Statement of the Ranking Member Frank Pallone, Jr.
House Committee on Energy and Commerce
Subcommittee on Energy and Power
Hearing on
"21st Century Energy Markets: How the Changing Dynamics of World Energy Markets Impact our Economy and Energy Security"

March 3, 2015

Thank you, Chairman Whitfield and Ranking Member Rush for holding this hearing.

Our energy picture is evolving rapidly. Worldwide crude oil prices are at their lowest level in five years. U.S. gasoline prices have been hovering around two dollars per gallon. Domestic oil production has increased dramatically in recent years, while the growth of demand has slowed noticeably. All this is good news for consumers in the near term.

These changes reflect, in part, the "all of the above" energy strategy that this Administration has pursued, ranging from additional exploration and production of fossil fuels, to development of alternative energy sources and increased fuel efficiency standards for our cars and trucks. The Administration has also recently taken steps to facilitate the export of liquefied natural gas and other petroleum products.

The current low oil prices benefit us all in many ways. Overall, low oil prices increase our GDP, and decrease the amount Americans spend on energy, particularly at the pump. EIA projects that U.S. households will spend about $750 less in 2015 than in 2014 and about $450 less in 2016 than in 2014. And, the increase in U.S. production has meant a decrease in imported oil, with significant geopolitical implications. For the first time in decades, we have some ability to be partial "price makers," rather than "price takers."

However, these conditions are but a snapshot in time, and there are many factors that could change the energy picture dramatically in the future. Lower oil prices can impact the economics of additional domestic production. Geopolitical instability can adversely affect our allies and our nation. Crude oil prices can fluctuate based on global and domestic market forces. Although it is possible that we experience sustained low oil prices, it is also possible that oil prices and gasoline prices rise over time.

Last December, this Subcommittee held a hearing on the decades old crude oil export ban. I believe it is entirely fair to consider the merits of a policy that was enacted in the wake of the 1973 oil embargo. This is a very different world than it was in 1973. But I do not believe a clear picture has yet emerged as to what policies we should pursue.

Therefore, while this is a topic worthy of our examination, we need to act carefully and act based on fact. That is the essence of good policy and of regular order, which I will continue to insist on before we take legislative action.

Last year, the Administration issued guidance that certain petroleum condensates could be exported without the typical restrictions reserved for crude oil exports. While these rulings remain controversial, it is clear that the Administration retains the authority to authorize crude oil exports in specific circumstances. Some companies have already started to export petroleum condensates, but the extent of such exports remains uncharted.

If we are to consider a more wholesale lifting of the ban on exports, there are numerous questions that need to be answered. First, how would lifting the ban affect the short and long-term price of crude oil and, therefore, the price of gasoline? I do not believe there is a consensus on that point.

Second, how would such a change affect both our refinery capacity and the balance of jobs? Refinery capacity is a critical element of our infrastructure and can be an important source of middle class jobs. In fact, both parties have long bemoaned the lack of new refineries in this country. How would exporting crude oil, instead of refining and exporting finished petroleum products affect potential job growth in the years ahead? Is the rush to export crude oil beneficial to small refineries as well as to large integrated oil companies?

Finally, what are the environmental and climate impacts of lifting the export ban? In 1973, we did not yet have the Trans-Alaska Pipeline or widespread use of horizontal drilling techniques. We did not yet have large-scale domestic oil production in North Dakota, and we had not yet tapped into the oil and gas from other shale plays.

But we also had not yet experienced the Exxon Valdez or the BP Deepwater Horizon oil spills. The term “fracking” was not in the common vernacular. Oil and gas pipelines weren’t sprouting up in backyards, parks and farmland the way they are today. And, most importantly, the concentration of CO_2 in our atmosphere had not yet topped 400 parts per million.

In today’s world, it is no longer wise to consider energy policy as distinct from environmental policy. They are linked and each is a facet of the other. Increasing crude oil exports means increasing domestic production of crude oil, with attendant impacts on climate change, on public and worker safety, on property owners and on protection of our above and below ground water supplies.

Too often, we eagerly embrace short-term profits and benefits without understanding the costs of our actions; we should not make such a mistake again here. Instead, we should take the long view to ensure we fully understand the enduring consequences of our actions and choose the cleanest and most sustainable path forward. That is the essence of commonsense energy policy.

Thank you, Mr. Chairman. I look forward to hearing from the witnesses.