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Statement of Carolyn Maloney
Joint Economic Committee Hearing
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As prepared for delivery

Good morning. I would like to thank our distinguished experts for agreeing to testify this morning on the impact of last year's oil price shock on the U.S. economy and the potential effect of higher oil prices on our nascent economic recovery.

This hearing is timely because the traditional start of the summer driving season gets underway this weekend. The most recent estimate from the Energy Information Administration is that regular gasoline prices will average $2.21 a gallon over this summer's driving season and that diesel fuel prices will be $2.23 a gallon – a far cry from the $4 or more a gallon for gasoline or diesel that drivers faced last summer.

What a difference a year makes.

Although drivers will face much lower pump prices than they did last summer, crude oil and gasoline prices have ticked up recently. Indications of "green shoots" in the U.S. economy and fiscal stimulus measures adopted in China have already begun to nudge oil prices higher as expectations for greater demand rise.

Right now, it looks like the surplus capacity of crude oil production is large enough to prevent an immediate repeat of last year's price spike.
But today we want to explore with our witnesses the short-term policies that will help to avoid derailing our recovery and long-term policies for sustainable economic growth.

While it would have been better for the last administration to have started on a sensible energy policy earlier in the decade, the current decline in global demand for oil has given us some breathing room to change course.

Yesterday's announcement by President Obama ushering in tougher national fuel efficiency standards is truly an historic opportunity to reduce our dependence on oil.

Higher standards mean we'll all get further on every tank of gasoline.

The American Recovery and Reinvestment Act also included policy changes that will help in the long run, such as investment in intercity light rail and funding and loan guarantees for research into advanced technology for vehicles and other innovative technology.

These investments will help the United States develop a modernized transportation system with efficient alternatives to automotive travel.

Last year's oil shock showed us that right now it takes a very large increase in gasoline prices to reduce our consumption of oil. Part of the reason is because many consumers have no alternatives to their gasoline powered cars. In the long run, energy policies that increase alternatives to using a gas-fueled car – whether they are different modes of transportation or alternative fuels for cars – will help minimize the impact to the economy of a rise in the price of oil.

Energy efficiency, which allows us to use less energy for the same activity, is an important part of the solution. Smart grid technology will also allow us to use our electric transmission grid more efficiently.

In testimony before this committee last year, Dr. Yergin observed that the most recent oil shock underscores the need "to encourage timely investment across the energy spectrum." I am optimistic that we are moving in that direction and towards a long term solution to reducing our dependence on oil.

I look forward to the testimony of our witnesses.