VICE CHAIRMAN KEVIN BRADY
JOINT ECONOMIC COMMITTEE
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Gas Prices in the Northeast: Potential Impact on the American Consumer Due to Loss of Refining Capacity

Today's hearing is most appropriate in light of high gasoline prices and a White House energy policy that is coming home to roost, so to speak. While the President has touted an "all of the above" energy policy, his actual policies have been anything but that. They have been decidedly unfavorable to America's energy manufacturing industry – and that is true for crude oil production as well as refining.

The Administration has thwarted oil and gas development on federal lands and offshore. It imposed a hasty and prolonged moratorium on Gulf of Mexico drilling and then hindered resumption of exploration through slow permitting. And most recently, it has denied increasing the assured and safe supply of crude oil from our ally Canada through the Keystone pipeline to U.S. refineries.

The President also risks the jobs of American energy workers by threatening punitive tax treatment of energy manufacturing, for example, by singling this sector out and rescinding incentives to encourage job creation and manufacturing here in America. Why is energy manufacturing different than any other form of manufacturing? Why are these good-paying energy jobs deemed expendable by the White House, and why is the President himself pushing taxes that encourage energy companies to send these jobs overseas?

This manufacturing deduction, by the way, is an important incentive to refining and will further make these projects less economically viable if the President has his way.

The Administration is also pursuing policies that will shrink and punish petroleum refining both by forcing it to blend in alternative fuels even when they do not yet exist and by mandating ever more stringent emission standards even when the costs are huge and the benefits are uncertain.

America is experiencing an energy revolution with the potential to become the largest energy-producing country on the planet. But let's be clear, the rise in energy manufacturing driven by new technology is occurring on private lands, not federal lands. In fact, at President Obama's request, his Administration has launched a flurry of regulatory attacks on oil shale development in America, leaving the country to pray that Washington will not smother the technology in the crib with more layers of regulation.

Senator Lisa Murkowski in a recent editorial entitled "America's Lost Energy Decade," pointed out that in 2002 the U.S. Senate decided against opening a small section of the Arctic National Wildlife Refuge to oil and gas production. The most cited reason at the time was that it would take too long—ten years—for the oil to reach the market. Now, ten years later, the White House is pleading with Saudi Arabia to produce more oil when we could be controlling our own supply.

Senator Murkowski correctly concluded that long lead times should be a reason to approve drilling quickly, not to continue putting it off.

Other non-OPEC countries do not lock away their resources, not even pristine Norway, which is the world's seventh largest exporter of oil and second largest exporter of natural gas.

Our regulatory tale is one of self-inflicted wounds—cutting off our nose to spite our face. This country is blessed with resources that can be developed, produced, and processed safely and cleanly to support economic growth and technological development, which in turn will position us to further advance the state of the environment. All of this is critical to ensuring that America continues to have the strongest economy in the world throughout the 21st century.

Refinery closures and job losses are painful but even more so when our own government's policies contribute to them. Americans want to balance a healthy economy with a clean environment. They don't want their factories shut down effectively by order of the government and products brought into the country from places that are much less environmentally committed than the United States.

Regulators need to take a rational, balanced approach that recognizes that ignoring economic consequences hurts the very citizens whose welfare they are charged to protect.

First, our regulatory mechanisms at least should be functional. It makes no sense whatsoever to impose blending requirements on refiners for cellulosic ethanol that does not exist in requisite quantity and then fine them for not using it. It makes no sense to push corn ethanol consumption to a level that invalidates car engine warrantees. And it makes no sense to impose sulfur content limits on gasoline that may increase CO2 emissions when the EPA is trying to reduce those emissions as well. These are unforced policy errors we cannot afford to commit, especially in this struggling economy.

Second and more fundamentally, the Administration, lawmakers, and regulators must ask themselves if they are pursuing radical solutions that may never come to fruition while missing opportunities for steady and certain improvements. Are they provoking protracted lawsuits and delaying projects? Are their actions causing older, more polluting equipment to stay in place longer? Are they driving America's firms out of business and costing us jobs while inviting more dependence on foreign countries with worse pollution records?

Regulation must facilitate the market's functioning, neither treating private enterprise as an adversary nor pressing for preconceived outcomes in one sphere while ignoring collateral damage in others. Devising good regulatory policy doesn't have to be intensely adversarial. It can be more collaborative, engage the incentives of the private sector, and above all be mindful that it ought to serve economic growth and technological development, the ultimate sources of better living standards.

I now look forward to hearing our witnesses' testimony and probing their ideas for better regulation of oil refineries and in general.