACHER: All right.

And with that said, I am a senior member of the Science Committee as well as being on the International Relations Committee. And one of the arguments that I have found to be very disturbing about why America should not be moving forward with full steam ahead in developing our oil and gas resources, as well as all the other options I might add, is that it's going to be a long journey, so why are we taking the first step?

In other words, it's going to take 10 years to develop this, so it's stupid to start talking about it as a solution to our problems. That is an absurd argument.

The fact is that everything we do will take time, and there's no reason to say that, because something that is valuable, that it takes time to do, that you don't move forward and start doing that. If 10 years ago we would have started our oil and gas development offshore, the crisis that we are now in that is dramatically impacting in a negative way on the well-being of the American people, would be reduced.

The negative impact would be reduced. The cost -- the supply would be higher of our own oil and natural gas, and the prices would -- the pressure on prices would be less.

We didn't do it 10 years ago. Well, we should make sure that, 10 years from now, America isn't suffering because we didn't do today what we should be doing. We are the only country in the world that I know that has significant offshore oil and gas natural resources that have not put a full effort out to try to develop those resources so they can be put to use for the benefit of their own people rather than spending vast amounts of our treasure overseas to buy that oil or natural gas and to have it shipped in ships, by the way, the tankers, which are more likely to have a spill than if we get it from our own offshore oil resources.

I represent a coastal district, and I am a scuba diver as well as a surfer. I'm in the water a lot. We have not had any -- and we have offshore oil wells off my district. Have them all last 30, 40 years.

There's never been a spill from those offshore oil wells.

But I can tell you we had a spill 15 years ago from a tanker that befouled the entire beach. So what we have had is an energy policy in this last 30 years that has been dictated by radical environmentalists, so we have not developed hydroelectric, that's a nuclear weapons, and not our offshore oil and natural gas or any of these alternatives that we've got.

In fact, right now, solar energy projects are being stymied by radical environmentalists who are in this thing on such high-level environmental impact reports that the Bureau of Land Management has been issued one permit for even a solar energy project.

So we need to make sure that we free ourselves from this political bondage we've had to radical environmentalists who are not watching out for the interests of the American people and developing the policies that will keep us, even this day, from moving forward with our national resources, offshore natural resources. I am looking forward to the testimony today.

I would like to hear about the details in terms of Cuba and their leasing. I don't know -- I've just been told by a member here that that's a myth, that they have not started leasing with China so that we might -- so that in a relatively short period of time, we might end up seeing the absurdity of having Chinese offshore wells within 45 miles of our coast.

Is that true? Are the Chinese talking to Cubans about doing this? And if we then do not develop those offshore oil resources, how absurd is it that the oil and gas is going to end up with the Chinese?

So I am looking forward to the testimony, and this is, as I say, an important hearing, and it's an important issue because our people, their lives, their standard of living is going down. Our enemies are receiving vast amounts of wealth from the stupid policies we've had for the last 30 years, which (inaudible).

Well, let's not step forward now because it's going to take 10 more years to have a benefit. That's a crazy argument.

Thank you very much, Mr. Chairman.

ENGEL: Thank you, Mr. Rohrabacher, and I would now like to introduce our first witness.

Dan Sullivan is Assistant Secretary of State for Economic, Energy and Business Affairs. And it's an honor to have you with us, Dan. And one of the wonderful things about testifying is we get to hear your words of wisdom. And one of the terrible things from your part is you have to listen to all of us before you can talk. But here's the time, and I look forward, Mr. Secretary, to hearing your testimony.

SULLIVAN: Thank you, Mr. Chairman and Ranking Member Burton,

honorable committee members. It is a pleasure to be here today to testify on these important issues. And to the contrary, Mr. Chairman, and I say this in all seriousness, I often learn as much I think from testifying as the members do. And so, I plan on taking a lot of this back with me as well today.

But we are very pleased about the attention to these issues that this committee has focused on, and we welcome and appreciate continued support of this committee in our efforts in the hemisphere on energy issues.

It's already been said. It's noted, but the United States is facing record high energy prices, a drag on the economy, a drag on consumer well-being, and the administration is very concerned about this, and I know that the Congress is as well.

And this challenge also extends to our partners in the hemisphere, Mr. Chairman, as you noted, particularly those in Central America and the Caribbean, and this is a significant concern to us as well.

Now, the challenge of energy prices is rooted in very much a tight global energy market with regard to the fundamentals of supply and demand. Simply put, the world economy with its global demand for oil has been growing rapidly, and the supply of oil has not kept pace. And as you noted, Mr. Chairman, the Washington Post laid this out in a series of articles this week I thought in a quite well documented way.

It is important to recognize one element of that demand side rising price aspect has been related to a positive development, and that has been the significant global economic growth that we have seen throughout the world over the last six to seven years. For much of that period, the US has been the driver of that growth, and it has extended.

You read about China and India, but it's extended to Latin America in a significant way, 5.6 percent GDP growth for the region last year. And so, in some ways, that's a positive story. So, on the demand side, we recognize the need to address demand, heed the president's call for greater conservation and take further steps to improve energy efficiency, and acknowledge the important work of the Congress and the recent Energy Independence and Security Act in that regard.

My testimony, however today, and Mr. Chairman, I'd like to submit my written testimony for the record -- is focused more on the supply

side, increasing supplies and diversification, which is what we see as one of the critical elements of our energy security in the hemisphere.

I won't go through the numbers, Mr. Chairman, because you already did, but I was very pleased to hear you and Congressman Burton note how much of our energy we do get from the hemisphere. And that is a very important element of our policy, and it is something that I think you are very correct in noting, Mr. Chairman, that most Americans do not know this.

And so, you've laid out some of the numbers, our top suppliers, Canada, Mexico, Venezuela, all in our top four total global producers. But given the significant volumes, a starting point of our diplomacy is maintaining and its ending is traditional sources of energy in the hemisphere. And in this regard, my testimony -- written testimony does this, but I would briefly like to highlight the importance of our growing relationship with Canada in this regard.

Faced with static production by OPEC and generally struggling non-OPEC production, Canadian oil, which is significantly increasing, is becoming an increasingly important component to US and global energy security markets. And the administration, the State Department, the Department of Energy has a very intensive dialogue with the Canadians on a number of energy issues.

But as you also noted, Mr. Chairman, we are increasingly focused on developing alternative energy supplies in the region, and particularly biofuels. And in this regard, we have focused a significant diplomatic efforts from the President, Secretary of State, too many people in the State Department, USDA, on our biofuels partnership that we have launched with Brazil.

And we are very appreciative of this committee's interest and support for this initiative. And I would agree with you, Mr. Chairman. The future of this initiative and biofuels in general is bright. And one of the reasons I mentioned that is the numbers are starting to reveal the positive aspect of this. Since 2005, biofuels have contributed one million barrels -- the equivalent of one million barrels of oil per day to supply. That's just the biofuels that would be produced in Europe and the US, not even Brazil.

And the international energy agency has stated that, given the poor performance of non-OPEC production and relatively low spare capacity, clearly, much higher petroleum prices would be in place now if

these biofuels had not been available. So it's an important aspect of our overall energy mix.

As you know, our biofuels partnership is focused in three areas -- bilateral cooperation and R&D with the Brazilians, multilateral engagement and joint cooperation in third countries, and I would be glad to go into different aspects of this partnership if the committee members are interested.

Finally, Mr. Chairman, I wanted to just mention one final thing, and that is to note the importance of looking at energy policy in light of a broader economic policies.

Effective energy policies in the hemisphere do not exist in a vacuum. They are most effective when integrated into broader economic policies, transparent and open markets that are free from corruption, and reinforced by strong protections for investment. This we think will ultimately help producer countries in the hemisphere as well as consumer countries to benefit from lower energy costs.

As I mentioned earlier, the US-Canadian relationship is an important example of the mutual benefits that can occur from open markets, integrated markets, and how free trade can help that efficient energy market and reliable supplies of energy. By contrast, some countries have emphasized status and nontransparent populist economic policies, and output has suffered in decline.

So this administration, with the strong bipartisan support of Congress, has made deepening our overall economic engagement with the hemisphere a top foreign-policy priority. And we think continuing that in different areas -- 1 example with regard to the passage of the Columbia Free Trade Agreement will have a positive effect with regard to our other free-trade agreements, our bilateral investment treaties and other economic initiatives with regard to more efficient energy markets in the hemisphere and will help both with increasing production and consumers.

So, Mr. Chairman, we're going to maintain our focus on energy diplomacy in the hemisphere. I just want to give one final quote. Secretary Rice's recent meeting at the OAS General assembly in Panama, where she stated, "Energy is a vital part of our hemispheric agenda and that will work together to address the challenges of energy's purity, climate change, environmental stewardship and sustainable development.

In short, in the hemisphere, we seek to promote the democratization of the energy in the Americas, increasing the number of energy suppliers, expanding the market and reducing supply disruptions.

I would like again to thank the committee for its focus on these vital issues, and I look forward to the opportunity to answer questions and also learn from the committee members. Thank you.

ENGEL: Well, thank you very much, Mr. Secretary. We appreciate your testimony. And as I said before, I appreciate your good work, and I'm glad we've gotten the chance to know each other, and look forward to hearing the answers to some of the questions.

I mentioned in my opening statement about the US-Brazil energy cooperation. I'm really very bullish on it. I think it's something that we need to continue and enhance.

And as I mentioned, I was delighted in March of 2007 when the US and Brazil signed a Memorandum of Understanding on biofuels. It was a very important development politically between our two countries and raised hopes for expansion of alternate sources of energy in the Caribbean and Central American nations which have no domestic energy supplies.

But if we look at what has happened since then, it appears that progress with the agreement has been very slow. The US and Brazil, I'm told, have only now exchanged visits of scientists, that's about it, more than one year after the signing. And to date, we've spent only a few million dollars to conduct a feasibility study. I'm not sure if any production of biofuels, either ethanol or biodiesel, have begun since the signing of the landmark agreement.

So I'd like to ask you about that. Do you think that the agreement to promote biofuels production in Latin American will prove effective? Why has it been so slow in getting off the ground? What investments is the US government making in support of the agreement and what obstacles exist to greater Brazil-US cooperation in the area?

And let me add that it's my understanding that, in the Dominican Republic and El Salvador, who are both, as I mentioned, participants in the US-Brazil understanding, and they are both countries with established sugar sectors, that it has been difficult in both the DR and El Salvador to entice sugar producers to use some of their production for ethanol.

Their sugar contracts are secure and predictable, whereas switching to ethanol carries some risk. So I'd like to hear your opinion about it. Is it true, and is there anything that the US and Brazil can do about this?

SULLIVAN: Yes, sir. Thank you, Mr. Chairman.

And first, again, I in all sincerity want to express our appreciation for your support of this initiative, and I can assure you that we want to move on this initiative as fast as we can and in a comprehensive way as possible

And the committee's interest -- the committee's even prodding on this issue is important, and we will be responding to that. But also, we are committed to this.

Just a few points on that. We think we have made significant progress, although, as I mentioned, we are committed to making more progress, and really, in many ways, accelerating progress. I'm not trying to make excuses at all because it's been a huge focus of the State Department to this initiative.

However, the initiative is about 18 months old. It's new, we think rather innovative. It involves a number of different partners, which sometimes is not always the best way to accelerate things.

But we do think that significant progress has been made. And as I mentioned, there are three areas -- the R&D bilateral cooperation. As you've noted, we have an exchange of scientists. That's a physical exchange, but there's been a lot of discussion, both from the diplomatic side, private sector interests. So it's broader than just simply the two exchanges that -- actually physically exchanges occurred.

Multilaterally, we have been working through the International Biofuels Forum to work on standards and codes between us, the EC and Brazil. And again, this is a process that brings our standards bodies together to identify where we have similar standards and codes, where there's divergence, and we've actually made -- it sounds technical, Mr. Chairman, but, as you know, that's an important element, the overall global commoditization of biofuels. And we have made significant progress on that, looking at areas where there's similarity and differences and starting to move forward in that regard.

And then, finally, as I know you're very interested, is the work that we've been doing in the -- with the third countries, the first tranch of third countries. And in that regard, Mr. Chairman, one of the things that I wanted to emphasize here is that a lot of the work that has been the focus of our efforts has been with regard and cooperation with the Brazilians and the OAS on technical studies that look at the legal and regulatory framework of these four countries.

And although that sounds somewhat technical and it at this juncture hasn't led to a dramatic increase in biofuels production, we think that helping these countries get that right, get the investment policies right, is very, very important to move forward on future progress.

And so that has been where the focus has been, and we think that focusing on that now will pay dividends in terms of future production.

But Mr. Chairman, I appreciate your sense of urgency on this. We hold it as well. And we will be looking forward to updating the committee on ways that we can do that in the future.

ENGEL: Thank you, Mr. Secretary.

Let me ask you a question on the ethanol tariff. I get asked this question all the time, and I am absolutely concerned about it.

As you know, the United States imposes a tariff on the imported ethanol by imposing a 2.5 percent duty plus 54 cents per gallon on the fuel. I personally think this is a serious mistake. We have no tariff on the import of oil, but a heavy duty on the import of ethanol. This, in my opinion, only deepens our addiction to oil by blocking a key alternative.

So I'd like to ask you what is the administration's position on the ethanol tariff, and is it time to eliminate the tariff?

SULLIVAN: Thank you, Mr. Chairman. As I noted in my testimony, and I do want to note this again, the importance -- and this is obviously a very important question -- I can say we have a very close working relationship with the Brazilians on biofuels.

They've raised it with us, not surprisingly, although I do want to emphasize that the kind of government support that we have in the US with regard to development of biofuels industry is not unlike what you see -- what you have seen, what you've seen in other countries, including Brazil, which has, over the years, had significant billions of dollars of government support in terms of getting their industry up and started to a mature level. Similarly, the EU has significant support and has had significant government support with regard to its industry.

That being said, as you mentioned, it's an important issue. But right now, the administration's position is that it's respectful of where the Congress is on this. It knows that the ultimate decision on this issue will be made by Congress on whether to extend the tariff, whether -- and how that's going to play out. And right now, we will, as an administration, of course respect that decision that will be made by Congress.

That being said, it will be important as the industry matures, as the globalization and global trade of biofuels continues as the mandate of the Energy Independence and Security Act, the outlook of meeting that mandate becomes more apparent. Obviously, there will be

opportunities
to reassess that position.

ENGEL: Well, let me reiterate my position, that I think we should absolutely eliminate the tariff. I think time has come to shift and eliminate that.

Let me ask one last question before I turn it over to Mr. Burton, and that is about Haiti. And I mentioned this also in my opening statement.

As you know, Haiti is the poorest country in the Western hemisphere. I believe that we have an opportunity now to save Haiti. If we don't, I think Haiti will, once again, become a failed state, and it might be another 20 or 30 years before we can even do anything.

That's why I think it's so important to help Haiti now, but it's one of the countries in the Western hemisphere which has no domestic energy resource. And because it's so impoverished, we should do everything possible to help them develop a biofuels sector. I think that could be very important in helping them go away from poverty, and it would not conflict with food growing, I believe, if we do it correctly.

As I mentioned, there's great excitement about the possibility that oil that *Jatropha* can be used to produce biodiesel for Haiti. As you know, *Jatropha* is a native plant in Haiti, which was considered a weed before its biofuels potential was recognized. It does not require much water. It can be grown on barren hillsides.

And it will not, therefore, conflict with food growing and cultivation and industrialization -- its industrialization and cultivation can employ thousands, if not tens of thousands. So while we've funded a few studies, I'm not convinced that enough is being done to promote a biofuels sector in Haiti based on *Jatropha*.

So let me ask you about that. Let me ask you about what will be needed in Haiti to make this sector work. Have there been any projects that the US and Brazil has funded in Haiti on biofuels under our US-Brazil agreement? Is the OAS, the IDB or any other group funding biofuels in Haiti, and how long will it take to develop the biofuels sector in Haiti?

SULLIVAN: Yes, sir. Thank you, Mr. Chairman.

As you know, the administration shares your concern about the economic and social political development of Haiti. And we've been very focused on that, as you also know. We're -- the United States is the largest bilateral donor to Haiti. We also recently contributed significant emergency food aid to Haiti during its recent and continuing problems with the increase in food.

And to answer your question directly, the answer is yes, we are

looking at Haiti. As you know, it's one of the four countries with the third party -- the third countries in the Brazil -- the US-Brazil biofuels partnership. One bit of a short-term challenge right now is some of the activities that we're interested in beginning and focusing on there have been difficult to cement given the transition of the government.

But I wanted to lay out two areas that we are -- stand by in terms of readiness to fund both from the US side and the OAS side, one with regard to what I mentioned earlier is the legal regime, technical assistance with regard to how the legal regime within Haiti can be set up to help spur the development of biodiesel in Haiti. And that is a standby study that is being prepared in terms of technical assistance, for about \$300,000 from the OAS. That's one.

The second is another \$300,000 project that would come from the USTDA that would focus in the area that I know is of interest to you and is of interest to the administration, which is with regard to Jatropha. And it would be -- and again, we are ready for this, and we just are dealing with the short-term challenge of the government in transition in terms of signing this study and moving forward with what we think would be a study that would reveal some of the potential in Haiti with regard to Jatropha.

And as you mentioned, we do see potential, although in terms of cultivation yet, it's not a large element of what they're trying to do yet. But we think, as you noted, there's significant potential, and we stand by ready to fund the study through the USTDA as part of the US-Brazil biofuels partnership focused on Haiti.

ENGEL: Well, thank you, Mr. Sullivan.

Mr. Burton?

BURTON: One of the things that kind of bothers me about this place, as I go to committee hearings that really don't amount to a darn, and the media is there.

This is probably one of the most important hearings talking about energy and the future security of the United States from an energy standpoint that I've been to. There's nobody here. Well, there's a few media people here, but the TV people aren't here. I just don't understand them.

Now, you'll watch all these television shows tonight, and they'll be talking about somebody's child that was kidnapped or something. The whole country is suffering from energy, and the media's talking about kids someplace. I mean, I hate to see those kids kidnapped and put on

a boat and sent someplace by their father, but we've got, what, 300 million people here who are suffering because of energy, and there's no media here except that young lady over there. I don't understand this place.

At the dawn of the 1973 -- and I hope my colleagues will listen to this -- at the dawn of the 1973 global oil crisis, Brazil, whom we're talking about today, imported nearly 80 percent of its oil, and as much as 40 percent of their annual exchange income went out of the country. Forty percent of what they made was being spent for imported oil.

Today, they're exporting oil. And while oil remains the dominant source of transportation, and right now, even though we're talking about biofuels and these other things that are very important, oil now remains the dominant source of transportation energy in Brazil. And while ethanol production has helped offset oil imports, so too have a major overhaul of the domestic petroleum industry and a massive -- get this -- massive increase of production of oil from offshore drilling.

We're facing today the same thing that Brazil faced in 1973. One of the things when we had those oil problems back when they had the gasolines three and four blocks long because of OPEC, my gray-headed friend down there from Massachusetts, we remember that. But because we had such a resilient economy, we were able to survive that.

Brazil suffered much more than we did because they didn't have as vibrant an economy as we did. So they decided back then they were going to do something about it, and they looked at biofuels and alternative sources of energy, but they also said, "We've got to drill," because the predominant source of energy is oil. And while this transition is being made, we're going to have to get energy.

We are not doing that. Everybody in this whole place knows that we ought to look at alternative sources of energy. We've got to look at wind. I agree with T. Boone Pickens. We've got to look at wind. We've got to look at solar. We've got to look at biofuels. We've got to look at these cars that use all kinds of energy, hydrogen and gas and electricity. We need to look at all those.

But at the same time, we can't keep our heads stuck in the sand like an ostrich and let this country go down the tubes. Does anybody realize that we're paying over \$4.00 a gallon for gasoline, and that the people of this country are suffering, they can't afford it, and that the cost of food is going up and the cost of everything else is going up because it's being transported by oil?

And it ain't gonna change overnight. And I just don't understand

why

this body can't understand it. It's something that's in -- it's kind of academic to me. I just don't understand it.

Anyhow, now that I've vented my spleen, let me talk to you, Mr. Sullivan, real quickly what time I have left about -- and I talked to Mr. Rohrabacher about this a while ago -- about the intrusion into our hemisphere, if you want to use that term. Maybe that's not the right term to use -- of China and India in gobbling up as much as possible our energy resources in this hemisphere.

How extensive is it? Mr. Rohrabacher and I were talking. Is there a contract that's been signed, or do we anticipate there's a contract that's been signed between Cuba and China to do oil exploration off the coast of Cuba?

So if you could give us some kind of an insight into whether or not we have a real problem down the road with China, India and other countries that are very growing economies in taking our energy resources into other parts of the world.

SULLIVAN: Thank you, Congressman Burton.

I wanted to first just make a comment with regard to your earlier comments about we need to increase hydrocarbons and transition to alternatives. I think, in many ways, that's the essence of what we're trying to do in the hemisphere, and I tried to lay that out in my written testimony. And so that is kind of the focus of what we're trying to do, at least internationally in the hemisphere.

And with regard to China and India, I think I'd like to first note a few things. One is, in some ways, they find themselves in a similar situation that we are in terms of significant -- China, for example, is still a significant producer, like we are, but also significant consumer of oil, of coal, gas, just the way we are. So in many ways, our interest on working together align.

So one of the things that we have done not necessarily within the hemisphere but in the International Energy Agency, which is focused on consumer country interests, we have deepened our engagement with them in these organizations because there are some common interests. And I think that's an important point to note.

In the hemisphere, to the extent, for example, that there's Chinese investment in the hemisphere that is helping produce increased supplies of energy for global markets, that is helping to increase employment in the hemisphere, and is done in a transparent manner, which is something that we've emphasized with our Chinese counterparts when they have made investments in places like Latin America, then

that can actually in some ways be constructive in terms of bringing more hydrocarbons to market. These are global commodities. If there's more on the market, it benefits us.

With respect to your specific question of Chinese engagement in the Cuba energy sector, we've noted the media reports on this as well. However, we have no indication that China or Sinopec is engaged in such operations. We do note that the Chinese national oil company Sinopec has rights to an on-shore block in western Cuba, but that's the extent -- I know there was an interest here -- that's the extent of the information that I currently have on that situation.

GREEN: Our colleague from Massachusetts?

DELAHUNT: Thank you, Mr. Chairman.

I'd like to focus for a moment on the problem. I'd like to try to diagnose it, Mr. Secretary. Am I accurate when I say that the oil that we import, somewhere between 2 and 3 percent go to generate electricity? The remaining 96 to 97 percent are used in transportation fuel. Is that accurate?

SULLIVAN: Congressman, I don't have the exact numbers on that, but our power generation sector, as you note, is not primarily driven by oil. It's natural gas, it's (inaudible), it's other things.

DELAHUNT: I feel rather confident in those.

SULLIVAN: And we can get you the exact numbers if you'd like.

DELAHUNT: Right. No, I'm rather confident in those figures, or at least as reasonable estimates.

So that, as I said in my opening remarks, is that it's transportation fuels in terms of our national interests, and our dependence on oil that is of concern. And that's why I find the Brazilian experience very informative.

For example, in my home state of Massachusetts, we have about six million motor vehicles on the roads today. Eighty thousand out of those six million are so-called flex fuel vehicles, 80,000 out of six million.

Now, it's my understanding that, in Brazil, at this point in time, every car that is produced, maybe the figures are now 80 and 90 percent, are so-called flex fuel vehicles. If I'm correct in those estimates, and I feel rather confident that I am, it's not just simply the energy source that is problematic, but it's also the vehicle itself.

And here we have American automobile manufacturers, Ford, General Motors, that are producing in Brazil -- and I'm directing this to my friend to my left -- that are producing flex fuel vehicles in Brazil so that they can use E85, E90, E100, and yet we don't have a similar production here in the United States in terms of that kind of capacity.

Now, as I travel and I go from my home in Quincy (ph) down to the cape, I see more and more Priuses. Now, I understand that that is a motor vehicle, a hybrid that is produced by Toyota, a Japanese company. When the other day I took a cab ride, it was a Prius. I took a cab ride in. I asked the cab driver, "What are you getting?" He said, "Around 60 miles a gallon." I mean, it's a broader problem.

I guess what I'm looking at from you in terms of the Brazilian experience, did they utilize mandates in creating this diversity in terms of their transportation fuel? In other words, did it automatically happen that they produce these kind of vehicles and we have failed here? Mr. Sullivan? Mr. Secretary?

SULLIVAN: Thank you, Congressman.

My understanding, and we can provide you with, actually, more details on this, what they actually did, but is that they did do that. And I do want to make a point, though, that what we are doing domestically in some ways -- and again, the Energy Independence and Security Act that was passed by this Congress, signed by the president at the end of last year, has very, very significant mandates on the production of biofuels. And the likelihood of that helping to drive the market is probably pretty strong.

DELAHUNT: Right.

SULLIVAN: So -- but the direct answer is yes, and we can provide more details for you on exactly what they did.

DELAHUNT: And Mr. Secretary, I dare say that that act clearly -- I incur -- I think will serve as a catalyst in terms of achieving diversification. And I think that is the target that we need. We need to have options to oil.

I mean, in the end, we're going to have motor vehicles that are a hybrid. They're plug-ins, and hopefully they have the capacity to be flexible in terms of the fuel that they use.

I'd like to just address the concerns expressed by the gentleman from California and the gentleman from India (sic) about Cuba drilling off the coast of Florida. It's my understanding -- did I say India?

DELAHUNT: Yes. It's Indiana, not India.

BURTON: I see. Well, I get confused once I get outside of New England.

But I -- actually, the nations -- the corporations that are exploring in the offshore waters off of Cuba, it's my understanding that it is the -- it is India. It's the Dutch. It's the Spanish. And also, it's the Norwegians. And I don't know whether they've had any success. One keeps reading that it would appear that there is a

likelihood of oil reserves there, but it's not my understanding about the Chinese.

But, with that, I'll yield back, and I thank the chair.

GREEN: Thank you very much.

For five minutes, Mr. Chairman.

ROHRABACHER: About a point that my colleague just made, I noted the wording that you used when answering Mr. Burton's question. Do we have any indications that there have been contracts with the Chinese by Cuba to do offshore development in Cuban waters?

SULLIVAN: Congressman, the latest information I had is what I mentioned earlier, which was ...

ROHRABACHER: We know there's not -- the answer you gave, I listened to the wording very closely ...

SULLIVAN: Not engaged in such operations.

ROHRABACHER: That's -- not engaged in operations does not mean contracts.

SULLIVAN: Yes. No. And again, we can get back to you with a more detailed answer.

ROHRABACHER: All right.

SULLIVAN: I think the answer I have presently is that a Chinese national oil company has rights to an onshore block in western Cuba.

If it's rights, I would imagine there was some kind of contractual arrangement, but I don't know.

ROHRABACHER: Right, but that is not encompassing the question, of course, you're going to look into that, whether or not there have been contracts with the Chinese for offshore oil drilling in Cuban waters because, again, whether or not they have a contract for onshore doesn't answer that, and whether or not they are engaged in current operations does not answer that. What answers that is do the Chinese have a contract with the Cuban government to do it in the future?

SULLIVAN: No. And I think -- what I ...

ROHRABACHER: OK.

SULLIVAN: ... What I was trying to give you was the latest information I have. That is the extent of the information I have. So I don't know anything right now about an offshore contract.

ROHRABACHER: OK.

Let me suggest that if we are -- that that issue's been around now

for
a few months, and that perhaps you should know about that
because
that's an important item.

I disagree with my colleagues that it is the same as the Indians or the others. I see China as a potential adversary, if not enemy, of the United States in the long run.

Now, perhaps they'll have some liberalization of their political system some day, and I won't say that because the Chinese people are
our friends. It's just that their government is a -- it's the worst human rights abuser in the world. And it's stamping out their democratic elements in their people who believe in religion, et cetera, so that would make a difference to me.

But let me note, economically, that my colleague is correct. Economically it makes no difference whether it's the Chinese or the Norwegians or the Indian or anybody else. It is a travesty to have other countries drilling within 45 miles off the coast of the United States because they happen to be in Cuban waters in that area, but American companies are not permitted to do that.

And of course, that oil and natural gas that they're drilling for is bound to be coming from a pool that, actually, Americans should be participating in. That will have a negative impact on our economy no
matter what. We're giving it to another country's companies, so that
would be a travesty.

DELAHUNT: Would my friend yield for a moment?

ROHRABACHER: Certainly.

DELAHUNT: I think if there was a policy change in terms of the United States policy, vis-a-vis Cuba, that would allow such -- would allow a
commercial relationship, that we would be more than welcome to come
into that area. But that's an issue I've discussed with Mr. Burton at some point.

ROHRABACHER: Yes. I think the gentleman's point is well taken. And
as soon as there is some democratic reform in Cuba, I'm sure we will
move forward with that type of cooperative effort.

UNKNOWN: I agree, and I would hope the Democratic reform in Kazakhstan, Saudi Arabia, Nigeria and elsewhere in the world. I appreciate it.

ROHRABACHER: Well, we'll discuss that in greater detail at some time.

One last note, and I know my time is running out. Let me identify myself with Chairman Engel's comments about the biodiesel development
in not just Haiti, however. I would suggest that the Jatropha -- I

guess that's how you pronounce it -- the plant which I have looked at would indeed be -- it offers a tremendous opportunity for the production of energy in Latin America, especially in countries that do not have their own oil and natural gas resources.

I would suggest not only Haiti, but throughout Latin America, where -- and Central America in particular -- this plant can be squeezed right into diesel fuel, clean diesel fuel. And the production of that plant or that diesel fuel, then, could be done by thousands and thousands of people would have jobs and employment as well as the benefit to their economy of producing their own clean fuel right there in their own country. So, I -- and let me just recommend that you mentioned studies. I would hope that the studies -- we -- and the countries don't need studies. What they need is investment, and what we also need in this particular project is perhaps some research money into making sure that this plant that already offers a great deal of promise, if genetically altered could even do tremendous more for these countries.

And I would suggest that studies as to how to market it, you don't need that. Three hundred fifty thousand dollar study may be just the right -- you know, not something that would be as valuable as trying to actually help a situation where they genetically altered the plant and finding ways of getting that invested.

There are people ready to invest in this throughout Latin America. We should be encouraging them. Your reaction, and that's all.

Thank you, Mr. Chairman.

SULLIVAN: Thank you, Congressman.

Just a quick point on that. Just to re-emphasize the point I made earlier, I mean, I know the word "study" sounds a little bit bland. But what they're really trying to do is look at the legal regime in these countries in terms of the best way to help set up and structure policies that will promote private sector investment. So that we think is an important first step.

But we agree with you fully that the focus has to be creating the environment to bring in the private sector, and that's why we've had also outreach in our initiative with the private sector as well. So the studies -- I know it sounds a bit bland, but it's focused on a much larger, more important objective, and that is to increase private sector investment, to increase domestic production.

And you're also correct, Congressman, when you note the

transformative nature of what can happen with regard to biofuels in the hemisphere, and that's why we're very excited about this initiative. That's why you've seen support from the president to the secretary of state on down.

We are very, very focused on this diplomatically. And again, we're just starting, but we see it has a tremendous future, and not only in the four countries that we're talking about, but, as you note, there's countries throughout the hemisphere, particularly in Central America and the Caribbean.

But once we move on to cellulosic, the potential for this in the hemisphere, and even other countries beyond the Caribbean basin, is going to be significant. So we really see this as a transformative way to move to the alternatives while also working on increasing traditional sources of hydrocarbon.

GREEN: Mr. Secretary, PDVSA outlined recently a very aggressive new business plan that counts massive investments in more than 77 billion, according to recent presentations in increased crude oil production to more than five million barrels per day by 2012. Moreover, PDVSA, the Venezuelan oil company, has committed itself to the development of the region's largest natural gas reserves and availing itself of the opportunities of potential for LNG, similar to their neighbor, Trinidad.

Can you talk a little bit about whether you see this happening, given PDVSA's -- at least the public numbers as compared to the actual production that we know of that has been shrinking in Venezuela?

SULLIVAN: Yes, sir, Mr. Chairman. I'd be glad to talk about that.

I think, at least from the public numbers we've see, and the International Energy Agency's cited these numbers, and I think it was already cited earlier by one of the members of the committee, we've seen production declining in Venezuela. And again, from a global energy security standpoint, we would welcome a dramatic increase in terms of Venezuelan production.

It would have a moderating effect on prices, and it would also help some of the countries in the region that are particularly -- as Chairman Engel noted, are particularly vulnerable, given their 100 percent dependence on imported oil.

However, the other -- on the more -- less positive side is what -- the policies that have been undertaking in terms of resource

nationalism.

I noted in my opening statement policies that are focused on state control, non-transparency.

It doesn't bode well for a dramatic increase in production. Those kind of policies have typically led to inefficiencies, declining investment and, not surprisingly, declining production. So, while we would welcome that kind of significant increase, the policies, at least what we're seeing in Venezuela with regard to the industry don't bode well for such a dramatic increase in production.

GREEN: Yes. And I know the same situation with Mexico and PEMEX. In my opening statement, you heard that I have refineries who have contracted relationship with both PDVSA and PEMEX for refinery production, and they invested in those refineries.

In the case of Mexico, it's the third largest supplier of crude to the United States, accounting for about 14 percent. Oil continues to be so important for the Mexican economy, and it counted for almost 16 percent of the overall exports.

PEMEX contributes more than a third to the national budget in Mexico, yet PEMEX's debt's increasing. The company's registered an annual loss since 1998, annual operating loss. There are concerns that Mexico's proven reserves are declining because of insufficient funds for maintenance and exploration.

Given the constitutional constraints Mexico has in considering private investment in oil and gas, and yet there is potential in the deep waters of Gulf of Mexico, and the Calderon administration is taking on the challenge of reforming PEMEX, do you see that reform passing? And -- because I know there was just a referendum literally in Mexico City that was overwhelmingly opposing it. What do you see in the progress of that reform of PEMEX, not for our own country as much, but also for the people of Mexico?

SULLIVAN: Yes, sir, Mr. Chair.

Congressman, as you know, you're correct. Production's falling in Mexico. Its -- one of its largest deals, the Cantrell field in Campeche Bay represents a very significant source, and that is a field where there are waning reserves. That's one of the reasons for the production declines.

As you also know, we have a strong relationship, given NAFTA and others, with regard to the Mexicans on a number of economic issues, including energy. And you correctly point out that there is a reform process being debated in Mexico.

However, I don't think it would be helpful as a US government official

to speculate on where that process may or may not go. That's something that is going to be solely decided by the Mexican government. And with all due respect, I'd rather not comment on that.

GREEN: Well, let me talk about the differences that -- and one last question before I turn it over to the real chairman. Energy-producing countries in Latin America, Brazil and Colombia, have followed typically the free enterprise model for energy investment that allows foreign companies to own or operate energy concessions.

And when you compare the nationalized oil companies like PDVSA and PEMEX with the continuing loss of investment in infrastructure to continue what I call you don't want to kill the goose that's laying the golden egg, what can the United States do to address the disparities that arise when our American companies are forced to compete with these state-owned companies?

SULLIVAN: Well, I think in some ways -- and it was noted earlier that -- or you noted that certain countries are open to investment, and Brazil has an example of one where they're managing their resources well.

And so one of the things that we have done and focused on quite a lot throughout the hemisphere, and I mentioned it in my opening statement, is we have been very focused on trying to set the legal framework bilaterally through trade agreements, whether it's free trade agreements, and we have, under this administration, increased those significantly in the hemisphere, or even bilateral investment treaties.

We have a number of existing bilateral investment treaties, and we have signed an additional one over the last two years in the hemisphere. We think those are very important both in terms of creating the open market environment that's important, that can lead to investment, but also with regard to protecting investment in American interests with regard to resource nationalization that does occur.

And we -- the State Department takes any kind of dispute under those treaties or those bilateral investment treaties or free trade agreements very seriously, and we think that they both help protect investments, but also help the opportunities to increase production. So that's an area where we focus with our colleagues at USTR and the Commerce Department, and we do think it helps.

And so that's another reason why I mentioned the Colombia free trade agreement in my opening statement, because it's hard to separate energy policy from broader economic policy in the hemisphere, and

the
more we engage on deepening our economic engagement through
agreements, through bilateral investment treaties I think the better
for US interests, efficient energy markets and increased production
in
the hemisphere.

GREEN: And again, my time's expired, but I appreciate again what
I
said not only about our MCs (ph) and consulates in Latin America,
but
throughout the world, because having -- knowing those are -- they
actually help US businesses to both invest in for the benefit of not
only their own profit, but also for those countries. So I appreciate
that effort.

Mr. Chairman ...

SULLIVAN: Thank you very much.

GREEN: ... turn back the chair to you.

ENGEL: Mr. Secretary, let me just ask you one final question. Let
me
ask you a question about alternative energy crops as replacements
for
coca.

In Peru there's been some efforts to replace coca with ethanol-
producing crops, and that's interesting to me. This process has
multiple purposes, including reducing the amount of coca cultivated
in
the region, obviously improving the livelihood of poor farmers and
promoting alternative energy.

What can you tell us about what the United States is doing in
supporting efforts in Peru or other Andean countries to help create
biofuels industries in coca-producing regions?

SULLIVAN: Thank you, Mr. Chairman.

As you know, as part of our US-Brazil biofuels partnership, our
focus,
at least for the initial tranche of third countries, has been in the
Caribbean basin, so we haven't focused on -- in terms of that
partnership in the Andean region.

Nevertheless, as we -- in my exchange with Congressman Greene,
we see
that the potential for biofuels throughout the hemisphere is
significant. And one of the things that we -- one of the reasons why
we believe it's so significant is because -- and Secretary Rice has
used this term -- because we see it as the possibility to being
transformative beyond just energy issues but with regard to
economic
development, employment, increasing production in agriculture
sectors.

And so, it's a very interesting question that you raise, and given,
though, however, that my bureau does not directly deal with the
cocoa
production issue in the Andean region, that is quite an important

one
to the State Department and the administration. What I'd like to
ask
permission is to be able to return with a more detailed response to
our question from our INL bureau that focuses on this issue on a
daily
basis.

ENGEL: Thank you.

Mr. Payne, did you want to ...

PAYNE: Since I didn't hear the testimony, I haven't had a chance to
look over it, I will pass. Thank you.

ENGEL: OK. Thank you. And Mr. Burton tells me that he's done with
his questions as well.

So, Mr. Secretary -- oh, Mr. Smith. I'm sorry. Didn't notice you.
How could I not notice you, Mr. Smith?

SMITH: Thank you, Mr. Chairman.

ENGEL: You have a larger-than-life presence.

SMITH: I want to welcome our distinguished witness that,
regrettably,
I missed his testimony like my friend and colleague, Mr. Payne. So
I'll have to read it and maybe submit some questions, if I could.

SULLIVAN: That would be -- we would welcome that.

ENGEL: OK. Well, both of our New Jersey colleagues are helping us
along this morning.

Mr. Secretary, let me thank you for your testimony. And as always,
it's a pleasure to work with you. We appreciate everything. And
anything that you could submit to us in writing would be very much
appreciated. And I thank you very, very much.

SULLIVAN: Thank you, Mr. Chairman, and thanks again for your
interest. It's very, very important, and the members of the
committee, to the work we do. And we feel strong support from
this
committee, and that's very helpful for us.

ENGEL: OK. Thank you very, very much.

We'll have about a one-minute break, and then I'll call our second
panel.

All right. I'm now pleased to introduce our second panel. We note
that, well, Dr. Johanna Mendelson Forman is senior associate at
CSIS,
the Center of Strategic and International Studies. Jeremy Martin is
director of the energy program of the Institute of the Americas at
the
University of California at San Diego. And James L. Martin is
chairman of the National Defense Council Foundation.

So, Dr. Mendelson Forman, let me say you are surrounded by Mr.
Martin,
Messrs. Martin both. So let me call on Dr. Mendelson Forman first.

MENDELSON FORMAN: Thank you, Mr. Chairman and Ranking Member Burton and members of the committee. I'm very pleased to be here today, and I certainly was impressed by the dialogue that I just heard with our Secretary Sullivan about the issues of energy, energy security in the Americas and the importance of this issue.

I also want to commend the committee, and particularly the chairman, for his longstanding interest in this subject related to the Caribbean, to Haiti and to the tireless work that he has done to promote something so important to our own security and security of the region.

I'd like to request that my written statement which I've submitted be entered in the record.

ENGEL: Without objection. Let me add to all of our witnesses that, if you would summarize and just have your written statement entered into the record, we'd be happy to do that. And I think it'd be the most efficient way of moving along. So, without objection, so ordered.

MENDELSON FORMAN: Yes, thank you. And I want to make sure, in doing the summary, that we don't repeat many of the important facts which have already been said not only by the chairman and the ranking members and other members, but I want to go forward to some of the specific questions that you raised when you were kind enough to ask me to appear before you.

But I must, just on a personal note, say that 30 years ago, when I finished studying Latin American agrarian history, I had the honor of doing something related to sugar and sugar plantations. And I did think that, 30 years later, that the same croplands that I worked on in Colombia would be the source of biofuels.

I was recently asked to return to the scene of the crime, to Kaleh (ph), to see the same haciendas that I had worked on now being one of the largest ethanol producers in the country of Colombia. So things come full circle, and I think just the way we learn from the past, we can also apply it to the future.

So let me start with just a few facts that we know. We've already heard from the chairman and other members about the importance of the Western hemisphere in supplying the United States with our oil. I also want to mention that, because of the diversity of biomass, 40 percent of the world's diversity comes from Latin America. It's an extremely important area not only for petroleum, but for other biomass energies, geothermic, eolic and solar power.

But specifically since you requested that I talk about renewable energies, I wanted to make a few other points that I think were omitted and would enhance the record. One is that this is also an opportunity for clean energy sources at a time of increased concern about climate change. This is very important as we look at alternatives to think about the carbon footprint.

And particularly in countries of the Caribbean, small island states that are so close to our own border, these clean fuels are a very important source because they can relieve the countries of fossil fuel dependence at a time when high petroleum costs are bankrupting many of these governments in the region.

We know that, with the population growing and the number of people being thrown into poverty because of the high petroleum costs, that we must do something.

And as far as providing long-term and sustainable alternative, something that members of this committee have talked about, Petrocaribe is certainly not the answer to this problem even though, right now, there are 16 countries that subscribe to it and get a reduced rate on oil. We cannot look at that in any way as a way to solve the energy security of the region.

Latin America is really emerging, and this is great, as a (inaudible) producer of biofuels. The region itself has invested \$8 billion in biodiesel just in 2007. And as we mentioned here earlier in the statement of Mr. Sullivan and in the question, Brazil's 30-year experience, you said 12 percent of all transport fuels are sugar-based. It produces 23 billion liters already between 2007 and 2008, and I should add that it only uses, for all its biofuels production, 1 percent of its arable land. This is clearly a success story in a country as large as the United States. It's certainly can be emulated.

And obviously, the cost is very reasonable, and we know that this is one of the reasons why the rising economic power of Brazil is continuing to rise. The front page of the New York Times today had a wonderful story about this progress, and I think we know that part of the answer comes from renewable energy.

Now, you raised a few questions about the US-Brazil energy partnership. And rather than repeat details of the Memorandum of Understanding, I think it's important to add a few other points because the requirements of the 2005 Energy Act and then the 2007 Energy Act, which say that by 2022 we have to have 36 billion gallons of renewable ethanol coming into the United States, it's very important that we end the tariff that we have on Brazilian ethanol.

I share the chairman's concern because, even if we were to meet the -- if we want to meet the goals of the Energy Security Act, we have to

have other sources. And we're going to need all the ethanol we can get, not only from our own domestic producers but from the Caribbean and from Brazil.

So it's extremely important that we do that and not prejudice any source which affects our own security.

Now, we know that Brazil has used this ethanol to diplomacy in a very effective way. President Lula has been busy running around the hemisphere and also Europe, signing agreements with Peru, Colombia, Argentina, Panama, Cuba.

And to the Brazilians, Cuba is a particularly strategic and important place, and they're gaining an advantage because they are taking the technology that they learned in Brazil and helping the other large sugar producer in this hemisphere, Cuba, be able to convert an industry into something that could, down the road, be a very important platform for US energy security if the politics changed and we had a more open policy related to our trade with Cuba.

But right now, even the predictions are that Cuba could eventually produce three billion gallons of sugar-based ethanol annually, and most of that could be exported to the United States because they don't have many cars there for many years due to the embargo. So it's a really important platform.

Let me just go a little further on the Caribbean and Central America policies. Just one second to note that a lot of Brazilian ethanol enters the United States under our favorite trade arrangement known as the Caribbean Basin Initiative, and also the Caspid BR (ph) program, which is another way in which the ethanol coming from Brazil goes into the Caribbean and then is re-exported into the United States.

Now, energy for development, and the chairman and other members' concerns for Haiti needs just a moment in the time I have remaining. The development of biofuels, as everybody has correctly noted, is an extremely important dimension for development. It provides jobs. It is an appropriate technology in places that don't have large scientific opportunities to invest money.

Communities can use the alterative fuel. And it really creates an exit from dependence on oil. We know what has happened in Haiti recently with the tremendous escalation of food prices, most of it resulting from transport costs, and we -- if we give countries that are so oil-poor a chance, I think that we can see a tremendous in the reduction of poverty rate and self sufficiency.

Now, in Jatropha, one of the non-food crops -- feedstocks used, I think there -- Mr. (inaudible) and as other members of the committee noted, not only for Haiti but also in Mexico for Brazil and Colombia, for areas that have arid land, where you can not only do large-scale Jatropha plantations, but you could also help community.

And I know that many members addressed the State Department's Mr. Sullivan about speed at which this can happen, but I want to assure you that, because the chairman held a hearing on Haiti and there was mention of this, many small producers are trying to work within the context of the US-Brazil framework and develop their own independent sources of diesel oil.

And I think the entrepreneurship and the development without the support of external sources is also a testimony to the needs of Haitians, but also to the skills which they have to create and use this fuel for the immediate need. And I think that, while this shouldn't negate the importance of the biofuels (inaudible), it's very important to note that it's already being done even without US government support.

ENGEL: Doctor, let me ask you to sum up.

MENDELSON FORMAN: Yes, OK.

ENGEL: Excellent testimony, but ...

MENDELSON FORMAN: OK. And I just want to make a few concluding remarks. We know it's an important source for energy. I think we need to know that it has the potential in Central America, and we need to continue that.

And we have to see Haiti and the Dominican Republic as an opportunity and to congratulate the US and Brazil, but they need to make this policy of the Memorandum of Understanding a basis for our energy security. And it shouldn't just end at the end of this particular administration. It needs to go on.

So thank you very much.

ENGEL: Thank you. And I'm sure we'll ask you some questions on some of your testimony.

Let me call on Mr. Jeremy Martin.

J. MARTIN: Thank you very much, Mr. Chairman. Appreciate the honor and the privilege to be here with you this morning. And too, I'd like to offer congratulations and commendations for your attention to these issues.

And I think I'm going to skip through, and, as you've noted, will go ahead and submit my full written statement for the record, and I'll

try and summarize as best as possible and skip some of the details.

But I think -- let me jump right into and just -- and emphasize that I think has been very, very eloquently noted this morning, that Latin America is indeed a central piece to the United States' energy puzzle.

I heard you, "Supply puzzle." And what I'd like to do quickly right now is offer some further insights on several of the most important producing nations in the region, their production outlook, geopolitics, future trends.

And I want to do this through three main points. The first point is that not all countries are the same. It is important to distinguish between above-ground and below-ground issues.

Secondly, the region's short-term outlook is one of pervasive uncertainty and turbulence in several key countries. But on the other hand, my third main point, the region's long-term outlook is a glass that I would say is at least half full.

So let me start getting into a little bit of what I call, "Not all countries are the same." And when I was asked to testify today as to the production profile and investment climate of the major oil and gas producing nations in Latin America, I thought about it a billion on how I could try and quickly summarize it.

So in order to do so, I think it is important to distinguish between above-ground and below-ground issues. And that is to say, in many cases, a country's oil and gas potential and its actually oil in the ground may be less important than what is occurring above-ground in the halls of government and in the geopolitics of the day. In many cases, poor policy planning, regulatory hurdles, changing rules of the game and other issues would be more important than the geology of a given country, or as I like to say, "Not all countries are the same, nor do they act the same way."

So let me quickly run through some of the countries that I think we should call attention to in Latin America. And I'll do it in alphabetical order so no one's nose gets put out of shape -- bent out of shape here. And I'll start with Brazil, and I think we've gotten into that a little bit this morning, but it's accurate and important to note.

Over 30 years ago, they made a bet, a large bet, on offshore deep-water oil and gas exploration and production. The strategy has paid off as the country became oil self-sufficient in 2006. However, and I'd like to add this to the discussion this morning, it's important to note when we talk about Brazil's oil self-sufficiency, vis-a-vis United States, the difference in market size.

Brazil's daily consumption is just over two million barrels a day. So extremely important what's happened in Brazil, but I think you have to note the difference in size of market vis-a-vis the United States. So tremendously important everything they've done, but I did want to

make
that point before I went forward.

And moving back to the success and where they -- how they got to
where
they are is Petrobras, which has become one of two largest
companies
in Latin America, and certainly one of the largest oil companies in
the world, and increasingly a dominant player in our hemisphere
for
oil and gas.

And I also want to reiterate the statements made earlier today
about
the potential for Brazil, the Tupi field, five to eight billion
barrels of oil equivalent, as well as the Jupiter gas field and the
Carioca field, which they are analyzing now to determine the
potential
of those fields. Tupi looks like it'll be the largest offshore
discovery in the Americas since the Cantrell field in Mexico in 1976.

So while tremendously important for the region's energy balance,
these
huge discoveries have, in fact, caused an increasing debate in
Brazil
on how to move forward with additional oil and gas exploration
blocks.
There are a myriad of opinions and ideas within the government,
but
changes to the current market-friendly risk contract bidding
process
do seem possible down the road, or at least some sort of
reconfiguration of the way the system's run now from sessions
(ph).

So again, my point, what occurs above-ground may be just as
important
as the huge news coming out of Brazil in terms of its discoveries
and
potential ascension to the ranks of one of the world's largest oil
producers.

And let me also now move to Colombia. We haven't really talked
much
about Colombia in terms of one of the nations producing oil in the
hemisphere. And I'd like to also call the attention of a success
that's happening in Colombia, some successful moves by the
government.
Faced with declining production, Colombia began a major revamp
of
their oil and gas sector in 2003 under President Uribe. The re-
organization of government agencies in Colombia has been touted
and
created some of the most attractive investment terms in the
region.

Investment has more than tripled since 2003, reaching almost \$2
billion in 2006. Moreover, oil production has slightly recovered in
recent years to about 534,000 barrels a day. And this is effectively
pushing out the timeline for Colombia's switchover to an energy-
importing nation, but I think it is also important to note this is
significantly still down from the 821,000 barrels a day that they

peaked at in 1999.

But also, I want to call attention to the efforts in Colombia as part of this government re-organization, Ecopetrol, the national oil company. Ecopetrol, quite in contrary to the -- what's going on elsewhere in the region, had an initial public offering in late 2007 that raised over \$2.8 billion for the company, and they've also announced in September they will go to an ADR and the New York Stock Exchange.

That brings me to Mexico, and I think we've spent a good bit of time this morning, again, in -- on focusing on Mexico's production. But I think the point is that Mexico's production is declining, and that is the key element to look at in terms of what's happening in Mexico. And since the peak in 2004 of 3.4 million barrels a day, Mexico's production looks like it will drop to about 2.8 million barrels a day by the end of this year.

And that is largely to do -- due to the decline in the massive Cantrell field. And the fact is that Mexico's oil exports to the United States have dropped by 19 percent from June of 2007 to June of 2008. And again, that is because their Cantrell field is declining by something like 35 percent.

And I think it's also important to note in Mexico the role of PEMEX, the national oil company, and I think somebody mentioned the golden goose. And that is exactly what PEMEX is in Mexico. It accounts for about 40 percent of the federal budget, and largely takes care of the federal treasury.

And that is, in fact, why -- the issues at PEMEX are at the core of reform legislation introduced by President Calderon's government this past April and being furiously debated currently in Mexico. And it looks like there's no exact outcome yet as to how that reform proposal will be handled by Congress, what it will finally look like.

And in fact, it's very unclear as to the role of the private sector eventually in Mexico and the reforms that PEMEX will undergo. But it is very obvious that the evolution at PEMEX and their future role is the linchpin to Mexico's long-term energy health.

And coming back to my point, I think that nowhere else in the hemisphere is it more emblematic than Mexico as to the role and importance of above-ground issues. And in fact, the above-ground issues in Mexico date back over 70 years.

I think we talked about the role of Trinidad and Tobago. They're our number one LNG supplier. They were a tremendous success story in how they've turned a commodity into an added value in terms of developing LNG industry in the country for export. (Inaudible) my written testimony -- statement for more on that.

Let me go through just Venezuela real quickly, and I just want to make a point that there's lots of different numbers on the table as to the production, and I'll leave that in my written statement as well.

But let me just say that nowhere is the intersection of politics and energy more acute than in Venezuela. President Chavez has been very clear as to the role of the new PDVSA, vis-a-vis the nation's social and development agenda as well as in terms of regional geopolitics.

The Misiones (ph) funded by PDVSA aimed to education healthcare and basic food provision, and Petrocaribe, a bilateral effort on the part of Venezuela to offer cut-rate financial terms for oil importers across the Caribbean and Central America are but two examples of the trend for Venezuela and PDVSA in terms of domestic and regional relations in their approach to a new above-ground paradigm for oil-producing nations and national oil companies.

How Venezuela balances this tremendous below-ground potential with the above-ground issues facing its oil and gas sector will be critically important for the long-term outlook of our hemisphere. The continued certification process of the Orinoco heavy oil belt (ph) is also important, and we should follow that over the medium to long-term. If fully certified, the Orinoco would push Venezuela up to the holder of the world's largest oil reserves.

Let me make a couple quick points as to how I see the region's short-term outlook. And I think, just for the sake of an analogy, the best way to sort of look at it is a roller coaster. And there are several issues causing the up and down ride of the region's energy roller coaster, political and economic crises, the trend in some countries to greater state control and participation in the energy sector. Re-negotiating energy contract terms, changes in government.

This idea of an energy roller coaster refers to the current and short-term situation facing the region. While Mexico, Bolivia, Ecuador and Venezuela seem to be a close fit for the roller coaster analogy in today's Latin America, the in-ground potential of each nation is significant and demands a long-term outlook and view.

So, indeed, I think the long-term outlook and view is that Latin America does not lack potential or the requisite reserves to greatly aid our entire hemisphere's energy balance. As recent discoveries in Brazil underscore, the status quo is changing. It is not just a question of the region's potential, but how all countries and companies can best work in a cooperative, collaborative manner to assure the long-term development and sustainability of oil and gas.

Without question, the opportunities are complex, but, given the potential, the Latin America energy glass is at least half-full over the long-term.

And some final thoughts I'd like to say are coming back to this

discussion earlier about national oil companies and what we can do. And I'd like to suggest we focus on the positive, partnership and cooperation, not competition. There should be a shift in focus, I think, on how we work and how we work in concert, how to partner and how to find win-win opportunities. And I'll give some examples that I think point to how this can be done.

In Colombia, Ecopetrol, which I noted is undergoing an important evolution, has teamed up with Shell to win a block in the US Gulf of Mexico. Offshore in Colombia, Ecopetrol is teaming up with Petrobras and ExxonMobil to develop an offshore project in their waters. And there are myriad examples of Petrobras working in Brazil with foreign oil companies, international oil companies, to develop their massive reserves.

And even in Venezuela, Chevron's partnership with PDVSA remains strong and a key for Chevron's Latin America portfolio and critical to Venezuela's desire to export natural gas. And perhaps most stunning is the possibility for Mexico's PEMEX to move outside of Mexico for exploration and production of oil and natural gas. They've been approached by Petrobras with an offer for a percentage of a project in the US Gulf of Mexico.

So again, Latin America is a region with huge needs, huge needs in investment in energy and infrastructure, and important for our US market I think is ripe with opportunities and too critical for us not to fully engage. I think the success so far of the US-Brazil biofuels agreement underscores the potential for cooperation under the right circumstances as well as the national oil company examples I just noted.

I would like to thank you all for your time and hope that my remarks could be useful, and look forward to any questions at the end of the panel.

ACTING CHAIR: Thank you very much, and now we'll hear from the other,
Mr. James L. Martin.

J.L. MARTIN: Thank you, Mr. Chairman, and I'm here as the newly elected chairman of the National Defense Council Foundation, which I just took over. I'm more readily known as the head of a senior citizen's group, the 60-plus Association, but I'm wearing my Foundation hat today because, quite frankly, I think the energy crisis we're facing now has shifted from an economic issue to a national defense issue.

And I want to thank you for holding this hearing, very important hearing. As the ranking member mentioned earlier, it's probably the most important hearing I've covered.

And for the record, I have some comments. Let me just paraphrase those. Looking around this room, I recall I came here in 1962 as a newspaper reporter covering Congress. Couldn't help but notice Dotty Fussell's (ph) picture up there. I used to interview him, and Slim Silvaki (ph) and others. But -- and I've covered many hearings, and yes, I covered that tragic moment in our nation's history when we lost a president in the prime of his life.

But I've also covered many hearings, and I've got great respect for this body and what you do. I was almost tempted to say that you're vastly underpaid and overworked, but I know that would be a minority view probably around the country. But I do believe that, quite frankly.

I've got to tell you, this is -- this dependence on foreign sources of oil from unstable countries -- you know, Mr. Pickens, I agree with him. We can't drill our way out, but drill we must.

There are other solutions, of course, possible, whether it's wind and solar, coal. I grew up in the mountains of Kentucky where King Coal is. It's clean now, much, much cleaner than it was 50 years ago, nuclear and others.

But let me just give you a little bit more historical perspective. 1973, Arab oil embargo. We all remember that. a couple of your colleagues named Gerry Ford and John Rhodes appointed another one of your colleagues, Congressman Roger Zion from Indiana, as the Republican Task Force Chairman on Energy. I mention that because Congressman Zion, age 87, hale and hearty, he's our honorary chairman at 60-Plus.

I remember Roger used to always say to me, "Jim, remember, too, what President Carter said when he took over. He said, "We're at 37 percent dependency on foreign sources. My goal is to see it does not rise another percentile." Now, if Mr. Boone Pickens is right, as near 70 percent and growing, that's danger. That's a clear and present danger to our country.

And whether you're talking about the \$700 billion that goes out and all these jobs, that's an economic issue. But again, I stress the fact that the national security is at stake here.

I think it's time to drill. The public demands it. 60 percent is now favoring it. and by the way, when I was wearing my 60-Plus Association hat, three years ago we were ahead of the curve.

We mailed a letter to our seniors, 150,000 of them, throughout Florida, my home state, some off the coast of New Jersey, some of our seniors in New Jersey. I've testified in your great state on the need to move ahead, and also here in Virginia, where I now live.

We were stunned when over 6 percent responded to our message. In direct mail, 1 to 2 percent is basically a pretty good return. It was over 6.5 percent. We had 9,750 people write in and say let's get on with it.

And then, when -- about a 60/40 ratio they favored going ahead and drilling. When I mentioned to them that we're not talking about off the coast of Ft. Lauderdale where I grew up -- Mr. Klein was here earlier -- we're not talking about an ugly oil rig a few yards of the coast.

But someone said, "Well, Jim" -- I said, "It'd be so far out you can't see." Said, "Well, Jim, at your age, you can't see very far anyway." I said, "Well, I would take issue with that," but the fact is you can put on binoculars. You can't see more than about -- because of the curvature of the earth, more than about 10 or 12 miles anyway. And we're talking about 50 miles or more out. So when I told them that, our seniors said, "Well, why aren't we doing it?"

Then, we mentioned Cuba, and that's been mentioned here today. I won't even go about the business of whether China is helping finance it or not. I think that they're helping explore. But just the fact that Cuba -- we have this great treaty with Cuba off of our coast, that 90-mile area down the middle, you stay on your side, we'll stay on ours.

The Cubans -- forget whether China's helping or not -- they are, right now, actively exploring for resources there. I tell some of my senior citizens that, some of my military retirees especially, and they say, "Well, that's nice. Why aren't we doing that?" I said, "Well, why don't you ask your Congressperson about that?" The truth of the matter is they're not happy about it because they say, "What a novel approach, developing your own resources."

I would point out, too, that often it's mentioned that it takes 10 years to get anything to market, okay? Let's use that as the barometer. I would recall that, in 1995, President Clinton vetoed drilling in the ANWR. Well, that was 13 years ago. If my math is right, that's three years of production at a million barrels a day. That's an awful lot of oil.

I'll conclude in this manner. I think that those who are wearing the environmental mantle, they have to get together with those who are charged with energy production. We've got to find common ground here. Quite frankly, I think we do because, whether we're talking \$4.00 a gallon, we could be talking \$10.00 a gallon or more. The fact is our national security, I believe, is at stake.

One further point. In this town--I know you don't like labels, but, in this town, the Washington Times is considered a conservative paper, the Washington Post a liberal paper. But it wasn't the Washington

Times recently said, "Let's have a vote, at least, on drilling." That was the Washington Post.

And a columnist there named Robert Samuelson at the Post, syndicated columnist, I'm not even going to quote his 800-word editorial, but the headline on it, two words, sums it up: "Start Drilling."

I see my time is up. I thank you most sincerely for (inaudible).

PAYNE: Well, thank you very much.

I'll allow the Ranking Member to open with questions.

Mr. Burton?

BURTON: Thank you, Mr. Chairman. I'm sorry, Dr. Mendelson. I didn't catch all of yours. I had a phone call I had to go out to. But your feeling, I presume, is that we ought to at least move toward some form of energy independence, and if not energy independence, at least where we don't have to rely quite so much on foreign oil resources and energy resources. Is that right?

MENDELSON FORMAN: That's correct, sir. And I think in your statements earlier, I think I certainly share your view, and members of the committee, that we need a diversified base of energy. We need all sources of energy in order to ensure that, in the future, the United States can be secure.

And the most important thing is our security has always been tied to the Western hemisphere. And I think we're moving to a moment of great diversity in the Western hemisphere, what I would call multipolarity, to be sort of academic about it, where there are many centers of power with many types of resources.

I think the good news for our security is that there are multiple sources of energy that can be used so that the goal now is to have greater energy cooperation among our states, as you have emphasized and other members have emphasized, to emulate good examples, like the case of Brazil, where they've been able to develop it, but recognize that we are still going to be dependent on fossil fuels even with a large supply of ethanol. The challenge will be how we get these sources to us in a timely fashion.

I think our greatest interest also, just to respond to you, is with the poor -- oil-poor countries of the region. We don't want these countries to be forever dependent on one source, whether it's US or whether it's Venezuela. We want them to become fully independent with the biomass resources, the solar and the eolic energy that can be

used.

And I think our policy should clearly be able to support in faster manner the transformation of sugar ethanol in the Caribbean. We should be taking advantage of solar so that the countries don't need to join Petrocaribe. They can develop their own energy sources.

PAYNE: And Mr. Martin, I was looking at your statement as you made it, and I noted that Venezuela's production has gone down. There's several countries whose production have gone down from which -- from whom we buy oil, which is another indication that there needs to be more production, whether it's down there or here.

And since the other Mr. Martin pointed out that this is not only an economic issue but a national security issue, don't you think, or don't you -- and I'll ask this of all of you -- don't you think that, from a security standpoint as well as an economic standpoint, we shouldn't be completely -- or as dependent on foreign oil as we have been?

And shouldn't we be doing more drilling here off the Continental Shelf or wherever, so we can move toward -- at least toward energy independence while we look at these other sources of energy and try to transition to those?

So, I'll start with you, Mr. Martin.

J. MARTIN: Absolutely, sir.

I would agree with what I think's been made, a point that's been made several times, that no option should be off the table. I think this is a problem. Today's oil crisis, energy crisis, is a problem that's taken 30 years. And it's something that can't be dealt with with a silver bullet. All options should be on the table.

So, to answer the question, offshore drilling should be one of those options on the table. I think one thing I'd also like to suggest is we be careful as we talk about energy independence. I think as I noted, the difference between Brazil and the United States, it's stark in terms of size of market. I think we sometimes fall prey to this idea that we can be energy independent.

Brazil is not energy independent. They're oil self-sufficient. So I think we -- I'd like to distinguish between those points. But yes, all options should be on the table. Offshore drilling is an important option. Reduction of consumption is an important option. We could go through the list, and we have already, so I'll stop there.

PAYNE: Mr. Martin? Turn your mic on, please.

J.L. MARTIN: Oh, I'm sorry. Thank you, Congressman.

Clearly, we need to wean ourselves away from this dependence. The

fact is let's take Iran. Everybody's talking about Iran now.

And I was at a meeting the other day, and someone said "Well, what if we," meaning the United States, "Bombed Iran?" I said, "Well, I don't think we're going there, but Israel might do that." And then, what might happen? I know it was mentioned here earlier.

I think Iran might sink a ship or two in the Strait of Hormuz, and then we have big problems. And there's no question. We've got to find more oil. And again, I want to emphasize, all the others have to be taken into account, but oil right now, fossil fuels are here for the next 20, 30, 40 years until we get these other developments.

But I'd point out -- you mentioned Brazil here. They now are importing -- or they're exporting their oils. I got mixed up there for a minute as I made a note to myself. Indonesia, where I lived for almost three years at one point, Indonesia used to export oil. Now they're leaving OPEC. Why? They're now starting to import oil.

So there are problems around the globe. We need to start, I think, developing -- we used to say carefully explore for oil. I notice everyone nowadays because of the shift here, now they talk about drilling. That used to be a bad word to use. Everybody's saying, "Let's drill," not just explore for oil. We've got to get on with this (inaudible).

BURTON: Mr. Chairman, let me just say that I've seen -- I've been to a lot of hearings. There have been almost no hearings where everybody agreed. I haven't seen any of the panelists today say that we shouldn't do further oil exploration off the Continental Shelf and, at the same time, move toward other forms of energy and move toward not being so reliant on foreign energy sources.

I just hope you're one of the leaders in the Black Caucus and one of the leaders in the Democratic Caucus. I hope you'll look at Mr. Abercrombie's and Mr. Peterson's compromise bill that has bipartisan support. They took ANWR off the table because that was one of the controversial issues, even though I'm for it.

I understand if we've got to get the votes necessary to pass a bill, therefore, drilling on the Continental Shelf, therefore the other forms of exploration. There's a lot of compromise in that bill, and I would hope that the Democrat Caucus and the Democrat leadership would look at it.

And I'm going to talk to our Republican leadership because this is an issue, as Mr. Martin has -- both Mr. Martins and Ms. Mendelson said is a national security issue as well as an economic issue. And if we don't get on with this before too long, I'm really worried about not only the economic impact, but also the security impact this is going to have on the United States.

And I yield back the balance of my time.

PAYNE: Thank you very much.

Let me ask a question. I've heard, for those of us who feel that, at this time, drilling at this particular time should not be the new policy.

There's been discussion about the fact that there are many -- I'm thinking of the word -- sort of areas where drilling can happen that licenses that the companies are not drilling with now. Does anyone know about that issue? And if so, why aren't the oil companies maximizing the licenses that they have already before talking about opening up new areas?

J. MARTIN: Unfortunately, I'll pass, since I focused on Latin America energy policy. So, I'll pass for that reason.

J.L. MARTIN: I would take a crack at it. I think that there was a lot of oil there to be brought to market, they'd be doing it at the price of oil today. I don't think there's a lot of oil there that's available, certainly on the short-term.

PAYNE: There is not?

J.L. MARTIN: And it's taking four and five years to get through the regulatory melees that they face to bring -- to develop some of those lands.

BURTON: Mr. Chairman, would you yield briefly?

PAYNE: Sure.

BURTON: We have had a number of meetings on this issue with experts from the industry, and they say that, if the geological studies show that there's oil there, and the test well show there's oil there, they will drill. It costs about \$2 billion for each one of those platforms to be built, and so they have to make sure it's economically feasible before they'll start that kind of drilling.

And so, they've -- if there's oil there, as Mr. Martin just said, they want to get it. And they just feel like there's not enough areas that are being explored right now where they can invest that kind of money.

PAYNE: OK.

Also, there's -- and it's up in North America, (inaudible), Canada, so that may be further away. But there's been the talk about shale or the tremendous amount of oil that's been -- can be extracted out of stone shale that's up there. And I wonder if any of you have any views on that process.

There is now developing a controversy about I guess the amount of negative impact on the environment that this process does. I don't know if any of you have any expertise in that area, either.

J. MARTIN: I would just say, and I'd also bring into that discussion

the oil sands, the tar sands in Canada. And I think -- and again, I'm not as conversant on Canada as perhaps I should be, but the fact is the price of oil, where it's been and how it looks like it will stay there, enables these kinds of projects, these kinds of extremely capital-intensive long-term projects to actually be feasible in economic terms. So, I would add that.

And I would also add that there is the issue of the carbon footprint that has to be looked at as those kinds of projects are brought forward. And I think that is sort of the dilemma that's going on in Canada when it comes to the oil sands development.

MENDELSON FORMAN: I would just concur in that the pricing of these types of extractions gets higher and higher. And of course, as the price of oil gets higher and higher, it makes it profitable.

But I think there are other alternatives short of that, for example electric to use cars (ph) is a far more efficient way, and perhaps the infrastructure much less expensive in the short-term.

PAYNE: Okay. Well, I'm very glad to hear someone talk about the fact that perhaps we need to really invest in -- seriously in alternatives. I'm one that don't believe that you can drill out of it, either. I mean, we have drilling all up the Atlantic coast and finding nothing or spills coming up on our Jersey shores and Florida shores. Of course, Indiana doesn't have any shores, so they don't have to worry about it.

But the -- there's a question about drilling out of it, and I think that some of these alternatives need to be explored.

In Latin America, and maybe some of you might want to tackle this one, there is this whole question of oil palm that USAID is kind of doing a lot of, potentially, investing in. And in Colombia, though, the -- particular the (inaudible) Colombians, feel that there's a concern that's been raised about the cultivation of African Oil Palm.

And I wonder if any of you are familiar with the controversy, and what do you think that the US should do before getting into a great development of Oil Palm cultivation and impact that it might have on the area?

MENDELSON FORMAN: It's a very good issue. I think, initially, people looked at the Oil Palm as a very good alternative source of vegetable-based oil that could be used for diesel production.

The problem, as I understand it, is that it uses a large amount of water, and it affects the water table. And that's one of the reasons that even a country like Colombia, which is where the African Palm industry is most developed, is actually switching towards Jatropha, which is much less water-intensive but produces the same kind of feed

oil crop. So that's one issue.

Honduras, another country, by the way, that did African Palm as a source of biodiesel, has also converted. They're actually, in some cases, using the remains of fish from their Tilapia industry to create an oil-based product which is also being used.

So there's tremendous creativity, but yes, Africa Palm is a very water-intensive crop, and it has an effect that could eventually affect the environment and other growing (inaudible).

PAYNE: Do any of you believe that alternative to growing cocoa -- not cocoa, but coca -- with the commodity prices as high as they are and with the need for biofuels, do you think we're at the stage where governments in Peru, for example, or Bolivia, can seriously introduce an alternative to the crop there, or whether the amount of money made off of coca is too high to replace it with these alternative crops?

MENDELSON FORMAN: Could I just respond to that quickly? I assume my colleagues have some comments as well.

But two years ago, a colleague of mine, Professor Norman Bailey and I, wrote an article precisely recommending this. It was in the Washington Times suggesting that, as a crop alternative, we look at renewable energies as a beginning of a replacement for crop substitution.

Now, it never got a lot of traction, though a lot of people think it's an interesting idea. It certainly can't compete, as you suggest, Mr. Chairman, with the price that the peasants get for cocaine, particularly because, where you grow it, planes come in and pull it out.

But in the course of the needs that you all have described with energy, if we could begin a viable crop substitution using alternative fuels, (1) you could give marketable crops to peasants who are growing the cocaine, and they would have not only a domestic market, but, alternatively, they'd have a larger market as well because everybody needs fuel. So I think it is a valid idea, and it needs to be explored certainly with our development agency and our agricultural experts to see how we start it.

J. MARTIN: I would concur, and I would sort of emphasize a point I made in my testimony about the success of Trinidad and Tobago when it came to natural gas, and the concept of value added. Instead of simply exporting a raw commodity, they added value and they export the liquefied natural gas as well as developing a massive industry in Trinidad and Tobago for the byproducts of natural gas.

So I think the idea of value added from a commodity is extremely important, and I would tie that to what my colleagues have said. Local production for domestic consumption, which can offset some of the importation, would also drive some value added and, hopefully, drive some employment, which is a critical issue and which, quite frankly, drives over the rise of populism in many of the countries, especially along the Andes.

PAYNE: That's a very good point. That's something that I think that has been lacking in developing countries, the value-added process. And they'll take the dirt out with the ore in it and take it to some European country or the US and do the extractive processes.

I guess just almost finally, since I'm not sure if I want to make this my last question or not, but I probably will, just the -- used to be chairman, right? It was downhill. I mean, look at what happened in Venezuela.

But I have a question about Venezuela. You know, the -- with the -- the US, they don't like the government there. However, what I have heard is that Chavez sort of discovered that there was a lot of profit in oil. I guess it wasn't as great then as it was now, but it was always doing okay.

But the previous governments that we had great relations with did very little with the profit to assist the people. Now, I wonder if a person, from what I've read about Chavez, is that they've opened health clinics, brought a lot of Cuban doctors, opened up schools and so forth using some of the petro money for those purposes.

Do you have any idea why previous governments didn't do that when it seemed like a real populist kind of thing to get the people behind you, and whether the policies that he's starting with these social agencies is gaining support for his leadership in the country?

J. MARTIN: Obviously, this is a sensitive type of question, and I would -- so I'll approach it the same (ph).

I'd like to suggest not so much how or why the previous governments didn't do -- or certain things, but I would just say that the reason President Chavez was elected, has been re-elected and stays in power is because of some of the faults and shortcomings of those previous governments. And as we see in other countries around the region, the election of some of these -- what we're calling populist leaders is in fact because of shortcomings and failings of previous administrations. And so these things don't happen in a vacuum. They don't happen overnight. And Evo Morales in Bolivia and Hugo Chavez in Venezuela, their ascension to power has been because of, as you noted, some of the issues.

There has been hundreds of millions of dollars spent by the Chavez government, and I won't pass judgment on the efficacy of those expenditures.

But I think it's very interesting to look at what's happening in Venezuela, in PDVSA, the national oil company, because it's being set up as a new paradigm for how a national oil company should operate, and that is to say that President Chavez uses PDVSA to do everything. There's literally nothing that occurs in Venezuela that PDVSA's not involved with.

And that -- we could have an entire -- well, you had a hearing on Venezuela, so you could have three more hearings to debate the up sides and the down sides to how PDVSA is used. But the bottom line is that it's how his government has chosen to use it.

Now, there was a referendum last December that cast some doubt on his continued popularity, but I think this is a choice the Venezuelan have made in electing Hugo Chavez. He's their president.

Remains to be seen in a long-term the efficacy of this kind shifting paradigm for the national oil company because, at the end of the day, it is a national oil company, and it does need to explore for, produce and refine petroleum, gas, et cetera.

So, thank you.

PAYNE: Are they doing exploration? Are they putting money into new equipment, or is it just going along?

J. MARTIN: No, they are, and I think there was reference to the presentation, and there has been tremendous amount of investment. There continues to be a tremendous amount of investment. There have been some hiccups that have been noted by the departure of a couple of international oil companies, but there have been in recent months some announcements of new deals being signed.

And so, I think the short term is, as I noted, a roller coaster. It's up and down, and I think it's pervasive uncertainty. But I think we can't discard the long-term potential, especially as they move forward certifying the Orinoco reserves, which is going to be potentially tremendous for our energy balance (inaudible).

PAYNE: And we love Mexico. They have the same kind of national oil company. Are they building schools and opening up health centers? And are they putting the money into the people, because they must

be
doing the right thing since the US is -- we love Mexico and we hate
Venezuela, so I guess the leader is doing a great job.

MENDELSON FORMAN: I would just make one comment. Forty
percent of
the budget of Mexico comes from the income of PEMEX, the Mexico
oil
company. And I think that the problems that Mexico faces down the
road in the short and medium term, given the drying up of the
Cantrell
fields, is a very serious problem.

Also, Mexico needs to invest more in its oil industry. And as
Secretary Sullivan said, there are impediments politically because
of
the Mexican constitution and obstacles that prevent the
introduction
of foreign companies into the country for exploration.

So, frankly, that is an issue. Mexico has, like other countries in
the Americas, had social support programs to help its poor, and we
certainly know that they are effective, but they could be -- people
can always invest more.

The bigger challenge, to rephrase some of your issues, Mr.
Chairman,
is what do you do in the medium to long run if you don't have
further
exploration and production, given that we're starting now and we're
looking at a 10-year process? I think that's what worries many of
us.

PAYNE: Yes, that is a real problem. I guess some of the places that
are really -- have a tremendous amount of funds, like Dubai (ph),
they
are making plans for when they run out. But, of course, that's
really
kind of an anomaly with the small populations, fantastic amount of
profits and so forth, but Mexico with a larger population.

I just -- though have been kind of shocked at -- with the great
spike
in the oil price, although it's only been a year or so, we haven't
seen a tremendous improvement in the social. Only thing I heard
about
Mexico is that I think we're going to buy them a lot of guns and --
what's that program?

J. MARTIN: (Inaudible.)

PAYNE: What was that? Yes, that you're supporting, that Mexico ...

J. MARTIN: Mr. Chairman, if I could make a couple (inaudible)
follow
up to that, because I think that you're ...

PAYNE: I heard that. Oh, yes ...

J. MARTIN: ... on to something.

PAYNE: Go ahead.

J. MARTIN: Let me give you a couple of numbers, please, sir.

Mexico, as noted -- PEMEX, the national oil company, has a tremendous tax burden. It cannot operate as a normal company would, and it's operating at a net loss. And also, at the federal level, you have \$20 billion this year that will be spent by the federal government on fuel subsidies, that is to maintain their price at the pump below market.

So, you have the fact that PEMEX is being sapped of any kind of extra resources to do what it should be doing as an oil company. And then, in terms of the federal treasury, you have about \$20 billion this year being re-diverted to basically subsidize fuel at the pump. So these issues, and the fact that their main field of Cantrell is declining, you mix all this stuff up, and the perfect storm, the roller coaster, choose your metaphor or analogy. That's why you don't see necessarily the returns on the price of oil.

UNKNOWN: Would you yield?

PAYNE: Certainly. Sure.

UNKNOWN: I was looking through my notes here. I think you, Mr. Martin, testified that the production in Venezuela and Mexico has dropped. I think Mexico or Venezuela is down 155,000 barrels a day.

Is that right? I can't find my notes here.

But when a government nationalizes the industry, generally the success of the industry starts to wane and the production of the industry starts to fail. And I think that one of the reasons why Venezuela's production has gone down, it's not necessarily because the resources aren't there. It's because the government cannot run an oil industry as efficiently as the private sector can.

I think the same thing's true in Mexico. I don't know if you want to comment on that or not, but I appreciate you yielding to me, Mr. Chairman.

PAYNE: Sure. Go right ahead.

J. MARTIN: Let me just say, sir, in the abstract, absolutely, I agree that the private sector can be much more efficient at the oil business than a state-run enterprise. But I think what we need to get to is one of the points I made, and that is not all countries are the same, nor do they act the same way. And I think we need to look at how this happens, or we can get into myriad detail. But the fact is that each case is very, very unique.

PAYNE: Yes?

J.L. MARTIN: I'd like to comment there on President Calderon in Mexico, of course, and I'm quoting from Chairman Engel's earlier

remarks, which I agree with here, he said that he's offering some reforms to the state-owned oil company, and he's trying to induce foreign and private companies to come in and help out the state-owned oil company to offset this lower production.

On the other hand, in Venezuela, while it's working right now, quite frankly, Mr. Chavez kicked out some of the foreign elements there, and he's, as Chairman Engel says here, they're starting to flee. Other countries don't want to go in there now, whether it's the United States or others. And I think -- I can't remember the oil (inaudible). It might have been big, bad Exxon that was thrown out of there, but everybody says a lot of their infrastructure.

And the truth is I think that sums it up. In Mexico's case, they're saying come on in and help out. In Venezuela's case, they're looking around and saying, "I don't want to go there because he grabbed everything."

PAYNE: Well, this whole oil business is really something that we're definitely going to have to look at. You look at a place like Sudan where you have Petrol China that's run by the government. I don't know, they hire private people to run their government. I mean, it's government run, and they're pumping oil everywhere they can.

And so -- and it even -- it seems as though -- and I don't know how those Middle East companies work, but I -- kind of owned by families. It's not necessarily shares on the stock exchange, from what they tell me, in Dubai or Saudi Arabia.

So this whole industry, I guess it -- I say each country is different. Much of it seems to be the same, though, but I guess these other places hire an Exxon to come in to run it even though they get the money. Do you want to respond to that, Mr. Martin?

J. MARTIN: Yes. If you don't mind, sir, I'd like to add a little something I think could be useful in terms of an example for Mexico.

I think perhaps there's a misperception among the Mexican populous that -- about privatizing PEMEX, which is, quite frankly, not what President Calderon is suggesting. He's, in fact, suggesting through his reforms to make it a more efficient and much more agile company.

And one of the arguments is that this is a national oil company. We can't have any reforms. But point in fact, Schlumberger and a slew of other private oilfield services companies are winning jobs left and right to provide services to PEMEX. So the fact is that there are several private companies working in Mexico for the national oil company in a service capacity.

Where you start to see a differentiation, and I think this gets to the point you were just making, is in terms of the -- going off of the

risk contract. And this is where the international oil companies find Mexico the reform legislation coming up short because it doesn't suggest, as is the case in Brazil, concessions or terms for offshore -- or for blocks that would allow for risk contract, which an international oil company is seeking out.

So I think -- and I may be a little bit convoluted in my statement here, but there's a lot of different points along the chain. Oil field services companies have a role to play. The international oil companies have a role to play. And obviously, the national oil companies have a role to play. And I think we need to look at all of those in concert and how they all interact.

UNKNOWN: Would the gentleman yield?

PAYNE: Absolutely.

UNKNOWN: This is not related to our panel, but I'd just like to say you mentioned in your comments that you're concerned about oil rigs off the East Coast that might pollute the beaches of your state.

In the last five, six, seven years, even with Katrina and all of them, there's not been one drop of oil that's been spilled from offshore drilling. And yet, just last week in the Mississippi river two weeks ago, a tanker that was going there split in two, and oil went everywhere.

The main threat to environmental problems as far as oil is concerned and pollution is concerned right now is the tankers are bringing oil in from other parts of the world. When you have a huge storm at sea, those tankers have a tendency to either founder or break up, whereas the oil rigs, even in Katrina, as bad as it was, didn't spill one drip of oil. (Inaudible.) I just wanted to mention that.

Thank you.

PAYNE: OK.

Any other panelists have any other statement they would like to make?

Well, let me thank you very much for this very interesting -- oh.

Oh,

he came back. I was trying -- I was really -- I was stalling for him, to be truthful, but -- although I do find this interesting, and so I yield back to the chairman.

ENGEL: Thank you, Mr. Payne.

Let me first tell the panelists that I'm sorry, that I'm rushing back and forth between this hearing and a hearing on my other committee, which deals with New York City September 11th health crises. Obviously, since I represent a district in New York City and its suburbs, I'm very concerned about that. So I do apologize.

Let me just wrap up a couple of questions. Let me first ask Dr. Forman, because you mentioned in your testimony, you talked about Haiti, and you referred to some of the things that I had said in my

opening statement about Haiti.

So in your written testimony, you suggested that US sugar quotas make export of sugar cane to the US a more lucrative operation in conversion to biofuels, and that an incentive program could change this dynamic of sugar imports to the US to encourage renewable energy development.

So I'm wondering if you could just expand on that point and tell us if you have any suggestions for Congress in this regard.

MENDELSON FORMAN: Yes. Thank you very much.

It is an important point that came out of a study we did looking at the Dominican Republic in particular which has vast sugar holdings, because we give a preferential price treatment to sugar that comes into the United States. I was told by several mill owners that they prefer to grow sugar than convert their mills into ethanol.

I think there could be a happy middle ground in this because there's more sugar that is produced that could also go for domestic industry. And perhaps one policy recommendation would be to encourage, as per the current time, given that a place like the Dominican Republic has already passed a legal regulatory framework for renewable energies to give incentives for local production of ethanol for use within the country so they wouldn't have to get their oil from Petrocaribe.

And then, to -- when the sugar quota ends, which I think is in 2012, if I'm not mistaken, to then really perhaps enforce a stronger conversion to ethanol for domestic as well as export use (ph).

ENGEL: Thank you.

Let me ask one last question and, anyone who cares to answer it, I appreciate it. I know there's been a lot of talk about Venezuela and some of the rhetoric by President Chavez in Venezuela. But I wanted to ask some specific questions about that.

Hugo Chavez has periodically threatened to cut off oil supplies to the US. He doesn't because he, frankly, needs us the way we need him, so we continue to have a partnership. But he's also threatened to build refineries in China and ship his heavy oil there.

So I'd like to hear from any of you of what concerns do you have about these periodic threats by Venezuela's president to cut oil exports to the United States? What concerns do you have, if any, about Venezuela's efforts to increase its oil exports to China? We had a hearing with this committee about China and China's interference in the Western hemisphere, so it was directly tied to that.

Can decision to build refineries in China and ship oil to China from Venezuela be economically efficient? What's your assessment of the outlook for Venezuela in oil production?

And finally, Venezuelan oil minister Rafael Ramirez yesterday rejected an increase in OPEC production quotas. Ramirez says it would be, and I quote him, "A mistake to inundate the market with oil," unquote, in order to increase supply and lower prices.

So I'm not sure how it would be possible to inundate a market already squeezed by skyrocketing demand from China and India, but I'd be interested in hearing any comments that any of you might have on this.

J. MARTIN: Well, I would, in terms of the -- creating, Mr. Chairman, a market in China, I think we have to look at oil as an international commodity. I think the key is actually if Venezuela will be able to do what it has said lately in presentations, and that is get to five million barrels a day production by 2012. That's a good thing.

In addition, as part of that PDVSA business plan, as I understand it, they are talking about increasing refining capacity in Venezuela, which is a good thing for our entire hemisphere.

So I'd like to focus on hoping that the PDVSA business plan comes to fruition in terms of going up to five million barrels a day in 2012. I tend to be the eternal optimist, so let's hope. I mean, the numbers obviously point otherwise when you look at the OPEC numbers, so -- but let me stop there.

ENGEL: Yes.
Mr. Burton?

BURTON: Let me just say that Venezuela I think has a vested interest right now in not going along with an OPEC price -- production -- price reduction because, if the price of oil goes down per barrel, they're going to make less money. And they don't like the United States, and they want to put as much heat on us as they possibly can by keeping the price of oil at the higher level.

So they've got a twofold reason, in my opinion, to keep the price of oil up. One, it helps them because they get more revenue coming in for Mr. Chavez to use.

And number two, it keeps the heat on us. As long as we don't have independent production and we have to import oil, and the price stays up there and OPEC doesn't collectively lower the price, then it's going to hurt us and our economy. And he doesn't like us very

much.

ENGEL: Well, if there are no other comments, let me -- yes?

J. MARTIN: MR. Chairman, pardon me for one final comment I just want to make, that we like to talk a lot about Venezuela. Venezuela is extremely important for the United States and our hemisphere. But I think we really need to focus, in the short-term, on Mexico. Mexico is going through a tremendously difficult period. They could, in the very short-term or the nearer term, become an energy importing nation in terms of their oil production.

So I would just like to enter into the record that, as much as we should talk about Venezuela, let's please also keep our eye on Mexico and what's going on there.

BURTON: If you'd yield one more time?

I agree with you, but we ought to focus more on United States and production here so we don't have to worry so much about Mexico, Venezuela, Saudi Arabia, Nigeria or any of the rest of them. The more we produce in the United States, the less dependent we are on other foreign sources.

And I know that you guys are for more drilling as well as looking into other sources of energy, and so we all agree on that. But while we're concerned about Mexico and Venezuela, I think the number one focal point right now for production ought to be the United States of America because we're just too darned dependent on the rest of the world.

With that, thank you.

ENGEL: Well, I -- thank you, Mr. Burton. I don't know if I should let that be the last word or not, but you certainly got your point across at this hearing.

Let me thank our panelists. And I do absolutely agree with you on Mexico not only in terms of being our partner in terms of oil, but in being our partner in so many things. This subcommittee's had hearings on the Mari (ph) Initiative, the whole situation of drugs and crime and everything else.

I think that Mexico is just such an important partner, and the bilateral relationship that we have with Mexico is just so important for us to sustain and nurture. And it's not just something that happens there that only affects people there. What happens there affects us here, and vice versa.

So, I want to thank the three of you very, very much. No, we usually

agree pretty much. We do.

I want to thank all of you for excellent testimony, and the hearing is now adjourned.

END

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Lawsuit US Sugar deal violated Sunshine Law

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Lawsuit: US Sugar deal violated Sunshine Law

MIAMI (AP) -- Florida's proposal to acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed Friday.

Attorney Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. He filed the lawsuit against the South Florida Water Management District.

Lehtinen contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. It mandates advance notice of government meetings and their agendas, a provision Lehtinen claims was ignored in the lead-up to the U.S. Sugar deal.

'There are a lot of unanswered questions that they've managed to not answer,' Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.'

Lehtinen said the public has been denied specifics on how the proposal would be funded and whether other Everglades projects would have to be scaled back to make money available.

'If this is added on to the existing projects then it's OK,' he said, 'but I have every indication it's not going to be added on. It's going to be used as an excuse.'

Lehtinen doesn't expect his lawsuit to dissolve the deal, but he said he wants all further discussions to be held in accordance with the Sunshine Law and he wants to know what effect the U.S. Sugar buyout would have on current environmental programs.

Sterling Ivey, a spokesman for Gov. Charlie Crist, who brokered the deal, said, 'We support the South Florida Water Management District and have confidence that the district has operated within

the public record laws of Florida.'

The water management district issued a statement saying the agency 'remains committed to open government and conducting itself according to the letter and spirit of the law throughout these complex and delicate negotiations.'

Crist announced in June that the state and the nation's largest producer of cane sugar were close to an agreement on turning over the land for Everglades restoration. The deal would mean the end of U.S. Sugar's operations and the loss of 1,700 jobs.

Officials hope to have a final agreement by November. U.S. Sugar would then be allowed to continue farming for another six years.

Water managers plan to use the land to construct a network of marsh treatment areas and reservoirs to clean and store water before sending it south into the Everglades.

Lehtinen is a former state legislator and Miami U.S. attorney who brought a key federal lawsuit in the 1980s aimed at stopping environmental damage in the Everglades. In private practice he has long represented the Miccosukee Indian tribe in similar lawsuits aimed at accelerating Everglades restoration. He is a Republican, like his wife, U.S. Rep. Ileana Ros-Lehtinen.

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Lawsuit US Sugar deal violated Sunshine Law

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Daily News-Record

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By MATT SEDENSKY

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SUIT YESTERDAY AGAINST THE SOUTH FLORIDA WATER MANAGEMENT DISTRICT.

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THE SOUTH FLORIDA ATTORNEY FILED THE SUIT YESTERDAY AGAINST THE SOUTH FLORIDA WATER MANAGEMENT DISTRICT. THE ATTORNEY SAYS THEY BROKE THE SUNSHINE LAW BY CONDUCTING CLOSED DOOR MEETINGS WITHOUT THE PUBLIC'S KNOWLEDGE. THE WATER MANAGEMENT DISTRICT NEGOTIATED THE \$1.7 BILLION DEAL WITH THE US SUGAR CORP.

RESTORE PARTS OF THE EVERGLADES. THE ATTORNEY SAYS

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A FLORIDA ATTORNEY IS SUING THE GOVERNOR OVER HIS PLAN TO BUY AND RESTORE PARTS OF THE EVERGLADES. THE ATTORNEY SAYS THE PLAN WAS ILLEGALLY BROKERED. HE FILED A LAWSUIT FRIDAY AGAINST THE SOUTH FLORIDA WATER MANAGEMENT DISTRICT. HE SAYS THEY VIOLATED THE SUNSHINE LAW BY CONDUCTING CLOSED DOOR MEETINGS WITHOUT THE PUBLIC'S KNOWLEDGE THEY NEGOTIATED THAT DEAL WITH THE US SUGAR CORPORATION.

National Digest

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Capital-Gazette

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ORLANDO, Fla. - John McCain, the father of private school students, criticized Democratic rival Barack Obama yesterday for choosing private over public school for his kids.

The difference, according to the Arizona Republican, is that he - not Mr. Obama - favors vouchers that give parents more school choices. 'Everybody should have the same choice Cindy and I and Sen. Obama did,' Mr. McCain told the National Urban League, an influential black organization that Mr. Obama will address today.

McCain listed a variety of changes in education policies that he contended would improve a flawed system - from school choice to more local control and direct public support to parents for tutoring. In each case, he said Mr. Obama came up short.

ORLANDO, Fla. - Barack Obama yesterday softened his long-standing opposition to expanded oil drilling in the Gulf of Mexico, expressing support for a fledgling energy plan that would allow oil rigs as close as 50 miles from Florida's west coast. 'My general attitude is that we're going to have to have a bipartisan compromise to move something forward' on energy policy, Mr. Obama told The Orlando Sentinel, moments after meeting with supporters and volunteers at Freedom High School in south Orange County. 'I don't think the American people can afford to wait.' The Democratic presidential candidate made the comments hours after a group of 10 U.S. senators unveiled a sweeping energy plan designed to ease record fuel prices and wean the nation off foreign oil. The package includes cash grants and tax incentives to encourage alternative fuel research, energy conservation measures - and more domestic oil drilling. MIAMI - Florida's proposal to

acquire 300 square miles of Everglades land from U.S. Sugar Corp. was illegally brokered in closed-door meetings, an attorney claimed in a lawsuit filed yesterday.

Attorney Dexter Lehtinen, who has led efforts to restore the Everglades, is challenging a historic \$1.75 billion deal in which U.S. Sugar would go out of business and sell its land to the state for restoration. He filed the lawsuit against the South Florida Water Management District.

Mr. Lehtinen contends meetings about the deal were illegal because they evaded Florida's Sunshine Law, among the broadest open-government legislation in the country. 'There are a lot of unanswered questions that they've managed to not answer,' Mr. Lehtinen said by phone after the filing was made in Circuit Court in Palm Beach County. 'I'm not trying to stop the purchase. I'm just trying to stop a process in which there are no answers and there's no way to get answers.'

New islands could be sugar-free alternative for Glades' economy Eco-island plan would shield lake's

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ug. 3--New islands, rising from Lake Okeechobee like a bass fisherman's version of Atlantis, could become a tourist-attracting, economic alternative for Pahokee's life after U.S. Sugar.

The state's proposed \$1.75 billion buyout of U.S. Sugar to further Everglades restoration threatens to leave Pahokee and other Glades cities without a major employer. This comes at a time when lingering low lake levels have hurt marinas and other water-dependent businesses.

That has the city teaming with Palm Beach County in a renewed push to dredge channels, clearing the way for boat traffic in low water.

The material dredged from the lake bottom would be used to create proposed 'eco-islands' -- fishing, camping and bird-watching destinations that would also provide a safety buffer for the lake's aging dike.

The major hurdle is the steep price tag, as much as \$55 million according to a study released in July.

The city and county are counting on the federal government to help pick up the tab. But now, the spending priority is the decades-long, billion-dollar repair of the Herbert Hoover Dike -- named one of six in the country most at risk of failing.

Supporters say the islands could help shield the dike, while at the same time creating an economic lifeline for communities in need of a boost.

Boat slips at Pahokee's refurbished marina and campground often are empty because low water levels have stopped vessels from using the lake to travel between Florida's east and west coasts. Back-to-back years of drought, coupled with decisions to keep the lake lower because of concerns about the dike's strength, resulted in the low water levels.

Factoring in the economic ripple effects of possibly losing U.S. Sugar's 1,700 jobs, the situation is going to get worse for restaurants, hotels and shops, said Jim Sheehan, whose company manages Pahokee's marina and campground. 'There is no business,' Sheehan said. 'We've got a marina that you can't get boats to.' Palm Beach County paid for the \$50,000 study that explored the possibility of dredging lake channels and creating the islands.

Now the county is considering spending another \$150,000 for engineering and design plans needed to keep the project going. The county finalizes its budget in September. 'Create a destination for boaters, create good fishing habitat ... it is just very promising,' county Parks Director Dennis Eshleman said.

The plan proposes three types of islands: one creating an extended shoreline, reachable by those without boats; several shallow-water islands that cater to canoes; and a larger deep-water island near the Pahokee marina with boat moorings and campgrounds.

Aside from cost concerns, island backers have to overcome regulatory and permit obstacles from state and federal agencies, most notably the Army Corps of Engineers.

The corps in a June 25 letter raised concerns about covering the lake bottom with man-made islands as well as using the dredged material to create those islands.

The corps also wants to finish building a reinforcing wall through the dike before allowing dredging. Work on the southeastern side of the dike is supposed to last until 2013.

Using dredged material to build the islands could be a cost-effective way to move and contain the polluting sediment that covers much of the lake's bottom, said Paul Gray, a scientist for Audubon of Florida. 'The mud center of the lake is just a crippling problem,' Gray said. 'Part of dealing with the mud is where do we put it?' The cost of the islands and environmental concerns raised by the corps are important issues, but so is the need to create attractions that compensate for the loss of sugar industry jobs, Pahokee Mayor Wayne Whitaker said. 'That is a big opportunity for tourism,' Whitaker said. 'We have got to provide for ourselves and provide jobs for people.' Andy Reid can be reached at or 561-228-5504.

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Suit challenges state-U.S. Sugar deal

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A Miami attorney says Florida's historic buyout of U.S. Sugar Corp. was illegal. Dexter Lehtinen, an advocate for the Everglades, an attorney for the Miccosukee Indians and the husband of Republican U.S. Rep. Ileana Ros-Lehtinen, filed a lawsuit Friday in Circuit Court in Palm Beach County. Lehtinen challenged the state's \$1.75 billion deal to buy the sugar land for Everglades restoration, saying it violated the state's Sunshine Law because it was brokered in secret, closed-door meetings.

Environmental advocates have hailed the deal.

Study State-sugar deal could cost 10,711 jobs

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The proposed U.S. Sugar Corp. buyout will mean a loss of \$1.64 billion in economic output per year and 10,711 jobs statewide, a University of Florida study estimates. Palm Beach, Hendry and Glades counties will take a \$1.43 billion annual hit and lose 8,935 jobs, according to the UF study, which was commissioned by the Florida Farm Bureau Federation.

The July 23 study based its conclusion on a worst-case scenario of a complete shutdown of the company's Clewiston sugar mill and refinery, as well as its 56 million gallon orange juice storage tank farm and processing plant west of Clewiston.

The state announced June 24 a \$1.75 billion deal to buy all the assets of U.S. Sugar, including 187,000 acres in Palm Beach, Glades and Hendry counties, for a mammoth Everglades restoration project.

"The really important finding is that the impacts at the local level -- and in particular the two rural counties -- are significant," said Alan Hodges, one of the four members of UF's Food and Resource Economics Department team that conducted the study last month.

Personal income for the three counties will drop by \$553 million a year, and local, state and federal tax revenue losses will total \$127 million a year, the study found.

The shutdown and loss of 1,700 U.S. Sugar jobs would ripple through the economy, affecting everything from the hardware stores to the coffee shops and plumbing companies.

"There would be some major job losses and some population

reduction," Hodges said. "Those jobs aren't there any more. Some people are going to have to leave."

Hodges said he doesn't think U.S. Sugar's closure could be made up by other activities such as eco-tourism, although some new business would develop around the conservation areas. And although the study assumes a complete shutdown, experts think it's unlikely all the land would be taken out of sugar cane production.

U.S. Sugar's revenue was estimated at \$657.5 million, based on information about the company's production capacity and average price of the commodities it produces, Hodges said.

Thomas Spreen, another UF economist who also worked on the study, said it's almost inconceivable there won't be a buyer for the citrus plant, sugar mill and refinery.

"You've got a valuable asset sitting there," Spreen said of the juice plant. "I just can't believe it will get closed down and shut up. The tank farm itself is worth close to \$100 million."

Florida officials have indicated the state will offset the fiscal impacts on the governments of Glades and Hendry counties, Spreen said. Still, the possible bottom line isn't pretty.

Hodges said because there is not a lot of information available about the deal, the economists don't know all the answers.

A later study might be done when more is known, such as what the South Florida Water Management District plans to do with the property. "Right now it is just speculative. We will continue to work on this. It's of critical importance," Hodges said.

Lawsuit U.S. Sugar deal violated Sunshine Law

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MATT SEDENSKY

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Lawyer says \$1.75B proposal evaded state's Sunshine Law

Lawsuit US Sugar deal violated Sunshine Law

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Bellingham Herald

By MATT SEDENSKY<!--

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Environmental elites are a force behind Everglades restoration

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Bellingham Herald

CURTIS MORGAN

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MIAMI -- Early in the hush-hush negotiations to buy U.S. Sugar, Florida Gov. Charlie Crist dropped by a fundraiser for the small but powerful Everglades Foundation.

At the ritzy Mar-a-Lago Club in Palm Beach, the governor hobnobbed with gossip-page lovebirds Chris Evert and Greg Norman, celebrity magnate Donald Trump and the not-so-famous but even richer Paul Tudor Jones II, a Wall Street wizard and avid tarpon angler who chairs the nonprofit foundation.

Behind the glitter was a more telling measure of the foundation's clout: Crist's office put his hosts in the loop on the secret sugar talks well before the February shindig - and before many of his own top administrators.

Audubon, Sierra and many other brand-name environmental groups have sparred with the sugar industry. But the low-profile Everglades Foundation has played the biggest role, and spent the biggest bucks, trying to cut Big Sugar down to size. Led by Jones, prominent activists Mary Barley and Nathaniel Reed and a small group of directors and staff members, the Palmetto Bay-based foundation has never been more influential.

A former director sits as vice chair of the agency in charge of Everglades restoration. The governor fishes with its billionaire chairman. Its galas and grants provide millions of dollars that support a network of other groups' advocates, attorneys and lobbyists.

And when Crist unveiled the \$1.75 billion proposal in June, the foundation supplied the glossy press kits hailing the buyout of its longtime foe as the 'missing link' to Everglades restoration. 'They're wealthy people. They're philanthropists. They pick their causes, but they like to win, too,' said Frank Jackalone, director of the Sierra Club's Florida office.

The foundation isn't one of those trendy new 'green' groups. For its leaders, trying to save what's left of the Glades goes back decades. Barley, named a 'Hero of the Planet' by Time in 1999 for her Everglades efforts, said the foundation's most important role has been to keep activists' eyes on the prize. 'We have only one issue,' said Barley, a vice chair who lives in Islamorada. 'We are where we are because we brought together everybody who is working on the Everglades.' Having deep pockets hasn't hurt, either.

Jones, whose net worth is estimated at \$3.3 billion, ranked No. 105 on Forbes' 2007 list of richest Americans. Other directors, including Jack Nicklaus and Jimmy Buffett, also qualify as well-heeled, well-connected or both. Forget scruffy stereotypes - these are enviro-elites.

Foundation and tax records don't detail individual giving, but its chairman also is its largest donor. Jones, a hedge-fund manager who lives in Greenwich, Conn., and owns an Islamorada vacation home, has easily poured \$20 million-plus into the foundation himself - \$11 million alone on a bruising but losing 1996 drive to pass a penny-a-pound pollution tax on sugar growers.

Three weeks before Crist's election, Jones gave \$400,000 to the Florida Republican Party - the largest individual donation in at least a decade. If it didn't quite match Big Sugar - U.S. Sugar and Florida Crystals gave more than \$690,000 - it signaled the foundation's intent to be a major player when Crist waded into Everglades politics.

Jones, traveling in Africa, declined to respond to e-mail questions. But foundation leaders and Crist aides said the men built a relationship through calls and fishing trips.

Before leaving on a European tour, Crist praised Jones to reporters: 'This is a guy who cares very deeply about the Everglades and has put his money where his mouth is.' Foundation leaders downplay their role in the U.S. Sugar deal. But if they didn't exactly plant the seed, they plowed the field.

Crist spoke freely and frequently on Glades issues with several board members and listened along with aides as foundation scientist Thomas Van Lent detailed the water storage and pollution problems that hamper restoration, said Reed, a vice chair from Hobe Sound. 'He became engaged very early on, during the campaign and after,' Reed said. A few months into office, Crist boarded Jones' skiff for a fishing trip.

The destination, troubled Florida Bay, was the place the foundation was created to protect in 1993. Originally called Save the Everglades Foundation, the group was born out of anger that Jones and the late George Barley, neighbors in the Keys, felt when algae blooms fouled their backyard fishing grounds. 'George and Paul liked to fish for tarpon in the Everglades, and that's how all this got started,' said Karl Wickstrom, the publisher of Florida Sportsman magazine, who joined as a director. 'They thought Florida Bay was being trashed by sugar. I agreed.' Barley, an Orlando developer and state marine commissioner, became chief architect of the penny-a-pound proposal and a fierce critic of the sugar industry - a role his wife, Mary, assumed after his death in a 1995 plane crash. Jones became its chief financier. At Barley's graveside, his widow and his friend made emotional pledges to continue his fight.

Crist acknowledged the trip with Jones influenced him - but only to appoint another foundation director, veteran environmentalist Shannon Estenoz, to the board of the South Florida Water Management District, the agency overseeing Everglades projects. 'I think she's a great appointment,' Crist said. Estenoz's appointment and three others by Crist changed the balance of power in an agency previously protective of agricultural interests. Last August, Crist's appointees blocked the sugar-backed practice of replenishing Lake Okeechobee with polluted runoff.

That milestone defeat was high among concerns that led U.S. Sugar to call a meeting last year in which Crist said he seized on an unexpected 'opportunity' and pitched the buyout proposal.

Kirk Fordham, a longtime Capitol Hill aide who is the foundation's

chief executive, scoffed at speculation that Jones helped broker the complex deal. He said Jones was too busy with businesses and other charities to act as 'some Wizard of Oz pulling the strings.' Downsizing Big Sugar isn't a new idea, Barley said. Environmental groups had urged it for decades, and Crist, as lawmaker, had backed the failed sugar tax.

Whatever its influence, the foundation's importance to the state's environmental interests is huge.

In the past three years alone, the foundation gave more than \$4 million to 16 groups, including Audubon, Sierra and many of the state's big green groups. Each grant comes with one requirement: Spend it on Everglades issues.

Grants are lifblood for smaller groups such as Everglades Law Center in Fort Lauderdale, whose four attorneys represent environmental groups in lawsuits. The center has received more than \$700,000 since 2005. 'We simply would not be able to do the work we do without the foundation's help,' director Richard Grosso said.

Estenoz, who is married to Grosso, resigned from the foundation after Crist named her to the water board. She recuses herself on the firm's cases and dismisses any conflict. 'I don't take marching orders from anybody,' she said. 'The goal of all of us is to restore the Everglades. It's not to get rid of sugar.' That's a stark change in tone from the foundation's first nasty bout with Big Sugar. The industry defeated the sugar tax in 1996, countering with a \$24 million campaign that portrayed penny-a-pound backers as environmental elitists and Jones as a sharpie scheming to make a killing on the sugar market.

By 2000, both sides had agreed to compromise enough to cajole politicians into supporting the \$10.8 billion state-federal Everglades restoration plan. After the landmark deal, technical disputes became as crucial as political ones, and directors decided to overhaul the foundation. 'What we needed were engineers and hydrologists,' Mary Barley said. In the past three years, the foundation has begun building just such an in-house staff. They now occupy offices overlooking Biscayne Bay in the former Burger King headquarters.

Van Lent, a former hydrologist at Everglades National Park, was the first hire - 'the best hire we have and ever will make,' Barley said. His computer models helped make the case that acquiring a swath of sugar fields would fix a flawed plan to restore flow to the River of Grass.

The board also has hired politically plugged-in managers and ramped up fundraising. The centerpiece is an annual gala - hosted this year by tennis icon Evert and headlined by Diana Ross - that nets about \$1.4 million.

In some ways, the new approach-in-house consultants, big political donations - mirrors tactics employed by developers and industries.

For environmentalists, turnabout is fair play. The foundation, Grosso said, 'levels the playing field.' 'It's about time somebody did it on the side of the environment,' Grosso said. 'If Paul Jones has the ear of the governor, I'm thrilled.' (McClatchy Newspapers correspondent Marc Caputo contributed to this report.)

Lawsuit US Sugar deal violated Sunshine Law

08/03/2008

Belleville News-Democrat

MATT SEDENSKY

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Lawsuit US Sugar deal violated Sunshine Law

08/02/2008

Associated Press (AP) - Tallahassee Bureau
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