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Correcting the Record on Gasoline Prices

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CORRECTING THE RECORD ON GASOLINE PRICES

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According to the Energy Information Administration (EIA), U.S. crude oil production increased in 2011 to its highest level since 2003, while consumption of petroleum-based fuels fell.¹ As a result, the United States imported just 45% of the petroleum it consumed last year, the lowest level since the mid-1990s.² Despite this favorable balance of supply and demand domestically, U.S. gasoline consumers are paying high prices at the pump, largely due to steady demand in the developing world, the recovering global economy, and escalating tensions in Iran.³

Republicans in the House have been trying to use high gasoline prices to gain a political advantage. This fact sheet analyzes the claims made by Republican lawmakers and oil company executives and compares them to the facts.

MYTH: High gasoline prices are President Obama's fault.

Republican leadership is working overtime to blame President Obama for rising gasoline policies. But the price of oil—and therefore the price of gasoline—is set in a global market. No President can control the factors that drive oil price spikes in the global market, such as tensions in the Middle East and burgeoning demand in China and India. Paul Bledsoe, strategic adviser to the Bipartisan Policy Center and a former Clinton Administration official, said it is “preposterous” to believe that “a politician can wave a magic wand and impact the 90-million-barrel-a-day global oil market.”⁴

MYTH: President Obama's policies have doubled the price of gasoline.

Although gasoline prices doubled between President Obama's inauguration in January 2009 and March 12, 2012, this snapshot ignores the fact that gasoline cost more than \$4 per gallon during the summer of 2008. In the fall of 2008, gasoline prices plummeted along with the global economy, dropping to \$1.67 by the end of the year.⁵ As a result, President Obama inherited artificially low gasoline prices along with a depressed economy, making it dishonest to compare current gasoline prices with prices during a period of historically low demand.

MYTH: Drilling more in the United States will “signal” the global oil market and lower prices.

Jack Gerard of the American Petroleum Institute (API) testified that prices are rising in part because “there's no expectation in the marketplace that we are ever going to bring serious production to bear” and because “a lot of people believe that the United States won't take action” to drill for oil.⁶ API and others argue that drilling more in the United States will “send a message” to the global oil market that the United States is “serious” about its oil supply.⁷

According to several leading energy economists, these assertions have no basis in reality. John Parsons at MIT stated that these claims are “not remotely plausible” because drilling more will have “at best a miniscule impact” on gasoline prices.⁸ Oil industry expert Philip Verleger said that announcing more U.S. production would have “no impact – ZERO on the current price.”⁹ Jay Hakes, a former EIA Administrator, cited the “substantial time lag between the adoption of energy policies...and their impact on the market” to dismiss arguments that any president can have an immediate impact on gasoline prices.¹⁰

¹ EIA, *Crude Oil Production* (online at www.eia.gov/dnav/pet/pet_crd_crdpdn_adc_mbbldpd_a.htm); EIA, *Annual Energy Outlook 2012 Early Release*, Table 11: Liquid Fuels Supply and Disposition (Jan. 2012).

² EIA, *Annual Energy Outlook 2012 Early Release*, Table 11: Liquid Fuels Supply and Disposition (Jan. 2012).

³ EIA, *Déjà vu all over again?*, This Week In Petroleum (Mar. 7, 2012).

⁴ *Voters blame president for gas prices, experts say not so fast*, Washington Post (Mar. 12, 2012).

⁵ EIA, *Gasoline and Diesel Fuel Update, Weekly Retail Gasoline and Diesel Prices* (Mar. 12, 2012) (online at www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_w.htm).

⁶ Statement of Jack Gerard, American Petroleum Institute (API), Before the Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012).

⁷ Prepared testimony of Charlie Drevna, American Fuel & Petrochemical Manufacturers, and Jack Gerard, API, Before the Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012).

⁸ E-mail from John E. Parsons to Energy and Commerce Committee Minority Staff (Mar. 6, 2012).

⁹ E-mail from Philip K. Verleger, Jr. to Energy and Commerce Committee Minority Staff (Mar. 6, 2012).

¹⁰ *Voters blame president for gas prices, experts say not so fast*, Washington Post (Mar. 12, 2012).

Even if the United States produced as much oil as we consume, we would still have to pay the global market price for crude and would remain vulnerable to gasoline price spikes. Canada is a net exporter of petroleum,¹¹ but its prices are just as high as ours and fluctuate with the global market.

MYTH: President Obama has caused oil production on federal lands to fall.

Republicans have claimed that President Obama’s policies have caused oil production to fall on federal lands as production on private lands increased.¹² In 2011, offshore oil production in federal waters fell because of disruptions caused by the BP oil spill and industry’s delay in demonstrating an ability to prevent or respond to another catastrophic accident.¹³ Crude oil production on *onshore* federal lands actually increased in 2011.¹⁴ In fact, despite production delays caused by the BP oil spill, crude oil production on both offshore and onshore federal lands in 2011 was higher than in 2006, 2007, or 2008—the last three years of the Bush Administration.¹⁵

MYTH: President Bush’s decision to lift an offshore drilling moratorium in 2008 caused gasoline prices to fall.

API testified that President Bush’s July 2008 decision to lift a presidential moratorium on offshore drilling in certain areas caused the price of oil to fall and continue to drop.¹⁶ Republican members have repeated this assertion.¹⁷

In 2011, independent experts weighed in when a Fox News analyst made similar claims.¹⁸ Dr. Joseph Dukert, a senior associate at the Center for Strategic and International Studies, called this claim “nonsense,” noting that the recession was the primary factor in driving the prices down. He also said that suggesting that lifting the moratorium “caused the precipitous drop in global oil prices is akin to the rooster’s boast that his crowing brought the sun up.”¹⁹ Michael Canes, former chief economist at API, said that “most oil market experts believe that the rapid and sustained reduction in oil prices that began in 2008 and extended beyond occurred because the world economy began to slow down and ultimately to experience a deep recession. This is one way to reduce oil prices, but not a very attractive one.”²⁰

MYTH: President Obama has imposed a new offshore drilling moratorium.

Republicans have argued that President Obama has re-imposed the presidential moratorium lifted by President Bush in 2008.²¹

This is false. In November 2011, the Obama Administration released its five-year Outer Continental Shelf (OCS) leasing program for 2012-2017, making more than 75% of undiscovered technically recoverable oil and gas estimated on the OCS available for development and scheduling 15 potential lease sales.²² Given state opposition and other concerns, the five-year plan does not include new leases along the Pacific or Atlantic coasts or in the portions of the eastern Gulf of Mexico currently under a congressional moratorium. The President, however, has not issued a drilling moratorium in these areas or ruled out offering leases in these areas in the future.

MYTH: The Obama Administration’s new fuel economy standards won’t help consumers at the gasoline pump.

The best way to shield consumers from price spikes at the pump over the long-term is to make their cars and trucks go farther on a gallon of gasoline. The Obama Administration’s new fuel economy standards for model years 2012 to 2025

¹¹ EIA, *Country Analysis Briefs: Canada* (Apr. 2011).

¹² Committee on Energy and Commerce Republicans, *Powering the Future: The Truth About the President’s Energy Strategy—A Blueprint for Higher Prices* (Mar. 13, 2012) (press release).

¹³ In February 2011, the Interior Department responded to concerns about permit delays by saying “not a single operator has demonstrated in a permit application that it has access to and can deploy containment resources to deal with a deepwater blowout and spill.” *Interior hits back at oil industry over deepwater permits*, *The Hill* (Jan. 25, 2011).

¹⁴ EIA, *Sales of Fossil Fuels Produced from Federal and Indian Lands, FY 2003 through FY 2011* (Mar. 2012) at 3.

¹⁵ *Id.*

¹⁶ Statement of Jack Gerard, API, Before the Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012).

¹⁷ See, e.g., Statement of Rep. Cory Gardner, Subcommittee on Energy and Power, Committee on Energy and Commerce, *The FY2013 DOE Budget*, 112th Cong. (Mar. 8, 2012).

¹⁸ Media Matters for America, *Energy Experts Refute Eric Bolling’s Oil Price Fable* (Mar. 8, 2011) (online at <http://mediamatters.org/research/201103080015>).

¹⁹ *Id.*

²⁰ *Id.*

²¹ See, e.g., Statement of Chairman Fred Upton, Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012); Committee on Natural Resources, *Obama Administration Imposes Five-Year Drilling Ban on Majority of Offshore Areas* (Nov. 8, 2011) (press release).

²² U.S. Department of the Interior, Bureau of Ocean Energy Management, *Proposed Outer Continental Shelf Oil & Gas Leasing Program 2012-2017* (Nov. 2011) at ix, xiii-xiv.

will almost double the efficiency of the average vehicle to 54.5 miles per gallon, saving consumers \$1.7 trillion at the pump.²³ For the majority of consumers who finance the purchase of their vehicles, the savings at the pump will more than offset any increase in monthly payments due to the cost of vehicle technology that enhances efficiency.²⁴

MYTH: The Keystone XL pipeline will lower gasoline prices.

Some supporters of the TransCanada Keystone XL tar sands pipeline claim that it will lower oil and gasoline prices. In fact, Keystone XL will, if anything, raise gasoline prices. Many, including TransCanada itself, note that construction of the Keystone XL pipeline will allow Canadian oil companies to increase the price of crude oil that they currently sell for a discount in the Midwestern United States.²⁵ Testifying before the Energy and Commerce Committee, the petroleum refiners agreed, referring to Midwest oil prices as “discounted” and saying that “consumers in the midcontinent area have actually benefitted from this abundant crude supply, experiencing gasoline prices much lower than the national average in many states.”²⁶

MYTH: Ten federal agencies are planning to regulate hydraulic fracturing.

Hydraulic fracturing is used to help extract natural gas and oil from shale formations, such as the Bakken formation in North Dakota. API has claimed that “10 federal agencies are looking at new regulations that could needlessly restrict it.”²⁷ Republicans have repeated these assertions.²⁸

This is false. In a fact sheet supporting the 10-agency assertion, API lists numerous agencies that don’t even have legal authority to regulate hydraulic fracturing.²⁹ For example, API lists the Centers for Disease Control as one of the agencies considering new regulations. In fact, the basis for this claim was the suggestion by a single CDC scientist that more research is needed to understand the potential public health impacts of drilling.³⁰ API also lists NOAA, but NOAA scientists simply published an article about air emissions from drilling in a scientific journal.³¹ API even includes the State Department on the list, when in fact the Department is actually promoting shale gas drilling abroad to “further U.S. economic and commercial interests.”³²

MYTH: President Obama wants higher gasoline prices.

Republicans have accused President Obama of wanting to increase oil and gasoline prices.³³ The *Washington Post* fact-checked this statement—twice—and was unable to find a single instance in which the President Obama advocated higher gasoline prices.³⁴ As the President stated in response to a question from a Fox News reporter: “Just from a political perspective, do you think the President of the United States going into re-election wants gas prices to go up higher? Is there anybody here who thinks that makes a lot of sense?”³⁵ He stated categorically that he wants lower gasoline prices because high prices “hurt families” and slow the economy.³⁶

²³ The White House, *The Blueprint for a Secure Energy Future: Progress Report* (Mar. 2012) at 6.

²⁴ U.S. EPA, *EPA and NHTSA Propose to Extend the National Program to Reduce Greenhouse Gases and Improve Fuel Economy for Cars and Trucks* (Nov. 2011) (fact sheet) at 2; U.S. EPA, *EPA and NHTSA Finalize Historic National Program to Reduce Greenhouse Gases and Improve Fuel Economy for Cars and Trucks* (Apr. 2010) at 3.

²⁵ TransCanada Keystone Pipeline Group Ltd., *Keystone XL Pipeline Section 52 Application, Section 3: Supply and Markets* at 7; IHS CERA, *The Role of the Canadian Tar Sands in the U.S. Market*, 6 (June 2011) (online at: <http://a1024.g.akamai.net/f/1024/13859/1d/ihsgroup.download.akamai.com/13859/ihs/cera/The-Role-of-the-Canadian-Oils-Sands-in-the-US-Market.pdf>).

²⁶ Testimony of Charlie Drevna, American Fuel & Petrochemical Manufacturers, Before the Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012).

²⁷ Testimony of Jack Gerard, API, Before the Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012).

²⁸ See, e.g., Statement of Rep. John Sullivan, Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012) (saying “this Administration has 10 different federal agencies considering ways to over-regulate hydraulic fracturing”).

²⁹ API fact sheet (online at www.api.org/~media/Files/News/2012/12-March/Federal-Agency-Activities-Hydraulic-Fracturing.ashx).

³⁰ CDC official: *More study of gas drilling’s health effects needed*, The Hill (Jan. 5, 2012).

³¹ G. Petron et al, *Hydrocarbon emissions characterization in the Colorado Front Range: A pilot study*, *Journal of Geophysical Research* (2012).

³² U.S. Department of State, *Global Shale Gas Initiative* (online at www.state.gov/s/ciea/gsgi/).

³³ See, e.g., Statements of Rep. John Shimkus and Rep. Steve Scalise, Subcommittee on Energy and Power, Committee on Energy and Commerce, *American Energy Initiative: A Focus on Rising Gasoline Prices*, 112th Cong. (Mar. 7, 2012).

³⁴ *The claim that won’t die: Did Obama want higher gas prices?*, *Washington Post* (Mar. 13, 2012).

³⁵ *Highlights from Obama’s Press Conference*, *National Journal* (Mar. 6, 2012) (online at <http://www.nationaljournal.com/whitehouse/highlights-from-obama-s-press-conference-20120306>).

³⁶ *Id.*