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Good afternoon. I would like to thank Rob Satloff and the Washington Institute for inviting me to speak with you today. For 25 years, the Washington Institute has provided valuable insight on Middle East issues and fostered dialogue that is critical to increasing awareness and understanding of the region. I'm honored to be a part of the conversation today.

The United States has deep ties throughout the Middle East. Our interests in the region are fundamental to America's national, energy and economic security.

We have developed important, strategic partnerships in the region to support our common goals and to promote the prosperity and security of our peoples. America's bonds to our great friend and ally, Israel, are strong and enduring as Vice President Biden emphasized during his trip last week.

The United States is actively pursuing a just, lasting and comprehensive peace in the Middle East. We strongly support the goal of two states, Israel and a Palestinian state, living side by side in peace and security.

We have also formed partnerships with countries throughout the Gulf, and have strong economic and security ties throughout the region. Whether defending Kuwait against Iraqi aggression or supporting our friends in pushing back against Iranian influence, the United States has played, and will continue to play, a key role in defending the stability of the region and promoting lasting peace.

Energy Partnership

Today, I want to focus in particular on energy and that aspect of our partnership. The prosperity and security of the United States, of the Middle East, and of nations around the globe depend vitally upon energy. Energy courses through every muscle and sinew of the global economy, and access to energy resources is critical to the security of every nation.

The U.S. energy agenda with the Middle East has several dimensions and deep historical roots. A few months ago, I visited an oil well known as Dammam No. 7, where oil was struck in 1938, changing the course of history in the 20th Century. That discovery followed five years of exploration pursuant to concessions with Standard Oil of California and then Texaco. Since that day, the ties that bind our nations have remained strong, both at the governmental level and in the areas of trade and investment.

We recognize the continuing importance of the oil and gas resources of the Middle East to the U.S. and the world. In 2008, 21 percent of U.S. crude oil and petroleum product imports came from the Gulf. Even if significant constraints are imposed on the use of carbon, the

International Energy Agency has found that global demand for oil and gas will continue to grow over the coming decades. So the United States will continue to seek to assure safe and reliable access to those resources, and to support our companies' ability to do business in the Middle East by promoting open, transparent, and stable rules of the road.

At the end of the month, I will travel to Mexico to lead the U.S. delegation at the International Energy Forum, an important biennial ministerial gathering of over 60 key producing and consuming nations, including several in the Middle East. The IEF provides an important venue for promoting greater understanding of our differences and for identifying shared equities we can advance, including oil market transparency and continued investment across the energy value chain.

New Energy Agenda

But even as we continue to develop and secure oil and gas resources, we recognize that for the sake of future security and prosperity in the U.S. and in the Middle East, we must diversify our energy mix. The world faces a growing demand for energy over the coming decades, and outside of Asia, the Middle East is expected to see the fastest rate of increase in demand.

Meeting that demand in a manner that curbs the carbon pollution threatening our planet requires that we build a new energy future. Our options can't be limited to hydrocarbons or efficiency or renewables or nuclear energy – it has to include all of them.

Domestically, President Obama is determined to put the United States on the path to a low-carbon future – a future where our country will have greater energy security, where we will lead in the clean energy economy, and where we will reduce carbon dioxide pollution. That is why he continues to press for comprehensive energy and climate legislation this year that will create incentives to invest in clean energy by setting a price on carbon.

The President also continues to work internationally to tackle the energy and climate challenge, understanding that this is a global problem that demands a global solution. The Copenhagen Accord is an important step forward and should be operationalized quickly. Continued progress will require positive engagement by all, and we look forward to working with the international community through a number of mechanisms, including the UN Framework Convention on Climate Change, the Energy and Climate Partnership of the Americas, the Clean Energy Ministerial that Secretary Chu is hosting this year, and other fora.

Some have suggested that a United States that is focusing on new energy technologies and a low-carbon future must be at odds with the oil and gas producers of the Middle East. My recent discussions in the region suggest otherwise. Many of the officials I met explained how they want to extend the life, and optimize the value, of their hydrocarbon resources, and to move aggressively to renewable and alternative sources of energy to help meet growing domestic energy demand and promote economic growth. Indeed, tackling the energy and climate challenge presents important opportunities to broaden U.S. energy relationships in the region, and together to build a sustainable energy future.

Several countries, including Saudi Arabia and Jordan, have launched national and regional energy efficiency initiatives focusing on buildings, which will help dampen growing energy demand while creating economic opportunities.

For example, Saudi Arabia now has the capacity to produce about 11 million barrels of oil per day, of which it consumes about 2.5 million barrels. If domestic consumption in Saudi Arabia continues to rise along predicted levels, in coming years much of the oil now available to generate export revenues would instead be absorbed by domestic consumption. To help redress that situation, the Kingdom is moving on many fronts -- looking towards solar energy and actively participating in the Carbon Sequestration Leadership Forum.

The United Arab Emirates have also embraced renewable energy. The Abu Dhabi Future Energy Company, known as Masdar, is pursuing an impressive renewable and alternative energy initiative that includes the construction of a carbon-neutral city. The members of the Gulf Cooperation Council have launched an interconnected power grid and are exploring the feasibility of regional nuclear energy development.

In this way, the traditional hydrocarbon agenda that has long dominated our energy discussions in the region has now been enriched by a robust discussion surrounding the development and deployment of alternative energy and energy efficiency technologies. As Secretary Chu said last month in the Gulf, “We must work together to find new solutions that will benefit us all.”

That is why on his trip, the Secretary signed a Memorandum of Understanding with the president of the King Abdulaziz City for Science and Technology, pledging enhanced cooperation on a range of energy, environmental, scientific, and technological issues. That is why we have agreed to collaborate on clean energy innovation with Qatar. And that is why we have joined with Israel on R&D projects in areas such as biodiesel production, concentrated solar energy turbines and a smart grid energy management system. Last week in Paris, I had the opportunity to speak with Israel’s Minister of National Infrastructures, Uzi Landau, who recently visited our National Renewable Energy Laboratory where Israeli and American scientists are working at together on renewable and efficiency issues. Many more opportunities remain before us.

The upcoming ministerial of the International Energy Forum will provide opportunities to advance our bilateral and multilateral agendas, in such areas as low-carbon energy development, carbon capture and storage, and energy efficiency. These new dimensions of our relationships in the region hold great promise to enhance our mutual interests.

Nuclear Energy

Within the realm of clean energies, one area that deserves further consideration and serious discussion is nuclear power.

Nuclear power has a significant and growing role to play around the world in reducing the threat of climate change, and in satisfying the increasing demand for continuous baseload electricity. As President Obama said last April in Prague, “We must harness the power of nuclear energy on behalf of our efforts to combat climate change, and to advance peace and opportunity for all people.” In that spirit, and consistent with our obligations under the Nuclear Non-Proliferation Treaty, the United States supports the peaceful use of nuclear energy for those nations that live up to their nonproliferation obligations.

We have entered into bilateral Memoranda of Understanding with Jordan, the United Arab Emirates, Saudi Arabia, and Bahrain, all of which have expressed their desire to rely on international markets for nuclear fuel rather than to rely on the costly and difficult steps of uranium enrichment and plutonium reprocessing on their territories. These MOUs allow the U.S. to engage with our partners in technical exchanges, scientific research, and safeguards discussions.

Our discussions with the UAE led to the conclusion of an Agreement for Peaceful Nuclear Cooperation, also known as a Section 123 Agreement. The UAE agreement meets the highest standards of nonproliferation and transparency. These features have given confidence to the international community and have facilitated the Emirates’ ability to hold a successful international tender for their first nuclear power stations, drawing bids from the world’s leading nuclear suppliers.

Following the signing of the U.S.-UAE 123, Secretary Chu signed an Implementing Arrangement with the UAE’s Minister of State for Foreign Affairs to enhance cooperation on civil nuclear energy and nonproliferation, and to facilitate joint training, exchanges, and seminars in nuclear safeguards and nuclear management systems. The UAE has embarked on the road toward replacing fossil-burning sources of baseload electricity with carbon-free nuclear power stations, which can help meet the country’s long-term power and desalination needs while reducing carbon emissions.

As countries in the Middle East look at developing civil nuclear programs, the United States can promote the highest standards for safety, security and nonproliferation.

The development of sound national infrastructures – including systems for regulation, physical development, human capital and nonproliferation – is critical to the success of nuclear power. The Department of Energy works to support the development of civil nuclear power programs through our International Nuclear Safeguards and Engagement Program. We are actively engaged in the Middle East and, in coordination with the Department of State, are sponsoring a regional workshop on energy planning and nonproliferation in Oman this May.

In addition, the Department of Energy is cooperating with governments in the region to prevent nuclear smuggling. During my visit to the UAE in December, I signed a Megaports Agreement to begin a cooperative effort to detect, deter, and interdict illicit smuggling of nuclear and other radioactive material. This agreement is part of the Department’s efforts to fulfill President Obama’s commitment to secure vulnerable nuclear material and to keep it out of the hands of terrorists and smugglers.

President Obama has invited more than 40 leaders from around the world to discuss nuclear security and the need to prevent nuclear terrorism — recognizing that a terrorist or proliferation incident involving nuclear material could have devastating consequences for countless innocent victims, while undermining public confidence in nuclear energy as a carbon-free source of electricity.

The Nuclear Security Summit reflects President Obama's determination to prevent nuclear materials from falling into the hands of terrorists. In the same vein, he wants to find new ways to increase confidence that, wherever nuclear power is deployed, we minimize the risk of the spread of the technologies and materials that could be misused for military or terrorist purposes. And so, in Prague, he also called for a new framework for civil nuclear cooperation, “so that countries can access peaceful power without increasing the risks of proliferation.”

The United States is taking steps to build that international framework. Last October, I traveled to Beijing for a meeting of the Executive Committee of the Global Nuclear Energy Partnership, known as GNEP, which includes 25 partners and 31 observer nations – eight of them from the Middle East. In fact, Jordan will host the next GNEP Ministerial in Amman, and we welcome their leadership in making this offer.

To be clear, the U.S. is no longer pursuing those aspects of GNEP that relate to the early recycling of reprocessed plutonium in commercial reactors, but we are still pursuing those aspects that seek to assure countries that they may gain reliable access to nuclear fuel services without developing their own uranium enrichment or plutonium reprocessing capabilities. At the Beijing meeting, our GNEP partners agreed to “explore ways to enhance the international framework for civil nuclear cooperation,” noting that “cradle-to-grave nuclear fuel management could be one important element of this framework.”

The idea behind “cradle-to-grave” is simple. The primary proliferation concern in a civil nuclear energy program arises from the facilities used to enrich uranium and separate plutonium from used fuel. So if some combination of governments and companies can assure NPT-compliant owners of a civil nuclear reactor that their nuclear fuel servicing needs can be met by existing suppliers without fear of disruption, then the incentives to build sensitive fuel cycle facilities would be minimized.

During a recent international nuclear conference in Paris, Sergei Kiriienko, Russia's Director General of the State Atomic Energy Corporation, “Rosatom,” expressed support for the cradle-to-grave approach. There are a number of complex and challenging issues that would need to be addressed for this new framework for civil nuclear cooperation to succeed, but the year ahead should provide a number of good opportunities to discuss them with our international colleagues.

None of what I have just discussed, however, reduces the need to tend to the cornerstone of global nonproliferation efforts: the Nuclear Non-Proliferation Treaty. It is essential that when the Treaty comes up for review in May, we work hard to ensure that it is preserved and

protected. The President is leading U.S. efforts to do our part, through his Prague vision of our nuclear future and the agenda to get us there.

Iran

In order to preserve the vitality of the Nuclear Non-Proliferation Treaty, it is essential that we deal effectively with outliers. That brings us to North Korea and Iran. Given that we are gathered here at the Washington Institute for Near East Policy, today it makes sense to focus on Iran.

The United States has been clear all along that we recognize Iran's right to a peaceful nuclear program. But with that right comes responsibilities to live up to global nonproliferation norms. The latest report by the International Atomic Energy Agency's Director General clearly shows Iran's continued failure to comply with its international obligations.

Now much has been made by Iran of its rights to develop its nuclear capabilities. And it is true that the NPT confers an "inalienable right ... of all the Parties to the Treaty to develop research, production and use of nuclear energy," *but it is critical to remember the very next words*: "for peaceful purposes without discrimination and in conformity with Articles I and II of this Treaty." And Article II commits Iran not to develop nuclear weapons or other nuclear explosive devices.

In the case of Iran, it does not appear that its nuclear program is "for peaceful purposes." Iran essentially has not been in compliance with its IAEA Safeguards Agreement since 1982, as a result of its import of undeclared nuclear material, undeclared nuclear experiments, and construction of nuclear facilities without timely declaration to the IAEA.

IAEA Director General Amano's February 18, 2010, report on Iran to the Board of Governors provided a noticeably harsher assessment of Iran's compliance with its safeguards obligations than previous reports. In addition to documenting Iran's repeated refusals to cooperate since February 2006 with the IAEA's ongoing investigation of nuclear activities in Iran with possible military dimensions, the report highlights poor Iranian cooperation on several new issues of concern.

- Iran did not provide adequate notification to the IAEA of its intent to move low enriched uranium from the Natanz Fuel Enrichment Plant to the Pilot Fuel Enrichment Plant;
- Iran began enriching LEU up to 19.75 percent, before the IAEA could implement necessary additional safeguards measures at PFEP;
- Iran has not provided all information requested by the IAEA about the Arak heavy-water reactor;
- Iran denied IAEA requests to sample material in hundreds of drums said by Iran to contain heavy water; and

- Iran informed the IAEA that it had conducted pyroprocessing research into the electrochemical production of uranium metal.

Iran has not satisfied IAEA concerns about the possible military dimensions of its program, has not ratified the Additional Protocol, and continues to defy resolutions issued by the IAEA Board of Governors and UN Security Council Resolutions.

The NPT does not grant a right to pursue nuclear efforts of this character. It is, after all, called the *Non-Proliferation Treaty*.

President Obama has pursued a comprehensive policy toward Iran based on a dual track approach. First is an engagement track, in which the United States has made a clear commitment to serious, constructive engagement with Iran to achieve a diplomatic solution to resolve growing international concerns about Iran's nuclear program. Second is a pressure track, if Iran does not take advantage of the engagement track to comply with its international obligations, to demonstrate exclusively peaceful nuclear intentions and to begin to build mutual trust and confidence.

Let me address each track. During his Inaugural Address, President Obama said, "To those who cling to power through corruption and deceit and the silencing of dissent, know that you are on the wrong side of history, but that we will extend a hand if you are willing to unclench your fist." Last April, Secretary of State Clinton announced that the United States would be a "full participant" in talks by the P5+1 representatives aimed at persuading Iran to cease its efforts to obtain a nuclear weapon.

On October 1 in Geneva, the P5+1 partners met with their Iranian counterparts, who indicated an agreement in principle to grant unfettered access within two weeks for IAEA inspectors to the newly-disclosed Qom enrichment facility, to meet again with the P5+1 to discuss the nuclear program, and to implement the IAEA's proposal on the Tehran Research Reactor.

On the "TRR," the International Atomic Energy Agency and several governments responded positively and creatively to Tehran's initial request for assistance in refueling the Tehran Research Reactor with a fair and balanced proposal designed to meet Iran's humanitarian needs for medical isotopes and begin to build mutual trust and confidence. In Geneva, Iran agreed in principle to the IAEA's proposal - to send 1,200kg of low-enriched uranium from Natanz out of Iran, in order to produce the replacement fuel needed for the TRR.

A few weeks later, IAEA Director General Mohamed ElBaradei convened representatives from the United States, Russia, France, and Iran to finalize the IAEA proposal. I had the privilege to lead the U.S. delegation to those technical talks, and I can tell you that they were pragmatic and earnestly focused on addressing Iran's humanitarian needs, in a manner that could also start to build international confidence in Iranian intentions.

We have even offered to facilitate Iran's procurement through the world markets of the medical isotopes its citizens need. Regrettably, Iran's leaders apparently prefer to reject the most responsible, cost effective, and timely options to ensure access to medical isotopes in order to advance their nuclear program.

And, there has been no follow-up P5+1 meeting with Iran, as Iran has refused to agree to discuss its nuclear program, despite the Geneva understandings.

The country's announcement last month that it will start enriching uranium to nearly 20 percent U-235 is a transparent ploy. It has nothing to do with trying to help Iranian cancer patients who will need medical isotopes later this year. By its own admission, the Atomic Energy Organization of Iran cannot fabricate the fuel elements that work in the reactor in time to ensure uninterrupted production of the medical isotopes.

Iran's further enrichment of that material would, however, yet again flout UN Security Council resolutions - a provocative move that calls into question its nuclear intentions.

Iran's response to our engagement efforts has not been encouraging. And so, while the door to Iran is not closed, the President has made clear that we are now turning increased attention to the pressure track and working on developing a significant regime of sanctions that will reflect how isolated Iran is from the international community. At this time, the international community must speak with one voice on the imperative for Iran to meet its responsibilities and obligations under the NPT.

Conclusion

Given the scope and gravity of our interests in the region, it's more important than ever that the United States show leadership in the region and strengthen our partnerships.

Events in the Middle East are enormously consequential to the United States, and to the world. Working together with our partners and allies, we can build a stronger, more prosperous and more secure future for all of us in this and succeeding generations.

That is our opportunity. That is our responsibility. Thank you again for inviting me today and now I welcome your questions.

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