CLIMATE PROGRESS

EDITED BY JOE ROMM

I’m Testifying Today To House Energy And Commerce On ‘Responses To Rising Gasoline Prices’

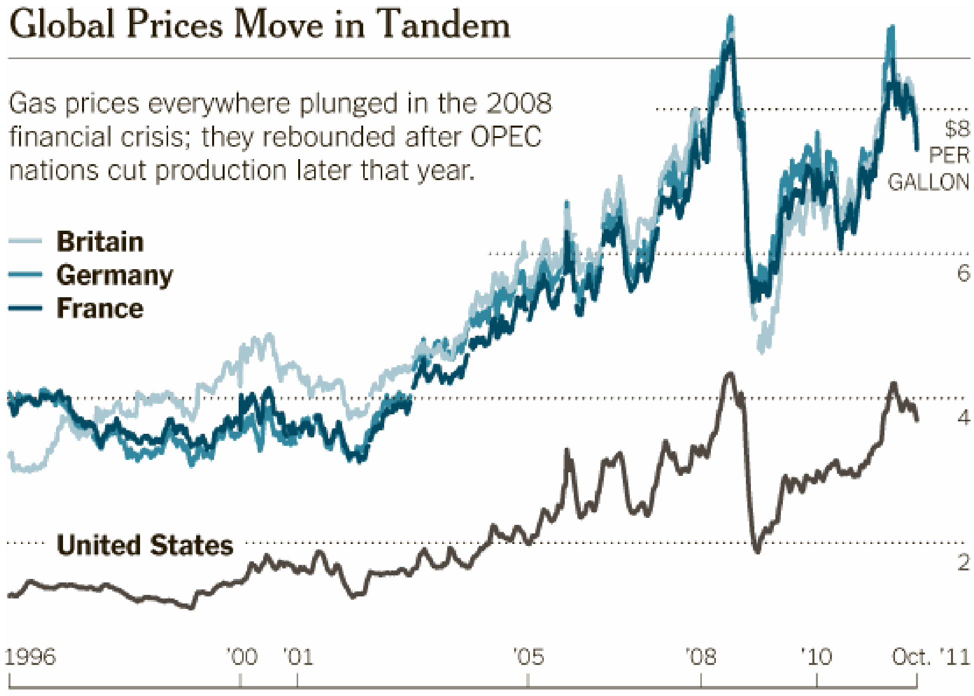
By **Joe Romm** on Mar 28, 2012 at 7:27 am

The Subcommittee on Energy and Power has scheduled the eighteenth day of its hearing on “The American Energy Initiative” on Wednesday, March 28, 2012, at 9:45 a.m. in room 2123 of the Rayburn House Office Building. This day of the hearing will focus on legislative responses to rising gasoline prices.

You should be able to watch the hearing here. I doubt I will be on before noon, and it is a crowded second panel.

Interestingly, the very first Congressional hearing that I testified at when I was acting principal deputy assistant secretary in DOE’s Office of Energy Efficiency and Renewable Energy was on March 14, 1996 and concerned the outlook for rising oil prices and what to do about it.

My full testimony (with charts) is here. My favorite new chart, from this post, is:



Here is the summary of my testimony.

My testimony will provide analysis and data to support 6 key points:

1. There is broad agreement among energy experts and economists that increasing domestic oil production will have no noticeable impact on U.S. gasoline prices for the foreseeable future. Oil prices are set on a world market. That's why our gasoline prices rise and fall in tandem with European countries even though they produce little oil and we produce a great deal.
2. The rise in US gasoline prices has come at a time of soaring US gasoline production. So while President Obama has adopted an aggressive pro-drilling strategy. It has, as expected, not worked to lower prices for U.S. As the Cato Institute explained this month, "It's Not Obama's Fault That Crude Oil Prices Have Increased."
3. U.S. refining costs account for a mere one eighth of the price of gasoline. The costs of reducing pollutants that harm public health and our children are a small fraction of that small fraction. As the *Wall Street Journal* has noted, "According to the U.S. Energy Information Administration, Germans over the past three years have paid an average of $2.64 a gallon (excluding taxes), while Americans paid $2.69" – even though we produce 200 times as much oil as they do. Sen. Jeff Bingaman explained this month, "We do not face these cycles of high gasoline prices because of lack of access to federal resources, or because of some environmental regulation that is getting in the way of us obtaining cheap gasoline."
4. Every independent study shows that EPA regulations deliver benefits to the economy and public health that vastly exceed their short-term costs. Economic analysis does not support the conclusion that EPA regulations have harmed US competitiveness – and indeed some analyses suggest that they have boosted our competitiveness by giving us market leadership in cleaner technologies. Given that our major industrialized trading competitors pay $2 to $4 a gallon more for gasoline than we do, it would be essentially impossible for the tiny impact EPA regulations might have to harm U.S. competitiveness.

5. There is only one demonstrated way to reduce gasoline prices (a little) in the short term – and that is a release of oil from the Strategic Petroleum Reserve, ideally in concert with a similar release by our allies.
6. The only thing that can protect Americans from rising gasoline prices and global oil shocks is an aggressive strategy to reduce the country's oil intensity (oil consumed per dollar of GDP), including a steady increase the fuel efficiency of our vehicles and an alternative fuel vehicle policy built around electricity. As Michael Levi of the Council on Foreign Relations put it: "The amount of oil you produce at home doesn't affect the price … You can lower your vulnerability to price by lowering your consumption of oil, but not by increasing your production."

Thus the two bills under consideration would have no noticeable impact on U.S. gasoline prices.