



PRESS CONFERENCE
U.S. Secretary of Energy Spencer Abraham,
Spanish Minister of Economy Rato and
Commissioner and vice President of the European Commission Loyola
de Palacio
Madrid,
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RODRIGO RATO: Good morning. I welcome the Secretary of Energy, Mr. Spencer Abraham to Spain and the Commissioner and Vice President of the European Commission Loyola de Palacio, who I welcome to Spain, naturally, for protocol reasons.

What brings us here today, and for which I welcome your presence, is Spain's presentation to the government of the U.S., in the person of the Secretary of Energy, of our candidacy, expressed some time ago, for the ITER project that you know well. It involves an extremely important international effort to develop in a definite way, to the benefit of all the citizens of the world, an alternative fusion energy that will allow in the next 30 years to provide humankind with clean energy, practically without limits, which can guarantee the development of ecological balance, which at this moment is one of the demands of all our publics.

I would like to highlight that this is a project that has entailed a very long process of development and discussion. It has its origins in the mid 80's, in agreements between the former Soviet Union and the U.S. and, at this moment, its main members, with the re-integration of the U.S. government, are the U.S., Japan, the European Union and Canada. I would like to highlight the importance of the project, whose construction stage -- we would be talking about 4.5 billion euros approximately -- will last ten years and its development stage twenty years. The project has several candidacies at this moment, and Spain is among them. There are other countries like France, Canada and Japan.

This morning, we asked for the attention of Mr. Abraham, and we thank him, in order to express the will of the Spanish government to provide for the cost of the project in the terms set by the members, that is 10% of the cost of construction. This project is highly profitable from all points of view, and Spain contributes to it with an important and long experience in the technology of fusion on the part of Spanish industry, besides a location that we consider privileged, the former nuclear plant of Vandellós I, with clear refrigeration, given its proximity to the sea, with communications by road, train and plane, and with total geological guarantees.

We should add -- something important for the members -- the cost of construction is probably 10% lower than that of other competitors. As I said, we are talking about an investment of some 4.57 billion euros in the construction stage, a period of ten years, and a period of exploitation of another twenty years that would involve a similar budget to the period of construction. That is 4.5 billion euros approximately, the direct use of 200 very high quality specialized scientists, and some 400 experts for support. In the whole period, in terms of annual employment, we would be talking about 120-340 thousand employees. This is a large span, which at this moment is not possible to say with precision, but it is in any case very important. We are talking about annual employment, not every year. It has a very important multiplier effect for the host country of the product that we estimate in approximately half a euro per invested euro in direct terms and around 1.8 - 4.8 euros in indirect terms.

As you know, as I said, the cost for the host country would be 46 million euros approximately during the first ten years and some 23 million euros during the second twenty years and the participation of the EU, independently of the host country, would be around 45% once the United States rejoins the project. This would be a very important challenge for Spain, which would confirm what is already a reality, that is our quality from the point of view of research and fusion industry and it would also have clear positive effects in social terms -- employment, infrastructures -- and economic terms -- environment technology -- and strategic terms, since it would place us in the center of international research, on such an important issue as is the energy of the future. You all have, we gave you an info pack where you can see what would be the project installed in Vandellós. There is a photo in which you will see several new buildings, which do not exist right now, better said, the info pack is being distributed right now -- and this would be a computer simulation of what the buildings and their construction would look like through the next ten years, as well as a report on the cost and effects on this matter.

Secretary Abraham is about to make a technical presentation at the Ministries of Economy and Energy, on the part of the Spanish State Secretary, Mr. (inaudible) and unfortunately, even though we would have liked to have the Secretary of State with us a little bit longer, he has to return to the United States immediately, we hope that he will be able to visit us as soon as possible. During the morning, besides exchanging opinions on other energy questions, we talked about something of interest for both the U.S. and the Spanish government and for the European technological policy, and this is the use of hydrogen as a more

intense source of energy, especially focused on the automotive world. In this sense I told Secretary Abraham the interesting experience Madrid is having, as a pioneer in Europe, by using urban buses fueled with hydrogen, and the inauguration last Monday of a plant of production and supply of hydrogen in Madrid. In this sense, I believe this shows as well the interest and the capability of Spain in technological terms in issues related to energy.

The European Commissioner is going to talk now in case she wants to make any statement, and then the Secretary.

LOYOLA DE PALACIO: Thank you very much, good morning to all. We have been talking about the ITER project...This project has gone forward precisely thanks to the will of the European Union, and that the flame of the research on nuclear fusion has kept alight. We should remember that during a certain period of time, for example, 53% of the cost related to project ITER as a whole – the project started in the 80's and the European Union has been since the beginning a totally active participant – I insist, during a certain of time the European Union has made 53% of the effort for the development of this project. In this sense, I would like to show our satisfaction for the fact that the United States has rejoined the project after a brief period of absence, which allows us to distribute the burden and accelerate the process, precisely thanks to the means available. A priority for the European Union is that the project ITER is a reality and, therefore, that the first system of these characteristics is built. The second goal is precisely that the implementation, the location is in the European Union. The EU offers two possibilities. There is the one that Vice President Rodrigo Rato just presented and there is another possibility in France, in Cadarache, in the center of Cadarache.

Both places have, therefore, advantages, availability, capabilities, possibilities, and economic effort to be developed. Besides that, above all what the European Union offers is a first-rank scientific community that has been working on these issues during these years. If this is important, the question of hydrogen as a vehicle of clean energy simply producing water as waste when it functions is very possibly the key for the future, for giving us cleaner cities – and there I remind you of what the Vice President just said about the buses in Madrid – and not only cleaner cities, but also, combined with the sequestration of CO₂, energy that does not produce emissions of greenhouse gases. In this sense, I have to note that I have to thank the Secretary of Energy, Mr. Abraham, for the effort that the United States has launched in the field of technological development of hydrogen and the sequestration of CO₂, where the European Union also has programs and where I hope we will be able to reach agreements on scientific collaboration in the future in order to accelerate these technological developments which will not only be to the benefit of the United States or the European Union but also of the humankind as a whole, and that is all what I have to say for the moment.

SECRETARY ABRAHAM: Thank you very much. Let me just express how much we appreciate your hospitality in Madrid today. This is my first trip to Spain and unfortunately it's a too short trip so I appreciated the kind invitation to return, which I intend to do... The 21st century poses many challenges to mankind. Above all, the list of challenges would be the challenge of providing sufficient energy to maintain strong economies and improving standards of living for all the countries of the world. And we in the United States take that challenge very seriously. President Bush in his first week of office asked us to put together a long-term energy project for the United States and also to look at the broader issues that face us as a planet. The result of that effort has been a number of recommendations with respect to new energy technology, with respect to investments in energy research, with respect to more conservation, as well as the development of new energy sources. Madame De Palacio has just outlined some of the areas in which our energy strategy is taking us. So one area that we are particularly excited about is the transition from basically a carbon intense economy to one in which hydrogen will play a greater role and we look forward to international collaboration to shorten the timeframe between today and when hydrogen power vehicles will not just be a thing of the future but a thing of the present.

We look forward to working on an international basis through a new organization we've established a carbon sequestration leadership form in which we will collaborate on research and raise that we can sequester carbons so that we collaborate our energy generation facilities without the risks to the environment that are posed when fossil fuels are burned and we recognize that when we get later into this century and the challenges will mount and so in that respect we see the possibility of fusion as being a very probably the most significant potential resource of energy in the 21st century if it can be fully researched and developed and harvest so in light of that President Bush recently made the decision that the United States will rejoin the International Collaboration Effort and support of fusion technologies the ITER Project that we would be a full participant in that we should immediately engage in not only discussions to as the role of the United States will play supporting the effort but also obviously the decision making that will surround the question of the siting of the ITER facilities.

Today I got the chance effort the chance already to enjoy considerable briefing on Spain's proposal and as soon as this and that is over I'm going to technical briefing a more intense briefing as well I 'm also delighted to be invited to return to Spain to actually visit the site of the later point and hope that opportunity will present itself. I just want to say that on the very outset president Bush made the decision to see the US rejoin ITER it recalled to me that he was aware of Spain's interest in and development of a proposal asked me to make sure that not only to travel to Madrid to learn more about but to make sure

that the US would give it very serious consideration as we decide how we might engage in the process and I can tell you that based on what I learned today we definitely will be taking very serious consideration to this proposal we recognize that lots of issues that are still to be learned about so that's the reason that the very first trip that I made with regard to ITER's siting is to here to Madrid I hope that demonstrates the level of interest we have and the proposal Spain has offered and I want to just thank you and you as well that Mr. Rato and Mrs. Palacio for your hospitality I hope you enjoyed our brief stop and by the end of today when we leave I think we will know much more about the project but I consider this some catalyst that what we learn so far has been very impressive and we very much appreciate the time you've taken. I've come to realize that wherever I travel the first questions always have to do with the oil markets and let me do my best to address those first of all with respect to Iraq I would just say that President Bush has repeatedly said since the very beginning of discussions related to a post-Saddam era in that country that the natural resources of Iraq the oil of that country belong to the people of Iraq and they should make the decision to how much they produce how they develop their energy market and sector we will do our best to try to work quickly through a transition period in which hopefully their energy production their oil production can be reestablished obviously there is some infrastructure that needs to be taken care of but our goal is to make possible for all the people of Iraq to participate in those decisions and also to benefit from the natural resources of that country as opposed to the way it has been. We support the elimination sanctions so Iraq can decide that who and how much of these resources will market and how and what fashion it will apply to the benefits of those sales.

As to OPEC I had the opportunity before coming to Madrid last night to stop over in Riyadh as well as Doha to meet with the current president of OPEC Minister Tio of Qatar and also as with the Saudi energy minister Mr. Naomi and had very positive discussions I have as a matter of policy in my role not publicly commented on those kind of private discussions that's up to them to comment on what I would say is this that the United States believes the energy market itself should decide production levels and the price of oil. We preferred to see the markets work at the same time we also think that there is great benefit in having greater discussion between energy producing countries and energy consuming countries and I think that my travels this week were very helpful to us to better understand the perspectives that they have and culturally it was beneficial for them to hear our perspective Madame Palacio at the beginning of the week we were in Paris where we together with other representatives of energy consuming countries met to discuss recently energy developments.

The one point I would make is that in terms of prices and the market price is that we've just come through a period in which a number of very turbulent developments took place. There was a strike Venezuelan oil such that it dramatically reduced its production from 3 million barrels a day to virtually none we've had civil unrest in Nigeria in which production there was reduced and of course the war in Iraq. Throughout all that period various prophets and experts were claiming that we would be seeing tremendous instability in the market place the price of oil was projected by some as high as 100 dollars per barrel and we were constantly asked when and how much we would draw down our strategic reserves. None of the prophecies of doom ended up happening the price of oil did go up for a period but is now back into a rather consistent with where it was before this all began. And we didn't have to draw down our strategic reserves one barrel during this time frame. I don't think many people believed that could happen certainly it didn't happen in previous trivial times and so I think that reflects the strength of the energy markets but it also reflects the better discussions between producers and consumers and so I think even as we push for market policy we should be consistent with that and increase our energy communications between producers and consumers.

[top](#)

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