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Cato's Jerry Taylor: More Drilling Won't Lower Gasoline Prices

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Talk of drilling in the Arctic National Wildlife Refuge (ANWAR) or extending the Keystone Pipeline project to increase crude oil supply and lower gasoline prices makes for good campaign rhetoric, but won't ease today's pain at the pump, says Jerry Taylor, a senior fellow at the Cato Institute.

High gasoline prices are the result of rising crude prices, the product of global supply factors such as rising demand in countries like India and China as well as geopolitical tensions in the Middle East.

Drilling for oil in currently off-limit areas won't help today, and criticism against President Barack Obama for blocking the extension of the Keystone pipeline from oil-rich Canada aren't merited either.

"The global crude price is outside of the control of the president of the United States," Taylor tells Newsmax.TV in an exclusive interview.

"He could increase production in the United States by allowing the industry into ANWAR and the coastal areas that are currently off limits to it, but that would take years and years from the point at which you allow them to go to the point at which they start producing significant amounts of crude,"
Taylor said.

"If estimates of what's available out there turn out to be correct, which is about a million and a half barrels of new crude oil a day, that translates into a 2 percent reduction in global crude oil prices," Taylor says.

"That's not to say you shouldn't do it, but it is to say you shouldn't overstate what could occur with more production as far a price is concerned."

Crude oil prices have soared lately mainly due to tensions between the West and Iran, with the former accusing the latter of developing a nuclear weapons program.

Iran denies the charges, and says it has already cut crude export to parts of Europe ahead of an European Union embargo scheduled for July.

Some critics blame the Federal Reserve for high oil prices.

The Fed has flooded the economy with trillions of dollars in an effort spur recovery, and critics charge that a lot of that liquidity has made its way to commodities markets and pushed up oil prices, especially amid a weakening dollar.

"You'd also have to explain why it is that crude oil prices have gone insane but other commodity prices haven't increased near as much as this," Taylor says.

"If it were a monetary story you would see a more even pattern of price inflation in the commodity sector.

Meanwhile, regulations such as those stemming from the Dodd-Frank law reforming the financial sector are going to hamper investments in energy.

Business leaders across many industries say too many regulations rolled out under the Obama administration have businesses spending more time worrying about compliance and less time investing and hiring.

Regulations are hampering bank lending as well.

That applies to the industry sector, too, be it companies involved in traditional natural-gas power producers or alternative energy providers as well, which rely heavily on venture capital for financing.

"It's certainly going to have an impact on investments across the board and given the fact that energy is a very capital intensive sector, the amounts of money that are required to build an offshore oil rig or a nuclear power plant or any energy investment or the infrastructure necessary to transition to, say, natural gas-fueled vehicles, are staggeringly large and so to that extent, they're going to have a disproportionate impact on energy," Taylor says

"Green energy is also very capital intensive."