MATT BRYZA: Thank you very much, Mr. Chairman, very much for this opportunity maybe to clarify or even simplify the incredibly complex picture of our energy security policy, and just a couple of pictures I'll show you that have to do with what you mentioned at the beginning, how we deal with Russia as a potential energy partner and as the major single supplier of natural gas, its most important of commodities, to Europe.

Today, Gazprom is the largest single supplier of gas to Europe and it provides anywhere between 25, 30, 35 percent of the gas consumed in Europe. It provides that gas through a network of pipelines you see on this map here.

For those of you behind, you'll see in the copy of the testimony this map that shows a whole bunch of red lines. These red lines are an enormous infrastructure system that Gazprom uses to move gas from Siberia and from Central Asia to European markets.

Gazprom is, by law, a monopoly, passed by the Russian Duma, and Gazprom behaves as a monopoly. It's not evil to be a monopoly. It's a good business to be in if you can be a monopolist. But our country, however, has decided, our government has decided we are not in favor of energy or any other monopolies and, as we know, the first major antitrust case in our country's history was the breakup of Standard Oil.

Well, Gazprom is a monopoly and it functions relatively well based on this enormous network of pipelines, which allows it to do what? This network allows Gazprom to buy gas in Central Asia for around $100 per 1,000 cubic meters. This is very important, because as Al was suggesting, the gas production in Russia's own fields is declining.

So Gazprom's looking for the easy way out. It absorbs the gas in Central Asia through that pipeline that runs diagonally from Ashgabat, Turkmenistan up toward the European part of Russia, $100 per 1,000 cubic meters, sells it in Europe for nearly three times that cost.

That's a problem for our Euro-Atlantic community, because such a differential in price between $100 and close to $300 underscores an inefficiency in the market and we believe our national security is best served when markets function efficiently.

But this difference in price also generates an enormous amount of rents that are distributed often non-transparently in a way that undermines the rule of law, undermines our broader goals at energy sector reform, which then gets at what both Greg and what Al were talking about in terms of wanting to see the resources and the revenue streams managed wisely so we see the advance of market economies and democracy.

The way to deal with this is not by simply talking, but it's by changing the facts on the ground through the increase of competition and we're trying to do that, first and foremost, by expanding the delivery options for gas from Central Asia and from Azerbaijan especially to Europe.

On this map, you'll see a very small yellow line at the bottom, on the lower right. That's the Baku-Tbilisi-Erzerum gas pipeline, or the SCGP South Caucasus gas pipeline that Mr. Manuel discussed.

It's becoming functional now, gas is moving into it, and it'll be fully functional shortly. That alone, that pipeline won't create the full degree of competition we seek.

As Greg suggested in his testimony, we hope to see a ring of gas infrastructure extending back to the Caspian Sea and around the Black Sea. That's on the second graph I'll show you here in a second.

What this shows is a ring of infrastructure in which that yellow line from Azerbaijan has expanded in two more lines. There's the Turkey-Greece-Italy pipeline that Mr. Manuel talked about and then Nabucco pipeline extending from Turkey all the way to Austria.

That, combined with liquid natural gas shipments from Norway, what you see at the top of the graph, the blue line, and maybe liquid natural gas from Russia and from other locations, coupled with increased deliveries of gas from North Africa begin to provide Europe with some genuine diversity in gas supply.

The idea is once our allies in Europe have the ability to choose their suppliers of gas rather than relying overwhelmingly on one supplier, we'll see a more mutually beneficial relationship between Europe and Russia and Gazprom as the Europeans can negotiate more equitable terms.

Finally, there's a question as to whether or not this whole project can be realized. Is there enough gas, as was often asked, in the Caspian region?

Often, observers say, "Well, there's not enough gas in Azerbaijan to begin these pipelines." And the last graph I'll show you -- here it comes -- demonstrates that, indeed, in Azerbaijan, there's an enormous quantity of gas that will be available, we hope, in coming years, sufficient to fill the Turkey-Greece-Italy pipeline and hopefully the first phase of that Nabucco pipeline that goes from Turkey to Bulgaria, Romania, Hungary and Austria.

This last graph is an optimistic version, granted, upside, unriskesque (ph) projections, but based on data provided by the international companies operating in Azerbaijan. And what it shows you, if you simplify it, and each colored slice is another gas field that's either being produced in Azerbaijan or will soon be.

What it shows you is that by the period 2015 to 2016, there will be a dramatic, we hope, a dramatic increase in gas production in Azerbaijan, getting the production up to a level such that there'll be enough left over after gas is consumed in Azerbaijan and Georgia and in Turkey to provide for those two pipelines I've been talking about.

We're doing a lot of other things I won't go into in the northern part of Europe, around the Baltic Sea. All of these efforts are aimed at helping our European allies pool their strategic vision and their negotiating ability so that over time, they're able to negotiate more mutually beneficial relationships with Gazprom, so that relationship really does work in two directions.

Thank you very much.