

Mr. Sensenbrenner's Opening Statement for Select Committee on Energy Independence and Global Warming hearing: "Economics of Dependence on Foreign Oil – Rising Gasoline Prices."

May 9, 2007

Contrary to popular belief, this select committee is not just about global warming. Energy independence is also in this panel's title, and I'm pleased that today we'll be talking about America's dependence on foreign oil. Nowhere do Americans feel our country's reliance on foreign oil more than when filling up at the pump.

Everyone who drives knows that the cost of gas has been rising. While some of us have almost become used to gasoline price fluctuations, most of us will never get used to the consequences of high gas prices.

Some of the reasons for these fluctuations are straight from the Economics 101 textbook. Demand for oil is rising around the world and cartels like OPEC, which enforce production controls, aren't doing much to help keep costs down. Geopolitical uncertainty is also doing its part to keep the value of a barrel of oil high.

If American drivers are going to see gas prices drop, we need to break our country's dependency on foreign oil, but we also need to break Washington's dependency on taxes and regulation. Lowering the cost of gas is about freeing drivers from regulations that keep prices high and about reducing dependency on foreign oil.

When crude oil gets to U.S. shores, it must be processed into gasoline at domestic refineries. Today, the U.S. has the ability to refine about 17 million barrels of oil a day into gasoline. Unfortunately, average U.S. demand for gasoline is 21 million barrels a day. This gap is often met by importing gasoline that has been refined in other countries, further expanding our reliance on foreign sources of energy.

The residents of my district, which is the area surrounding Milwaukee, often experience the hidden fee caused by limited refinery capacity. While the national average for gasoline was recently reported to be \$3.07, the

Milwaukee Journal Sentinel reported Tuesday that my constituents are paying \$3.28 a gallon. Why so high? Scheduled maintenance, a power failure and even a fire have caused reduced capacity at the refineries in Indiana and Minnesota that supply the Milwaukee area.

Dr. Felmy, of API, says the industry is working to increase refinery capacity. That's good. However, I also note that it's been 30 years since a new gasoline refinery has been built in the U.S. An expensive and cumbersome permitting process has contributed to this trend. Republicans last year tried to streamline this process in a way that will continue to protect the environment, but unfortunately, we met too much opposition along the way.

As we will hear from the panelists today, higher gas prices are felt in nearly every corner of the economy, from farmers to small businesses to school bus operators.

Mr. Michael Mitternacht says in his testimony that gas prices are “wreaking havoc” on America's small businesses. Mr. Mitternacht also rightly notes that onerous government regulations hit small businesses very hard.

As Congress looks for ways to address both global warming and energy independence issues, I am worried that the cure may be worse than the cough. The most recent report from the U.N.'s Intergovernmental Panel on Climate Change includes a proposal for a tax of \$100 for each ton of carbon dioxide released into the atmosphere. *The Washington Post* reported that proposal could result in drivers paying up to a dollar more for each gallon of gas they pump.

The testimony we'll hear today shows that \$4 a gallon gas would be a blow to the economy.

Fortunately, Mr. Mitternacht also has many positive ideas on how to address these problems. He says that any government energy policy must focus on new technology, should use the power of markets and protect American jobs. I agree.

I will add that any energy or environmental policy proposals must also produce tangible environmental improvements and include international participation from countries like India and China.

I'm pleased this panel is talking about energy independence. Let's hope today's discussion helps us find ways to free American drivers from both foreign oil and government regulators.