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Testimony on “Effect of the President’s FY 2013 Budget and Legislative Proposals for the Bureau of Ocean Energy Management, or BOEM, and Bureau of Safety and Environmental Enforcement, BSEE, on Private Sector Job Creation, Domestic Energy Production, Safety and Deficit Reduction”

U.S. House of Representatives
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
Hon. Doug Lamborn, Chair
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Chairman Lamborn, Ranking Member Holt, and members of the committee, thank you for the opportunity to provide testimony on this critical topic. My name is Michael Conathan and I am the Director of Ocean Policy at the Center for American Progress Action Fund. CAP Action's ocean program focuses on supporting science-based policies and finding solutions that balance the socioeconomic and environmental needs of Americans and our ocean and coastal space.

We cannot start a conversation about the budgets and legislative proposals for the Bureau of Ocean Energy Management, or BOEM, and Bureau of Safety and Environmental Enforcement, or BSEE, without acknowledging that these two agencies were formed in the aftermath of the tragic 2010 BP Deepwater Horizon oil spill that claimed the lives of 11 men, and over the course of three months spewed nearly 5 million barrels of oil into the Gulf of Mexico.

This disaster changed the conversation about offshore oil and gas production and must inform the policies we create to manage future offshore drilling operations. As we exhaust oil and gas resources that are easier to access, be they in shallow water or on land, we will by necessity have to turn to operations that require cutting-edge technology and a greater investment of resources. In so doing, we must ensure the complications and dangers inherent in such activities are addressed and minimized.

At the same time, rising gas prices are pinching Americans’ wallets and threatening our fragile economic recovery. At this critical juncture, we must not recklessly pursue policies that promise the false hope of lowering the price at the pump but instead put at risk the economic benefits we receive from healthy oceans and coasts.

Last month, during a key address on energy and gas prices, President Barack Obama said “there is no silver bullet” that will solve our energy problem. He further suggested anyone who pitches the idea that drilling alone will lower gas prices “doesn’t know what they’re talking about or just isn’t telling you the truth.”¹

President Obama’s statement echoed remarks made in 2008 by then-President George W. Bush, who said that “if there was a magic wand to wave, I’d be waving it” to lower prices.² Simply put, more oil and gas drilling is not the solution to the problem of high gas prices. And as we all saw with great alacrity in 2010, the oil we produce is becoming more and more difficult to access, whether it’s in deep water in the Gulf of Mexico, compacted in shale formations, or in the depths of the frigid, remote, and stormy Arctic Ocean. As the cost of oil increases, companies have greater motivation to take increasing risks to extract this valuable resource. It is the fundamental role of government to ensure that such activities are managed responsibly, efficiently, and effectively.

It is also government’s responsibility to pave the way for innovative methods of energy generation, particularly sources that have been proven successful in other parts of the world. Such is the case with offshore wind.

The offshore regulatory reforms and new priorities established under the direction of Secretary of the Interior Ken Salazar have begun moving us in the right direction to achieve the goals of safer offshore oil and gas production, and installation of offshore wind farms that can take advantage of the massive, free, renewable resource lying within striking distance of our shores. Splitting the regulatory function of Minerals Management Service, or MMS, into separate entities dealing with revenue collection, permitting, and enforcement, respectively, is a major step toward ending the era of rubber stamp approvals that defined the MMS and led to the approval of Gulf of Mexico response plans that included contingencies to protect walrus and other Arctic species, and listed a deceased scientist as an emergency contact person.

The priorities established in the budget requests for fiscal year 2013 show recognition of the need to get a better handle on oil- and gas-extraction activities on the Outer Continental Shelf, or OCS, while simultaneously allowing government inspectors and monitors to become smarter and more efficient. Examples like BSEE’s investment in developing electronic-monitoring capabilities will allow regulators to do more with less as they expand oversight to ensure adequate inspection of rigs and facilities and keep a closer watch on particularly risky drilling activity.

While the Obama administration has taken strides to improve the safety of offshore drilling, Congress has failed to keep pace, not passing a single piece of legislation since the BP oil catastrophe occurred. Particularly galling is the failure of the legislative body to raise liability limits for economic damages from offshore oil spills. Currently the cap remains an embarrassingly low \$75 million, less than one half of 1 percent of the \$13.8 billion BP has

already paid out in claims or agreed to pay under the terms of the settlement announced last Friday.

Put another way, in 2011 the big five oil companies earned \$137 billion in profits. Thus \$75 million represents about five hours of profits for these corporate behemoths. If the goal of liability is to incentivize companies to follow safe operating procedures, this level of punishment is simply insufficient.

Future decisions about offshore drilling must also account for the fact that our oceans are huge economic drivers in their own right, as tourism and recreation destinations, the source of commercial and recreational fishing, highways for trade and commerce, and for the immeasurable natural benefits they provide, beginning with the very air we breathe. Eighty percent of the planet's oxygen—four out of every five breaths we take—is generated in our oceans. Our coastal regions are buffers to storm surges, filters for pollution, and sinks for our carbon emissions that would otherwise dramatically accelerate global climate change. We must ensure that these natural resources are protected, not just for their intrinsic value, but for their economic benefits as well.

Despite these challenges, the reality is that oil and natural gas will necessarily remain a significant part of our energy mix and we must continue to produce these resources domestically. Simultaneously, we must pursue every viable opportunity to diversify our energy mix. On the Outer Continental Shelf, this means offshore wind.

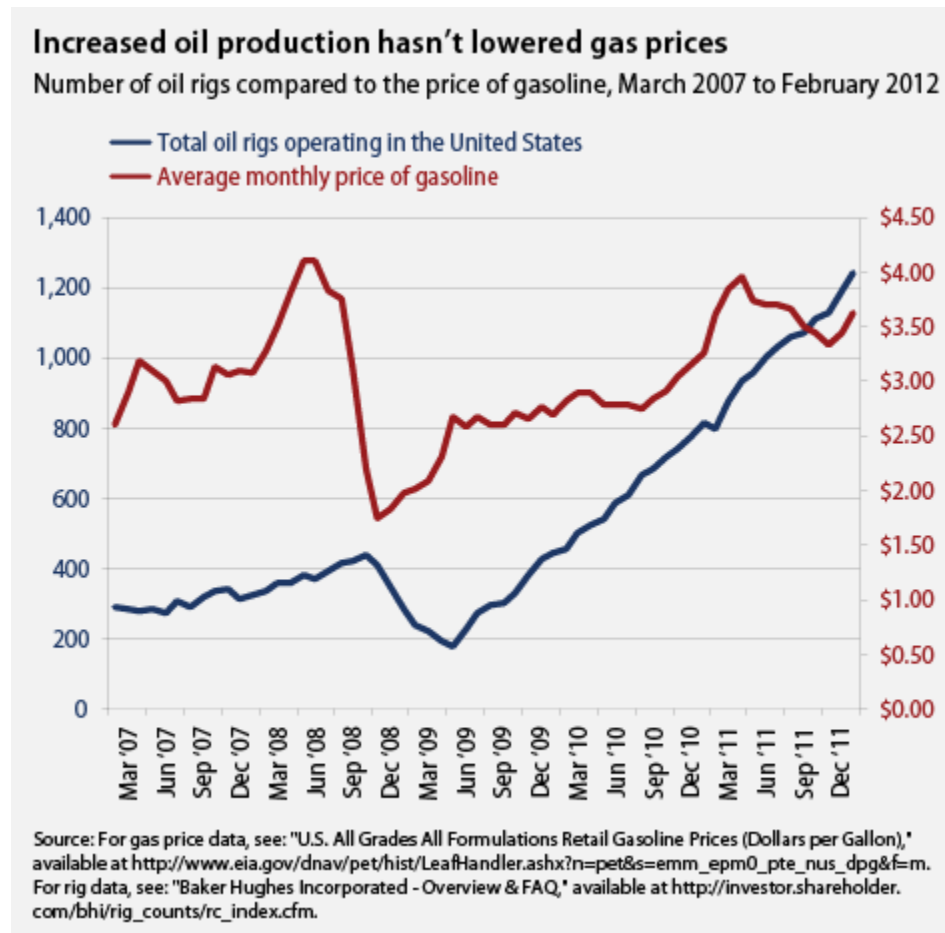
The United States continues to fall further and further behind the rest of the world when it comes to generating energy from offshore wind. Currently there are approximately 4,000 megawatts, or MW, of offshore wind generation capacity installed in Europe and Asia, and an additional 40,000 MW either under construction or permitted. In the United States, we have given the green light to just one offshore wind project—Cape Wind, a 488 MW project off the coast of Massachusetts, which has yet to begin construction. The Obama administration's "Smart from the Start" program seeks to change this, and the administration deserves praise for prioritizing this proven, commercial-scale source of clean, renewable energy which also happens to lie in direct proximity to one of America's largest electricity load centers.

Meanwhile, as America emerges from the recent recession, high oil and gas prices continue to slow economic recovery and pinch household and small-business budgets.

American oil production is up, and our domestic oil use is down. Yet the price of gasoline continues to spike. This makes it clear that we must find new solutions. These will not be quick fixes, but over the long term they will pay significant dividends in the form of economic development and cementing America's place as the global leader in innovation.

Expanded domestic oil production, declining domestic use

If increasing oil drilling lowered gas prices, we would know it already. When President Obama took office in 2009, there were fewer than 400 drilling rigs operating in the United States, a number that dwindled to fewer than 200 by April 2009. Since then, even as his administration conducted a wholesale review of drilling regulations in the aftermath of the worst offshore oil spill in the nation’s history, the number of oil rigs operating in the United States has quadrupled.³ *The Houston Chronicle* reported “including those in natural gas fields, the United States now has more rigs at work than the entire rest of the world.”⁴ And yet, gas prices continue to spike.



The reality is that more drilling will not lower gas prices. Here’s why:

- There are currently more oil rigs operating on U.S. lands and waters than in the rest of the world combined, production is at an eight-year high, and the most recent “Short-Term Energy Outlook” from the Energy Information Administration projects production to continue growing at least through 2013 based on current activity.⁵ By the end of President Obama’s recently issued five-year drilling plan, fully 75 percent of our undiscovered, technically recoverable offshore reserves will be open to drilling. All that additional activity hasn’t stemmed the recent gas price spike.

- The price of oil is set on a global market, subject to myriad price pressures—including turmoil in the Persian Gulf and threats by Iran to close the Straits of Hormuz—dramatically increasing long-term demand in emerging markets like China and India, and the role oil speculators play as they attempt to predict how these factors will influence market prices.
- If oil companies wanted to increase production, they could. In March 2011 the Department of the Interior released a report revealing two-thirds of oil-and-gas companies' offshore leases and more than half of their onshore leases are not being produced.⁶
- According to the Energy Information Administration, even if we wave the green flag for our entire exclusive economic zone, it will do nothing more than reduce the cost of gasoline by two cents, and not until 2030.⁷
- Ultimately, gasoline supply is constrained not by oil production but by refining capacity. More than half of the nation's refineries are controlled by five companies, and last spring, as gas prices surged close to \$4 per gallon, *The Los Angeles Times* reported domestic refineries were "operating at about 81 percent of their production capacity," thus leaving 19 percent of our capacity untapped. Further, exports of refined products such as gasoline were increasing because foreign buyers were "willing to pay a premium."⁸ On March 4, 2012, the price of a gallon of gas in the United Kingdom was \$8.06, and in Italy it was \$8.17.⁹
- While overall, global demand is increasing dramatically as China and India put more vehicles on the road, in the last quarter of 2011, global oil production increased by 1.3 million barrels per day, while global demand only increased by 700,000 barrels per day. Yet the price of Texas light sweet crude spiked 12 percent.¹⁰

Still, as domestic production booms, our dependence on foreign sources of oil is declining. In 2010 the United States produced a majority of the oil it used for the first time since the Clinton administration.¹¹ In 2011 the United States produced the most crude oil since 2003, growing by 110,000 barrels per day compared to 2010—a 2 percent rise in a single year.¹²

The decline in imports is more broadly indicative of the fact that on the whole, we are using less oil. In 2011 the United States consumed an average of 18.8 million barrels per day.¹³ This is the second lowest consumption level since 1997.¹⁴ Over the month ending on February 3, 2012, we registered the lowest average gasoline consumption in 11 years—since February 2001.¹⁵ This gasoline consumption is considerably lower than the period from May through July 2008 when gasoline prices rose to a record nationwide average of \$4.11 per gallon.

So domestic drilling has increased, imports of foreign oil have decreased, and our overall usage of oil has decreased, but still, the price of gasoline has continued to spike. There is simply no way to make the case that increasing offshore oil drilling—including opening the Atlantic and

Pacific Outer Continental Shelves—will exert significant downward pressure on the price of gasoline at the pump.

Healthy oceans as an economic driver

Drilling proponents are quick to tout the economic benefits of offshore oil and gas exploration, but we must balance these potential benefits with their affiliated costs. Too often, industrial activity in our oceans suffers from an “out of sight, out of mind” mentality. If we don’t see it, it must not be having a negative effect. We all saw in stark detail the negative effects of the Deepwater Horizon disaster in the spring and into the summer of 2010. And Gulf Coast industries are still feeling the fallout from that lost season.

Healthy oceans and coasts provide massive economic benefits in their own right, which can all be compromised by ill-planned fossil fuel development. The World Economic Forum, an independent, international economic body, says the “natural capital” of the oceans contributes \$70 trillion to the global gross domestic product. The organization pegs the value of services provided by our ocean ecosystems, including producing 80 percent of our oxygen, serving as buffers to storm surge, and as pollution filters, at \$38 trillion.¹⁶

Domestically, the ocean economy is also a tremendous economic driver. In Florida, for example, a report prepared by the National Ocean Economics Program for Florida’s Ocean and Coastal Council showed that tourism, recreation, and fishing contributed \$18.9 billion to the state’s GDP in 2005. In addition to the benefits the entire nation will reap from implementation of the nine priority objectives in the National Ocean Policy, Florida’s coast is particularly vulnerable to sea level rise as a result of global climate change, and its reefs are at significant risk from ocean warming and acidification.¹⁷ Likewise, a 2011 report from the bipartisan Joint Ocean Commission Initiative found that in California, as of 2007, more than 85 percent of gross domestic product and nearly 12 million jobs came from economic activity in these coastal estuarine areas.¹⁸

Accounting for the inherent value of oceans and coasts as well as the potential economic contributions from multiple segments of the economy—not just energy use—will ensure Americans gain the economic and environmental benefits from our oceans and coasts today and into the future.

Regulatory improvements, legislative stalemate

The Obama administration has implemented critical regulatory reforms in the offshore drilling process. It split the former Minerals Management Service into three distinct agencies, including BOEM and BSEE; invested in development of electronic-monitoring capacity to reduce the need for on-site inspections; and actually required regulators read applications for operations and response plans to ensure the species covered in the documentation are actually indigenous to region in which the drilling activity will occur.

While opponents of these measures decry these enhancements as “slow-walking” permits and imposing a “de facto moratorium,” the reality is that these are commonsense measures designed to prevent a repeat of one of the largest environmental disasters in our nation’s history.

Congress must take action to address this glaring deficiency. For while BP has voluntarily opted not to adhere to the \$75 million liability cap, there is no guarantee the next drilling operator will do the same. Liability, in this case, serves as a motivator of responsibility. If drilling companies know their liability will be capped at \$75 million, they have no incentive to invest in higher degrees of safety and ensure a spill does not occur. To put this in perspective, in 2011, the big five oil companies (BP, Shell, ExxonMobil, Chevron, and ConocoPhillips) earned \$137 billion in profits. Therefore, \$75 million represents approximately five hours of profits for Big Oil. This is nowhere close to a sufficient economic motivator of good behavior.

Meanwhile, unresolved issues still remain from the Deepwater Horizon disaster. Nearly two full years after the accident that started the spill, Congress has yet to pass a single piece of legislation changing the oil industry’s culture of complacency. Perhaps most troubling is that the liability limit for long-term effects on natural resources and the economy from an offshore oil spill remains an embarrassingly low \$75 million. This is barely one half of 1 percent of the \$7.8 billion settlement BP reached with a group of private and individuals and business claimants seeking remuneration from harms caused by the spill plus the more than \$6 billion the oil giant has already paid out.

In addition, there are technological lessons from Deepwater Horizon that appear not to have been learned by the industry. A 2011 study from the National Research Council and the National Academy of Engineering found that the oil industry and the federal government have a “misplaced trust” in the functionality of blowout preventers, designed to seal an oil well in the event of an emergency. Since their invention in 1922, “the evolution of this expensive and long-lived piece of equipment appears to have been limited,” and was neither designed nor tested for the conditions that likely occurred at the time of the BP blowout.¹⁹

These issues will become particularly relevant as we look to expand our oil production to one of our least studied and most remote and pristine regions—the Beaufort and Chukchi Seas off the north slope of Alaska.

Drilling in the Arctic

In addition to conventional outer continental shelf drilling, the Obama administration’s most recently proposed five-year drilling plan released in November also includes plans to open areas of the Arctic Ocean to drilling.²⁰ After spending more than five years and \$4 billion on the process, the Royal Dutch Shell Group is on the cusp of receiving the green light to begin exploratory drilling in Alaska’s Beaufort and Chukchi Seas next summer. Shell has applied to drill exploratory wells in shallow water rather than establish deep-water oil and gas production,

so the risk of a catastrophic spill is far lower than in operations like Deepwater Horizon. Still, fundamental characteristics of the vastly unexplored and uninhabited Arctic region may increase the likelihood of a spill and will certainly hamper emergency-response capability.

The decision to move forward with drilling in some of the most extreme conditions on Earth has deeply divided Alaska Native communities, drawn stark criticism from environmental groups, and caused other federal agencies such as the U.S. Coast Guard and the National Oceanic and Atmospheric Administration, or NOAA, to raise concerns about the glaring absence of sound science in the region. This is highlighted in a recent letter to the Obama administration, signed by nearly 600 scientists from around the world, calling on the president and Secretary of the Interior Ken Salazar to follow through on their commitment to science and enact recommendations made by the U.S. Geological Survey before approving any drilling activity in the Arctic.²¹ In addition to the lack of a scientific foundation, the Arctic has inadequate infrastructure to deal with an oil spill, and response technologies in such extreme environmental conditions remain untested.²²

The resources and existing infrastructure that facilitated a grand-scale response to the BP disaster differ immensely from what could be brought to bear in a similar situation off Alaska's North Slope. Even the well-developed infrastructure and abundance of trained personnel in the Gulf of Mexico didn't prevent the BP disaster. Our Arctic response capabilities pale by comparison.

There are no U.S. Coast Guard stations north of the Arctic Circle, and we currently operate just one functional icebreaking vessel. Alaska's tiny ports and airports are incapable of supporting an extensive and sustained airlift effort. The region even lacks such basics as paved roads and railroads. This dearth of infrastructure would severely hamper the ability to transport the supplies and personnel required for any large-scale emergency-response effort. Furthermore, the extreme and unpredictable weather conditions complicate transportation, preparedness, and cleanup of spilled oil to an even greater degree.

Oil spill response capacity in the Arctic and Gulf of Mexico

Resources within 500 miles of BP spill site and Shell's proposed Arctic exploration

Legend

- Staging Area
- ▣ Coast Guard Facility
- + Airport (Runway > 8k Ft)
- + Airport (Runway > 5k Ft)
- Major Port
- Railroad
- Major Road
- ▲ Drilling Site



Sources: Center for American Progress, ESRI, Army Corp of Engineers 2011, NTAD 2011, Alaska DOT
 Staging areas were located by the Center for American Progress. Coast Guard Facilities were selected from a 2011 Army Corp of Engineers ports dataset located within the National Transportation Atlas Database (NTAD). Airport runways over 8,000 feet can land a Military C-130 in any condition while 5,000 foot runways can land in good weather. Runway length is available from the Federal Aviation Administration dataset in the NTAD. Major ports are those with over 633 million tons and gathered from the Army Corp of Engineers.



Drilling for oil in this fragile region should not be pursued without adequate safeguards in place. If we've learned anything from the Deepwater Horizon tragedy, it's that the importance of preparedness cannot be overstated. That is why the Center for American Progress issued a report earlier this year, which strongly recommended specific actions be taken by the federal government, Congress, and Shell and other companies before beginning exploratory drilling in the Arctic.²³

In issuing approval of Shell's spill response plan, BOEM took some of the necessary measures that will reduce the likelihood of a spill in the Arctic, including shortening the drilling season by requiring Shell to prove the capacity and functionality of its "capping stack," a piece of equipment designed to cover a blown-out well and collect any spilled oil; and by reducing the approved drilling season by 38 days, to just 67 days total, in order to reduce the chances of a late-season spill lasting until the drilling site ices over.

Still, before oil and gas production moves forward in the region, certain additional conditions should be met, specifically:

For Shell:

- Develop a credible worst-case scenario—have a well-designed and vetted emergency plan in place that includes proof of the ability to respond to a worst-case blowout/oil spill.
- Demonstrate that a blowout can be contained, including the required installation of redundant emergency shutoff systems.
- Ensure adequate response capabilities are in place before drilling operations commence.

For the federal government:

- Require and oversee oil-spill response drills in the Arctic that prove the assertions made in company drilling plans prior to plan approval.
- Improve weather and ocean-prediction and monitoring capabilities to ensure a safe and effective oil-spill response.
- Engage other Arctic nations in developing an international oil-spill response agreement that includes an Arctic Ocean drilling-management plan.

For Congress:

- Appropriate adequate funds for the Coast Guard to carry out its mission in the Arctic, including increasing our icebreaking capability.
- Significantly increase the liability cap, currently \$75 million, for oil companies in violation of drilling-safety rules.

- Appropriate additional funds for NOAA research and development to increase oil-spill response capacity in the Arctic.

Until the oil and gas industry and its federal partners meet these recommendations and demonstrate the ability to immediately and comprehensively respond to a blowout or oil spill, the Arctic region of the United States should remain off-limits to exploration and drilling. Instead, we must prioritize development of a domestic energy source that is clean, renewable, and attainable through proven, commercially scalable technology.

Offshore wind energy development

The East Coast of the United States, from the Mid-Atlantic region north through New England, possesses some of the world's most favorable environmental conditions to tap into a massive renewable energy resource: offshore wind. According to a 2010 report by the National Renewable Energy Laboratory, the United States has more than 4,000 GW of potential offshore wind electrical-generation capacity—approximately four times the current energy needs of the entire country.²⁴

With a stronger commitment from Congress, we could advance projects that simultaneously reduce greenhouse gas emissions, lower our dependence on foreign oil, and create jobs and industrial innovation throughout the Atlantic seaboard, into the Gulf of Mexico, and even in the Great Lakes. Despite an excellent wind resource in some areas, offshore wind development on the West Coast is not feasible with existing technology because the water is typically too deep.

Thanks to the Obama administration, the U.S. offshore wind industry made great strides in 2011. The Cape Wind project proposed for the waters off Massachusetts received its final permits from the Department of the Interior, theoretically paving the way to begin construction on America's first offshore wind farm. The administration advanced its "Smart from the Start" initiative, designating wind energy areas off the coasts of five Atlantic Coast states, and it is actively pursuing leases with potential developers. And projects in state waters off New Jersey, Texas, and Ohio took important steps and cleared hurdles in the planning and permitting stages.

Meanwhile, developers in the United Kingdom, Denmark, Germany, Spain, France, Norway, China, South Korea, and other countries are proving that offshore wind is a viable economic model. They have permitted more than 40,000 MW of offshore wind energy capacity.²⁵ The United States has only issued permits for 488 MW.

Nations embracing wind energy

Current offshore wind capacity in megawatts, Europe, China, and the United States

Offshore wind capacity in megawatts (MW)	Europe (United Kingdom, Denmark, The Netherlands, Belgium, Germany, Sweden, Ireland, Finland, Norway) ¹	China	United States
Installed	2,946	102 ²	0
Under construction	3,000	2,300 ³	0
Permitted	19,000	13,600 ⁴	488 ⁵
Total	24,946 MW	16,002 MW	488 MW

Note: One megawatt roughly equates to the amount of electricity needed to power 300 American homes.

Sources: European Wind Energy Association (1), ChinaDaily.com (2,3), Azure International (4).

Not only does this delay reduction in greenhouse gas emissions and our transition to renewable energy sources, but it also prevents American innovators from taking advantage of the design, manufacturing, and construction jobs that go along with it. In Europe developers expect to create 169,000 jobs by 2020 and 300,000 by 2030.²⁶

According to a nationwide survey conducted by the Civil Society Institute, about 7 in 10 Americans (71 percent) favor “a shift of federal support for energy away from nuclear and towards clean renewable energy such as wind and solar.”²⁷

Support has also proven to be strong among coastal residents. Their opinions are critical because these wind farms will effectively be built in their backyards. And recently, poll after poll has shown that coastal residents are highly supportive of offshore wind energy.

- Seventy-eight percent of all New Jersey voters and 77 percent of the state’s shore residents surveyed support the development of wind power 12 to 15 miles off their coast.²⁸
- Statewide support for offshore wind in Delaware is 77.8 percent, compared with an opposition of only 4.2 percent.²⁹
- In Maryland *The Baltimore Sun* reported in October 2011 that 62 percent of Marylanders favor wind-turbine construction off the coast of Ocean City and would be willing to pay up to \$2 more per month on electricity bills.³⁰
- And in Massachusetts, home of Cape Wind, a 2010 poll showed 69 percent of respondents supported Cape Wind, with only 20 percent opposed.³¹

In April 2009 Secretary of the Interior Ken Salazar said of offshore wind, “It is not technology that is pie-in-the-sky. It is here, and it is now.” He is half right. It is certainly available now. Europe and China have proven that. Unfortunately, it still isn’t here in the United States. In order

to make offshore wind a reality, Congress must act to give the industry tax breaks akin to what many new startup technologies receive. Akin to what the oil and gas industry received in its infancy, and in fact akin to the tax breaks oil and gas producers still receive today despite generating record profits.

The production tax credit

Currently, offshore wind projects are eligible for the production tax credit. This is a credit based on how much electricity a wind turbine generates, and is currently worth 2.2 cents per kilowatt-hour. Unfortunately, this credit expires at the end of 2012, and a long-term extension of the credit is uncertain. The Center for American Progress has called on Congress to extend the credit for four more years, which will provide needed policy certainty for investors in wind projects.³²

The investment tax credit

While the offshore wind industry would clearly benefit from a production tax credit extension, other incentives may be more useful for such projects. For onshore wind projects—with relatively predictable performance over the life of the project—the production tax credit is very valuable. For offshore wind, however, the credit is less valuable to the project developer. Because offshore wind turbines are relatively new technology and are deployed in environments that have never been used for energy generation, developers can't predict how much power a turbine will generate as accurately as they can with onshore wind. Thus, developers aren't as certain about how big their tax credits will be, which affects the profitability of the project.

Congress could fix this problem by making offshore wind eligible for the investment tax credit. Instead of getting a tax credit as power is generated, the investment tax credit would allow offshore wind developers to get an upfront credit for 30 percent of their initial investment, encouraging more to invest. This is much more useful for technologies with more performance uncertainty—like offshore wind—and would be a smart example of matching the tax code to the unique circumstances facing innovative industries.

Long-term energy solutions

Conservatives like Republican presidential candidate and former Speaker of the House Newt Gingrich are reverting back to the same old “drill, baby, drill” messaging, insisting the only solution to high gas prices is more domestic production. His stated goal is to give the American people the “freedom to drive any car they want.”³³

I suggest we think bigger. Rather than focusing on how to keep Americans in the grip of the oil and gasoline industry, we should be pursuing ways to give ourselves true freedom and real choices. Not about what kind of car to drive, but about how we want to fuel our transportation.

There's no doubt high gas prices harm economic recovery and growth and we must do what we can in the immediate future to help ease the burden on families and small businesses that are the economic engines of our country. But it's clear that reliance on increasing supply of one commodity, oil, is not going to get the job done. We must look to diversify our sources of energy while also reducing demand. This is a large part of President Obama's answer to high gas prices.

Under the Obama administration the United States has put in place new fuel-economy standards that will require cars sold in this country to average 55 miles per gallon by 2025. That helps answer the demand side of the equation. The administration is also incentivizing the development of renewable sources of energy that will reduce our dependence on fossil fuels. Similarly, we are investing in alternative, domestically produced liquid fuels that may prove capable of supplementing or even replacing traditional gasoline to reduce prices at the pump specifically.

Electricity can be an integral part of our transition away from oil, and will have the added benefit of dramatically reducing greenhouse gas emissions, as electricity generation from natural gas or renewable sources is far cleaner than burning gasoline. While some conservatives have been quick to suggest recent problems with Chevrolet's Volt mean electric vehicles are not ready for prime time, the National Highway Traffic Safety Administration has found that Volts do not "pose a greater risk of fire than gasoline powered vehicles."³⁴ While sales of electric vehicles have yet to meet manufacturers' expectations, as gas prices are likely to remain high, the economic benefits of "filling your tank" for \$1 per gallon equivalent of electricity rather than \$4 or even \$5 per gallon of gasoline will become more readily apparent to the American people. Electric vehicles make economic sense and they will ultimately catch on.

Conclusion

As the American economy begins to emerge from its recession doldrums, we must do everything we can to prevent obstacles like high gasoline prices from saddling the recovery with an additional burden. Simultaneously, we must recognize our limitations, and not put our long-term economic future at risk by chasing false promises that unfettered access to the proven oil and gas reserves we do possess will be that silver bullet or magic wand that brings the price of gasoline back down to \$2.50 per gallon.

The cost of that strategy is too great and the payoff simply isn't there. There will inevitably be accidents that will come as a result of poorly regulated and increasingly complex and risky drilling operations. Tourism and other powerful ocean economic drivers will be compromised. And we will be throwing money at resources that hasten the effects of global climate change, already threatening the very vitality of our planet.

And the result? According to the Energy Information Administration, we would see a two-cent reduction in the price of gasoline at the pump 18 years in the future.

The Obama administration is already moving forward at a responsible pace, allowing drilling to advance only when it can be proven safe. But we can and we must pursue alternative sources of energy. Staying the course as a country that relies on yesterday's technology to drive tomorrow's economy is not the answer to our economic woes and will not meet our long-term energy needs.

Mr. Chairman, Ranking Member Holt, and members of the committee, I thank you once again for the opportunity to testify, and I look forward to answering any questions you may have.

¹ President Barack Obama, Remarks at the University of Miami, February 23, 2012, available at <http://www.whitehouse.gov/the-press-office/2012/02/23/remarks-president-energy>.

² Jeremy Pelofsky and Chris Baltimore, "Bush says no magic wand to lower gas prices," Reuters, April 29, 2008, available at <http://www.reuters.com/article/2008/04/29/us-bush-gasoline-idUSN2934908020080429>.

³ Simone Sebastian, "US oil gusher blows out predictions," Chron.com, available at <http://www.chron.com/business/article/U-S-oil-gusher-blows-out-projections-3341919.php>.

⁴ Ibid.

⁵ Energy Information Administration, "Petroleum & Other Liquids" (2011), available at <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPUS1&f=A>.

⁶ U.S. Department of the Interior, "Oil and Gas Lease Utilization," Press release, March 29, 2011, available at <http://www.doi.gov/news/pressreleases/DOI-Releases-Report-on-Unused-Oil-and-Gas-Leases.cfm>.

⁷ Energy Information Administration, "Impact of Limitations on Access to Oil and Gas Reserves on the Outer Continental Shelf" (2009), available at http://www.eia.gov/oiaf/aeo/otheranalysis/aeo_2009analysispapers/aongr.html.

⁸ Ronald White, "Oil Companies Are Making More Money and Less Fuel," *The Los Angeles Times*, April 28, 2011, available at <http://articles.latimes.com/2011/apr/28/business/la-fi-oil-refineries-20110429>.

⁹ Brian Swint, "Record Gasoline Grips Europe While California Faces \$4 a Gallon," Bloomberg.com, March 4, 2011, available at <http://www.bloomberg.com/news/2011-03-04/record-gasoline-grips-europe-while-california-faces-4-a-gallon.html>.

¹⁰ Letter from Sen. Bernie Sanders (I-VT) and 69 bicameral colleagues to the Commodity Futures Trading Commission, March 5, 2012, available at <http://www.sanders.senate.gov/imo/media/doc/030512-CFTCSignedLetter.pdf>.

¹¹ "Net Imports and Domestic Petroleum as Shares of U.S. Demand, 2010," available at http://www.eia.gov/energy_in_brief/images/charts/imports_domestic_petro_shares_demand-large.gif

¹² Dan Pfeiffer, "FACT CHECK: All-of-the-Above Approach to American Energy," Whitehouse.gov, February 29, 2012, available at <http://www.whitehouse.gov/blog/2012/02/29/fact-check-all-above-approach-american-energy>.

¹³ "Petroleum & Other Liquids," available at <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mttupus2&f=m>

¹⁴ Ibid.

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