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Longer excerpts of interview with energy analyst Daniel Weiss

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Excerpts from Senior Editorial Writer Paul Owens April 20, 2012 interview with Daniel Weiss of the Center for American Progress

Owens: Why have gasoline prices spiked recently?
Weiss: There's ample supply. … There's been a little bit of oil supply disruption from Syria and Sudan, and Libya is not back to full production, but the U.S. is producing more and **Saudi Arabia** is producing more. What's happened is that Wall Street speculators … are driving up the price by playing on the fear that there will be a supply disruption in the Persian Gulf. … There's an inflationary psychology built into the market. … It's not about supply and demand. It's about the perception that there may be a supply disruption. … The **International Energy** Administration has found that oil demand is up just a tick from last year. So it's not more demand, there's ample supply. There's other factors involved.

Q: Hasn't demand from **China** and the developing world increased?

A: Like I said, the International Energy Administration said demand is up about 1 percent from last quarter. It's not enough to drive up prices 10 to 20 percent, which depending on your time frame, has been the increase in prices this year.

Q: Should anything be done about oil speculators?
A: I think the plan the president just announced the other day would be a good start if Congress were to enact it. The president's plan would have cut down on speculators …. The amount of money that a Wall Street speculator would have to put down before buying oil would increase … That way, it would be a disincentive for speculators to be able to buy such large volume contracts. Another thing he proposes to do is to have more people patrolling the markets. …

Another thing we could do to help burst that speculative bubble is the president would put about 30 million barrels of our reserve oil on the marketplace along with our European allies doing the same thing to have maybe 60 million barrels of oil … If you were to do that, it would certainly help. It would help because it would not only put a lot more product on the market suddenly but it would also help burst the speculative bubble

Q: Isn't the Strategic Petroleum Reserve only intended for emergencies?
A: That's false in two ways. First, the reserve is 96 percent full. If we sell 30 million barrels of oil, it'll be 92 percent full. Second, in 1996, the Gingrich Congress sold over 20 million barrels of oil when the reserve was less than 80 percent full to reduce the budget deficit. So it's not been only viewed as a sacred thing in case of emergencies. Look how a Republican Congress used it in 1996.

Q: Why does the oil industry generally oppose measures to curb speculation?
A: It's very simple. Higher gasoline prices mean higher profits. We did an analysis about a month ago that found that every penny increase in the price of gasoline means $200 million more in profits for the big five oil companies: Exxon, Conoco, **Chevron**, Shell and **BP**. That's on a quarterly basis. … Big oil companies like high prices. It means high profits. That's why they don't want to crack down on speculators.

Q: Do you think President Obama deserves any blame for the increase in oil and gasoline prices?
A: Only if the **Republicans** deserve blame for the spike in oil and gas prices since they took [control of the House] in January 2011. The gasoline price is up about 85 cents a gallon. … In other words, no. In fact, conservative institutions, including the Wall Street Journal, the CATO Institute and economists surveyed by the **University of Chicago** have all said the president does not bear responsibility. In fact, under his watch we're doing things to help the United States have lower prices. First, we're using less oil than we have in the past which means we're saving money. Why? Because of the new fuel economy standards that have just been put into place. Second, we're producing much more oil. In 2008, we imported 57 percent of our oil. Now we're importing about 45 percent.

Q: But isn't oil production down on federal land, the only place the administration has any control over?
A: That's a lie. Production is lower from federal land than in 2011 than it was in 2010, but it's still higher than it was the last three years of the Bush administration, according to the Energy Information Adminstration. … The last time we produced more energy from public land was in 2005. … We're still producing more than we did the last three years of the Bush administration, which [critics] did not complain about.

Q: President Obama has talked about eliminating the annual $4 billion in tax breaks for the oil industry. Wouldn't that reduce oil output by leaving less money to invest in production or cut returns for Americans whose pensions are invested in the industry?
A: First of all, the big five oil companies that made a record $137 billion in profits last year produced less oil than they did in 2010, and they made more money. And the tax breaks were in effect… It's clear that having the tax breaks in place doesn't mean they're going to produce more oil. Second of all, one of the largest pension funds, the California state employees pension fund, its holdings in oil companies are just 4 percent. The impact on any individual pension fund is going to be minuscule. In addition, the Congressional Research Service looked last year at the allegation from the oil industry that oil prices would go up and oil production would go down if the tax breaks were taken away and they found that there was no credence to that. That's also been looked at by the Joint Committee on Taxation, a congressional committee, and they found the same thing. …

Q: President Obama wants to take the money now provided to the oil industry in tax breaks and make it available for alternative energy producers. Doesn't that create more risks for losses like the one with **Solyndra**?

A: That was a loan program. … Like any investment in new ventures, there's going to be some failure. When we started the moon program, we had rockets exploding on the launch pad. We did worse than the Korean rocket that they just launched. … Second, if you use the money for tax credits, it's still possible that the firm will not succeed … but again, that's the price of investing in new technologies. Certainly our economic competitors are doing this, and so the question is, do we want to rely on fuels of the past when our economic competitors like China and Germany are investing in fuels and energy generation of the future?

Q: Do you think it would it be a good idea for Congress to allow drilling in the eastern Gulf of Mexico closer to Florida?

A: I don't, because right now, the oil companies are sitting on thousands of undeveloped leases both on and offshore. … There are 7,000 leases are being held on public land in the lower 48 states that are not being explored or developed. We have to go for those areas that are already open for drilling before we open new areas where one oil spill could wreck an entire economy. …
Today is the second anniversary of the BP oil disaster. They are just learning all kinds of things about the contamination of the fisheries, the dying off of coral. There's going to be long-term impacts to the disaster that we haven't even begun to fathom. Even if there were no more impacts, we've already had $20 billion in damages from this disaster. The Florida Gulf Coast is a very economically fragile area, because its economy depends on a healthy Gulf. …

We have 20 percent of the world's oil demand, yet we have only 2 percent of the technically recoverable resources. It's a much better, more cost effective path to reduce demand and develop alternatives rather than try and drill our way to energy independence because we never can do that. That's a race you will never win.

Q: The industry says it's misleading to refer to undeveloped leases, because there's a long process from purchasing the leases for territory to producing oil from it.
A: If that's the case, why do they want leases in other place? Why don't they develop the ones they have?
Let me tell you what the Big Five oil companies are doing with their profits. Last year they made $137 billion [and] together they spent about 30 percent of that buying back their own stock. What does that do? That enriches their largest shareholders, their board members and their executives. Secondly, these five companies are holding $60 billion in cash reserves. They've got plenty of leases that they could begin developing now if they wanted to spend their money that way. … The Department of Interior looks at all phases of lease development. It includes whether there are any plans to develop them. The idea that they are part way through the process of developing leases doesn't hold water …

Q: Doesn't the figure that you cited on U.S. oil reserves understate the amount that's out there and hasn't been discovered or might be recoverable with new technology? Look at what's happened with natural gas production, for example.
A: You can count more in U.S. reserves if you want, but they aren't recoverable right now … One day we might have flying cars that can get 100 miles to the gallon, too … There's a big gap between what we have and what we know how to recover today. I don't think we should count on magic wand technology to recover it in the future when we don't know how to do it in an economically affordable way today.

Q: Aren't we counting on magic wand technology in our expectations for the use of solar and wind energy?
A: No. The price of solar and wind energy has only come down in the last 10 years. In fact, by the end of this decade, the price of solar power will probably be comparable to new coal power. New wind power today is economically comparable to new coal power. It's not comparable to older, dirtier coal plants. On the other hand, using oil shale as an example, we don't even know how to recover it in an economical way. We're a lot closer to making solar and wind power affordable than we are to being able to produce oil [from] shale out west. …