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4 ``THE AMERICAN ENERGY INITIATIVE: A FOCUS ON LEGISLATIVE  
5 RESPONSES TO RISING GASOLINE PRICES''  
6 WEDNESDAY, MARCH 28, 2012  
7 House of Representatives,  
8 Subcommittee on Energy and Power  
9 Committee on Energy and Commerce  
10 Washington, D.C.

11 The Subcommittee met, pursuant to call, at 9:55 a.m., in  
12 Room 2123 of the Rayburn House Office Building, Hon. Ed  
13 Whitfield [Chairman of the Subcommittee] presiding.

14 Members present: Representatives Whitfield, Shimkus,  
15 Terry, Burgess, Bilbray, Scalise, McMorris Rodgers, Olson,  
16 McKinley, Gardner, Pompeo, Griffith, Barton, Rush, Castor,  
17 Sarbanes, Markey, Green, Capps, and Waxman (ex officio).

18 Staff present: Maryam Brown, Chief Counsel, Energy and

19 Power; Allison Busbee, Legislative Clerk; Garret Golding,  
20 Professional Staff Member, Energy; Cory Hicks, Policy  
21 Coordinator, Energy and Power; Heidi King, Chief Economist;  
22 Ben Lieberman, Counsel, Energy and Power; Mary Neumayr,  
23 Senior Energy Counsel; Andrew Powaleny, Deputy Press  
24 Secretary; Alison Cassady, Democratic Senior Professional  
25 Staff Member; Jacqueline Cohen, Democratic Counsel; Greg  
26 Dotson, Democratic Energy and Environment Staff Director;  
27 Caitlin Haberman, Democratic Policy Analyst; and Alexandra  
28 Teitz, Democratic Senior Counsel, Environment and Energy.

|

29           Mr. {Whitfield.} I would like to call this hearing to  
30 order. Today's hearing will be the 18th day of hearings on  
31 what we refer to as the American Energy Initiative. Today we  
32 are going to be focusing primarily on the Gasoline Regulation  
33 Act of 2012, which is--simply requires an interagency  
34 committee chaired by the Secretary of Energy to analyze the  
35 cumulative impacts of particular regulations on gas and  
36 diesel and the impacts that that has on fuel prices and jobs.

37           And then the second bill that we are going to be  
38 considering is the Strategic Energy Production Act of 2012,  
39 which simply would require the Secretary of Energy in  
40 response to any SPR drawdown to develop a plan with other  
41 federal departments to open additional federal lands for oil  
42 and gas exploration and production to replace the oil in the  
43 drawdown.

44           Now, I want to take just a few minutes today--start my  
45 time there--take a few minutes today to make a few comments  
46 about the proposed regulation of EPA to regulate greenhouse  
47 gases, which was announced yesterday. Now, I am genuinely  
48 concerned about this for a lot of different reasons.

49           First of all, it is my genuine belief that EPA has not  
50 been totally straightforward with the American people on some  
51 of its regulations recently. Specifically I am talking about

52 the Utility MACT is one I will discuss first. The Utility  
53 MACT was sold to the American people as necessary to reduce  
54 mercury emissions, and the impression was that the benefits  
55 of the Utility MACT would come from reducing mercury  
56 emissions.

57 And yet the data and the statistics and the analysis of  
58 EPA show quite clearly that any benefits from reducing  
59 mercury were negligible. The primary benefits would come  
60 only from reduction of particulate matter, which is already  
61 regulated under the Clean Air Act.

62 In addition to that, there were no accurate or  
63 comprehensive analysis of the total cost of the Utility MACT.  
64 Now, we know that the purpose of it is to reduce production  
65 of electricity by using coal, but once again, I would say  
66 that I don't think that EPA was totally straightforward with  
67 the American people on that issue.

68 Now, on the greenhouse gas regulation, proposed  
69 regulation, Congress on three separation occasions have said  
70 no to regulating greenhouse gas under the Clean Air Act.  
71 Two-hundred and twenty-one members of Congress sent a letter  
72 to OMB, to Jeffrey Zients, asking that they delay any  
73 proposed regulation on greenhouse gas.

74 Not only did they not reply in any way, did not respond  
75 by letter, by phone call, or anything else, totally

76 disregarded any input from 221 members of Congress. Now, I  
77 recognize this is a proposed regulation. But if this  
78 regulation is adopted, there will not be another coal power  
79 plant built in America without carbon capture and  
80 sequestration, because there is no other way to meet the  
81 standard. And we know that there is no commercially-viable  
82 carbon capture and sequestration applicable to any coal-  
83 powered, that a coal-powered plant could use today to meet  
84 that requirement.

85         And we are also concerned that under new source review,  
86 if you modify an existing coal-powered plant to meet existing  
87 environmental regulations, that that might be, claim to be a  
88 new plant, and therefore, you got to meet this new  
89 requirement.

90         Now, I know that there is an exception that says that is  
91 not the case, but we also know that historically lawsuits  
92 have been filed, and there have been all sorts of unintended  
93 consequences as a result.

94         And so if a lawsuit were filed of some company trying to  
95 modify an existing plant to meet existing regulations and a  
96 decision was made that, oh, this is a new plant, then we  
97 would have a catastrophic result, I believe, in America for  
98 meeting our electricity needs.

99         So I would simply want to express my genuine concern

100 about the way we are going on these regulations.

101 [The prepared statement of Mr. Whitfield follows:]

102 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
103 [The information follows:]

104 \*\*\*\*\* INSERTS 11, 12 \*\*\*\*\*

|  
105           Mr. {Whitfield.} And at this time I would like to  
106 recognize the gentleman from Illinois, Mr. Rush, for a 5-  
107 minute opening statement.

108           Mr. {Rush.} I want to thank you, Mr. Chairman.

109           Mr. Chairman, we are here today, holding yet another  
110 hearing on high gas prices, much like we have done numerous  
111 times in the past and will continue to do many more times in  
112 the future unless we make up our minds to fundamentally  
113 change our dependence on oil.

114           Mr. Chairman, I support President Obama's All of the  
115 Above energy approach, which encompasses increased oil and  
116 gas production here in the U.S., additional conservation, and  
117 energy efficiency measures, as well as a move towards cleaner  
118 and renewable sources of energy.

119           These gas price hearings may play well in the media and  
120 may make it appear as though Congress is actually busy doing  
121 something to address rising fuel prices. But the fact of the  
122 matter is that there is nothing that Congress or the  
123 Administration can do to address the way to reduce gas prices  
124 in the immediate future.

125           We all know, Mr. Chairman, that fuel prices are set by  
126 global supply and demand, and as long as we continue to rely  
127 so heavily on oil, especially for powering our vehicles, then

128 we will continue to be at the mercy of OPEC and surging fuel  
129 prices driven by the insatiable demand for oil led by the  
130 emergence of India and China.

131 Mr. Chairman, while attacking EPA regulations and  
132 shouting bumper sticker slogans such as, ``Drill, baby,  
133 drill,`` may be enough to fire up a small percentage of the  
134 American public. Those simplistic solutions do nothing to  
135 really address the issue before us and the issue before the  
136 American people.

137 We must strategically wean ourselves away from oil, from  
138 our oil reliance, especially in the transportation sector.  
139 That is the only way we can ever steer clear of fluctuating  
140 gasoline prices that are set on the global market. And  
141 neither of the bills before us today will do anything to get  
142 at the heart of the problem. Surprise. Surprise.

143 Republicans in Congress are once, again, attacking the  
144 EPA and blaming the Clean Air Act as the cause for all of the  
145 problems we face in our Nation today, and now that also  
146 includes rising gasoline prices. In fact, the draft  
147 legislation before us seems to directly contradict the  
148 Supreme Court's unanimous 2001, ruling that cost could not be  
149 considered in establishing standards, whose primary objective  
150 is to protect America's children, America's families, and the  
151 public health of all Americans.

152           And despite the howls and despite the protests of the  
153 Tea Party faithful, most Americans do not blame the EPA for  
154 high gas prices but rather blame major oil companies who made  
155 \$137 billion in profits last year and that they have more to  
156 do with the recent wild increases in gasoline prices. Don't  
157 blame the EPA. Blame the oil companies.

158           Maybe this stems from the fact that for every additional  
159 penny that the average American pays at the pump, big oil  
160 profits go up another \$2 million. In light of this fact, Mr.  
161 Chairman, I would submit along with my March 15 letter  
162 requesting a hearing on speculation in the oil market, this  
163 subcommittee should also look into the impact that rising  
164 gasoline prices have on big oil profits as compared to the  
165 pocketbooks of ordinary American families.

166           At least then, Mr. Chairman, at that hearing we would be  
167 actually looking into the practices that the American people  
168 really do believe are behind the rising fuel prices.

169           Thank you, Mr. Chairman. I yield back the balance of my  
170 time.

171           [The prepared statement of Mr. Rush follows:]

172           \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
173           Mr. {Whitfield.} Thank you, Mr. Rush. At this time I  
174 recognize the gentleman from Colorado, Mr. Gardner, who is  
175 the author of our Strategic Energy Production Act of 2012,  
176 for 5 minutes.

177           Mr. {Gardner.} Thank you, Mr. Chairman, and thank you  
178 for holding this hearing today.

179           Our country runs on abundant affordable energy. It is  
180 the energy that fuels our factories, our farms, and  
181 ultimately drives our economy forward. Each of us here today  
182 understands that rising gas prices are impeding the growth of  
183 our economy. Without lower gas prices, families, businesses  
184 will spend more and more of their income filling up with a  
185 tank of gas instead of investing into our economy.

186           So I don't think it is an overstatement to say that the  
187 country's economic recovery is at risk if we continue with  
188 the status quo, which brings me to the subject at hand. Why  
189 we need to develop energy on federal lands and why the  
190 Strategic Petroleum Reserve or SPR, should not be drawn down  
191 when there are many longer term, more lasting ways to address  
192 the problem of higher gas prices.

193           Mr. Chairman, many in this Administration and beyond  
194 have suggested that tapping the SPR was the way to bring down  
195 prices. While this may be politically expedient during an

196 election year, no one can argue with the fact that it is a  
197 one-time, short-term political fix to an enduring problem.  
198 The SPR is intended to be used during times of severe energy  
199 disruptions like shutdowns or major natural disasters, and I  
200 think we can all agree that fortunately we don't find  
201 ourselves having to deal with either of those situations  
202 today.

203         What we are experiencing, however, is extraordinarily  
204 high gas prices, and we need real solutions in order to bring  
205 them down. What baffles me is that the Federal Government  
206 has resources to alleviate the problem, but it refuses to use  
207 them. While production on the whole is up, production on  
208 federal lands is down. In fact, only 3 percent of all public  
209 land is now leased for oil and gas production. The vast  
210 amounts of oil that we are unable to access are lying fallow  
211 until we allow energy production, energy production companies  
212 to develop them.

213         The Strategic Energy Production Act in front of us today  
214 provides that if the President decides to draw down oil from  
215 the SPR, a plan must be in place to increase leases on  
216 federal lands. It is as simple as that. If there is a  
217 supply shortage severe enough to warrant tapping our  
218 reserves, then we should do all we can to address it. Why  
219 not make more lands available for production or streamline

220 procedures by which we can access federal land of production?

221 Why address this problem with a short-term fix when we all

222 know it is a long-term problem?

223 We should address this problem with a good policy, not

224 quick-fix politics. It is time we take some proactive steps

225 in promoting domestic energy production and stop playing

226 politics with an issue as serious as this.

227 Thank you, Mr. Chairman, and I yield the balance of my

228 time to Mr. Barton.

229 [The prepared statement of Mr. Gardner follows:]

230 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
231           Mr. {Barton.} Thank you, Congressman. I want to  
232 associate myself with what you just said, and I also want to  
233 associate myself with what Chairman Whitfield just said about  
234 the recent issuance of regulations regarding emissions of  
235 coal-fired power plants. Chairman Whitfield couldn't be more  
236 right in his concern about that.

237           Today is the 18th hearing in a day about America's  
238 energy policy. I understand that because of jurisdictional  
239 issues the Energy and Commerce Committee can't be involved in  
240 every legislative issue regarding energy, but I would like to  
241 put before the committee for its consideration a plan that I  
242 think would address the high gasoline prices over time.

243           I think the first thing that we would have to do is  
244 reform federal land permitting issues. When it takes the  
245 Texas Railroad Commission days to issue a permit and it takes  
246 the various federal agencies years, that is a problem, and it  
247 is not that Texas is too fast. It is that the Federal  
248 Government drags its feet. The Obama Administration has  
249 shown repeatedly that they really do not want, in spite of  
250 the rhetoric, to encourage domestic oil and gas production  
251 anywhere in America on federal lands. We need to take a look  
252 at those permitting practices, and I think legislatively  
253 address them.

254           As Chairman Whitfield and Mr. Gardner just pointed out,  
255 we also need to look at the various environmental regulations  
256 and how they impact the energy production and energy use.  
257 Chairman Whitfield's draft bill is a step in the right  
258 direction. It may not be the end all, be all, but at least  
259 it is an attempt to look at some of those negative regulatory  
260 impacts.

261           Something that really hasn't been mentioned but needs to  
262 be is we need to encourage the use of more natural gas for  
263 transportation uses. There is absolutely no reason when  
264 natural gas is \$2.30 mcf and oil is over \$100 a barrel that  
265 we can't find a way to use more natural gas for  
266 transportation issues.

267           Finally, we need to encourage the use of new  
268 technologies for oil and gas production in America.  
269 Hydraulic fracturing, horizontal drilling, and CO2 injection  
270 into depleted fields all have potential to increase domestic  
271 energy production in the mid term. We are currently  
272 producing about eight million barrels of oil. We could, I  
273 think, produce double that amount in the next 10 years if we  
274 use those technologies in an environmentally-safe fashion.

275           There is absolutely no reason that America can't be  
276 energy independent, Mr. Chairman, if we want to and with your  
277 leadership and Chairman Upton's leadership and the leadership

278 of the Republican Majority in the House, I think we can work  
279 at the rest of this Congress to begin to make that a  
280 potential reality in the near term.

281 With that I yield back.

282 [The prepared statement of Mr. Barton follows:]

283 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
284           Mr. {Whitfield.} Thank you. At this time I would  
285 recognize the gentleman from California, Mr. Waxman, for a 5-  
286 minute opening statement.

287           Mr. {Waxman.} Thank you, Mr. Chairman.

288           First of all, I want to welcome back to our committee a  
289 previous member and now again a member, Congressman Sarbanes  
290 from the State of Maryland. He was a very energetic member  
291 before, and I am sure he will be a real--make a real  
292 contribution now that he is back on our committee.

293           Now, if I could get the clock, I will start my opening  
294 statement.

295           I want to comment on the Chairman's statement about  
296 EPA's regulation. I want to congratulate EPA on the carbon  
297 power plant regulation. It is required by the law, and it is  
298 a good regulation, and I think it makes a lot of sense to  
299 protect our environment and for our economy.

300           Today we are examining the Republicans' response to  
301 gasoline prices. It is not an encouraging occasion for  
302 America's families who are faced with rising costs at the  
303 pump. The discussion drafts before us are not based in  
304 economic principle or sound policy. The policies haven't  
305 been publicly recommended to us by any knowledgeable or  
306 authoritative body. These bills are a package of half-baked

307 ideas and giveaways to the oil industry.

308         They are based on false premises. These are not  
309 solutions to the real problems that Americans are struggling  
310 with. The Republicans' have two answers to gasoline prices  
311 at \$4 a gallon. First, they propose drilling for more oil,  
312 yet every economist and oil market expert tells us that this  
313 will have no meaningful impact on oil prices which are set on  
314 a global market. Just look north to Canada. Canadians drill  
315 plenty of oil. They are energy independent, and they export  
316 to us, but this doesn't bring them lower prices. In fact,  
317 their gasoline prices are higher than ours due to taxes.

318         We will also hear today that Republicans can bring down  
319 gasoline prices by blocking the environmental regulations  
320 that protect Americans from dangerous air pollution. No one  
321 should be fooled by this argument. Under Republican  
322 leadership this body has become the most anti-environmental  
323 Congress in history. Since January, 2011, the House  
324 Republicans have voted more than 200 times to undermine the  
325 Clean Air Act, the Clean Water Act, and other environmental  
326 laws.

327         The premise of this legislation is, that we are going to  
328 have before us today, that high gas prices are caused by EPA  
329 regulations that haven't even been proposed. That is a  
330 complete fantasy. High gasoline prices are being caused by

331 rising global demand, tensions in the Middle East, and tight  
332 supplies.

333 Americans want clean air. They don't want this  
334 committee to use high gasoline prices as an excuse for  
335 blocking regulations to reduce toxic emissions from oil  
336 refineries. Americans want cars that can go further on a  
337 gallon of gasoline. This is especially important when fuel  
338 prices are high. They don't want us to use high gasoline  
339 prices as a pretext for blocking clean fuel regulations that  
340 the auto companies need to make cleaner, more efficient  
341 vehicles. But that is exactly what the legislation does.

342 Even worse, one of the bills before us contains the LATA  
343 Amendment. That is a proposal that will cut the heart out of  
344 the Clean Air Act. It would overturn a unanimous 2001,  
345 Supreme Court case and repeal a 40-year-old law that says the  
346 goal of the Clean Air Act is to achieve air quality that is  
347 safe for Americans to breathe.

348 On our first panel today we will hear from the  
349 Administration on gas prices. There is no silver bullet to  
350 gasoline prices, but the actions federal agencies are taking  
351 show that President Obama is charting the course for an  
352 economy that is built to last. EPA will tell us how they  
353 have adopted rules that save consumers money at the pump and  
354 decrease the Nation's oil demands. The Department of

355 Interior will tell us how American oil production has  
356 increased to levels we haven't seen in recent memory, and the  
357 Department of Energy will explain how they are researching  
358 and developing the clean energy options that will lessen our  
359 dependence on oil and our vulnerability to price spikes going  
360 forward.

361         Instead of supporting these valuable initiatives, the  
362 Republican-controlled House has done everything possible to  
363 frustrate them. The House has passed partisan legislation to  
364 prevent the Administration from cutting tailpipe emissions  
365 and making vehicles more efficient. The Republican budget  
366 could decimate the funding for clean energy, and House  
367 Republicans have even opposed efforts to penalize oil  
368 companies that sit on oil leases and refuse to produce any  
369 oil until prices go higher.

370         If you really cared about helping the country become  
371 more resilient to gasoline price volatility, you would be  
372 working with the Administration instead of trying to block  
373 President Obama's every initiative.

374         But this hearing isn't about understanding and  
375 addressing gasoline prices. It is about using high gasoline  
376 prices as yet another rationale for advancing a profoundly  
377 anti-environmental agenda. Oil companies will surely benefit  
378 if these bills are enacted, and just as surely American

379 families will suffer.

380 [The prepared statement of Mr. Waxman follows:]

381 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
382 Mr. {Whitfield.} Thank you, Mr. Waxman.

383 That concludes opening statements, and so I would like  
384 to welcome the members of the first panel. We appreciate  
385 your being here very much, and we look forward to your  
386 testimony about these pieces of legislation as well as other  
387 issues.

388 We have with us this morning the Honorable Gina  
389 McCarthy, who is no stranger to the subcommittee. She is the  
390 Assistant Administrator of Air and Regulation at the United  
391 States Environmental Protection Agency. We have Mr.  
392 Christopher Smith, who is the Deputy Assistant Secretary for  
393 Oil and Natural Gas, Office of Fossil Energy, at the U.S.  
394 Department of Energy, and then we have Mr. Robert Abbey, who  
395 is the Director of Bureau of Land Management, U.S. Department  
396 of Interior.

397 And each one of you will be given 5 minutes to make an  
398 opening statement, and Ms. McCarthy, I will recognize you for  
399 5 minutes to begin.

|  
400 ^STATEMENTS OF GINA A. MCCARTHY, ASSISTANT ADMINISTRATOR FOR  
401 AIR AND RADIATION, U.S. ENVIRONMENTAL PROTECTION AGENCY;  
402 CHRISTOPHER A. SMITH, DEPUTY ASSISTANT SECRETARY FOR OIL AND  
403 NATURAL GAS, OFFICE OF FOSSIL ENERGY, U.S. DEPARTMENT OF  
404 ENERGY; AND ROBERT ABBEY, DIRECTOR, BUREAU OF LAND  
405 MANAGEMENT, U.S. DEPARTMENT OF INTERIOR

|  
406 ^STATEMENT OF GINA A. MCCARTHY

407 } Ms. {McCarthy.} Thank you, Chairman Whitfield, Ranking  
408 Member Rush, members of the committee, I appreciate the  
409 opportunity to be back before you today.

410 Many families are hard hit by today's high gas prices.  
411 They deserve and they need real solutions. Unfortunately,  
412 the Gasoline Act of 2012 doesn't offer real solutions. It  
413 uses high gas prices as a reason to roll back fundamental  
414 public health protections that have nothing to do with high  
415 gas prices.

416 This bill would fundamentally change the cornerstone of  
417 the Clean Air Act, the requirement that EPA set air quality  
418 standards for smog at the level that the science advises us  
419 is necessary to protect public health.

420 Let me be clear. Programs to protect public health and

421 to provide American families with scientifically-credible  
422 information about the health of the air in their communities  
423 are not the cause of high gas prices. In contrast, EPA's  
424 actions ensure that we travel farther on each gallon of  
425 gasoline than we--that we consume. In partnership with  
426 NHTSA, we have issued a set of proposed and final greenhouse  
427 gas pollution and fuel economy standards for model years  
428 2011, to 2025, vehicles that will save approximately 12  
429 billion barrels of oil over the life of those vehicles. That  
430 is equivalent to the past 6 years of imported oil from OPEC  
431 countries.

432 Consumers are already saving money at the pump as a  
433 result of these rules. In model year 2025, vehicles will  
434 save their owners \$3,000 to \$4,400 over the life of that  
435 vehicle. EPA and NHTSA's recent standards for trucks and  
436 buses will also save money. For example, a long-haul trucker  
437 would save a net of \$73,000 over the life of a model year  
438 2018, truck.

439 In addition, EPA's Renewable Fuels Program, when fully  
440 implemented, will displace about 7 percent of expected annual  
441 U.S. gasoline and diesel consumption in 2022.

442 The Gasoline Regulation Act of 2012 would not reduce gas  
443 prices, but it would waste government resources and taxpayer  
444 dollars. It would unnecessarily delay EPA rules that would

445 protect public health in cost effective ways in order to  
446 allow a new interagency committee to conduct cumulative  
447 analysis of rules, only it is not clear how the committee  
448 would analyze rules that haven't even been proposed or how  
449 the public could comment on that analysis in an informed way.  
450 And this analysis is simply not needed to ensure that EPA  
451 analyzes the effects of our rules on gas prices. We do that  
452 already.

453       Most troubling, however, is the provision unrelated to  
454 gas prices. Section 6 would roll back one of the key public  
455 health protections in the Clean Air Act. It would  
456 fundamentally alter the way that EPA would set the National  
457 Ambient Air Quality Standard for ozone or smog.

458       For many people, including one out of every ten school-  
459 aged children, elevated ozone levels can make it harder to  
460 breathe. Ozone exacerbates the suffering of asthmatics,  
461 causing more frequent and severe asthma attacks.

462       So people with compromised health conditions like asthma  
463 have come to rely on EPA's Daily Air Quality Index to help  
464 them manage their lives. The elderly skip their morning walk  
465 on bad air days, and mothers keep their kids indoors when the  
466 air is not sufficiently protected for their children to  
467 breath. What will happen if this bill should pass, and we  
468 have to do what Section 6 tells us to do? We would no longer

469 rely on the science to identify bad air days, and instead we  
470 would have to decide what level of smog is protective of  
471 public health based on what is cost effective and feasible to  
472 address.

473         Again, let me be clear. I am not saying that we should  
474 not take cost and feasibility into consideration when we  
475 determine the most appropriate actions to take to achieve  
476 health-based standards like smog. We do, but I am saying  
477 that we should not let our economists weigh in on what is and  
478 is not healthy air. That is the job of scientists and health  
479 experts, and I for one would like to keep it that way.

480         In conclusion, the draft bill would do nothing to  
481 address high gas prices, but it would delay significant cost  
482 effective health protections required under the Clean Air Act  
483 and undermine EPA's authority to protect public health and  
484 the environment by rolling back a fundamental Clean Air Act  
485 public health protections.

486         Lastly, Mr. Chairman, I heard your concerns about the  
487 recent announcement by EPA on carbon pollution standards for  
488 future power plants. I am more than happy to come and return  
489 at a time when you might have a hearing on that or to answer  
490 any questions you may have today.

491         [The prepared statement of Ms. McCarthy follows:]

492 \*\*\*\*\* INSERT 1 \*\*\*\*\*

|

493 Mr. {Whitfield.} Thank you.

494 At this time I recognize Mr. Smith for a 5-minute

495 opening statement.

|  
496 ^STATEMENT OF CHRISTOPHER A. SMITH

497 } Mr. {Smith.} Thank you very much, Mr. Chairman.  
498 Chairman Whitfield, Ranking Member Rush, and members of the  
499 subcommittee, thank you for the opportunity to discuss the  
500 Department of Energy's perspective on these two legislative  
501 proposals.

502 We share the concern of members regarding the burden  
503 that rising gasoline prices place on U.S. families and  
504 businesses. For decades, volatile energy prices have  
505 threatened the economic security for millions of American  
506 households, hitting consumers hard and straining budgets for  
507 millions of American families.

508 The American people understand that there is no silver  
509 bullet for meeting our energy needs and bringing down the  
510 price of gasoline in the short term. In the long term,  
511 though, we can work to protect America from the ups and downs  
512 of the global market by pursuing a sustained, all-of-the-  
513 above approach to American energy that will reduce oil  
514 imports, save families and businesses money at the pump, and  
515 position the United States as the leader in clean energy  
516 alternatives.

517 As part of this comprehensive energy strategy, the

518 United States is expanding oil production here at home,  
519 increasing the efficiency of the vehicles that we drive, and  
520 investing in advanced technologies that will diversify our  
521 transportation sector.

522         The Obama Administration is committed to expanding the  
523 safe and responsible production of America's energy  
524 resources, which is one reason why the U.S. production has  
525 increased each year the President has been in office.  
526 Domestic oil production is currently at an 8-year high, and  
527 there are more oil rigs operating now in the United States  
528 than in the rest of the world combined.

529         At the same time, America's dependence on foreign oil  
530 has been going down over the last several years. In 2010,  
531 imported oil accounted for less than 50 percent of the oil  
532 consumed here in the United States for the first time in 13  
533 years.

534         But exploration alone will not solve our energy  
535 challenges. That is why the Administration is working to  
536 improve vehicle efficiency. The Administration has announced  
537 historic standards that will nearly double the fuel economy  
538 of the vehicles we drive, saving families approximately \$1.7  
539 trillion at the pump and cutting oil consumption by 12  
540 billion barrels. The Administration is also investing in  
541 advanced vehicles and fuels, including targeted investments

542 in electric and natural gas vehicles, advanced combustion  
543 engines, biofuels and fuel blends, and advanced and lighter  
544 materials for vehicles that will help reduce the amount of  
545 gas American families will need to buy.

546 Domestic natural gas also has the potential as an  
547 alternative transportation fuel, especially for long-haul  
548 trucks. At the Department of Energy we are investing in  
549 research into natural gas-powered vehicles to further reduce  
550 our dependence on imported oil.

551 The Department of Energy has serious concerns about the  
552 legislation being discussed today. These bills would do  
553 little or nothing to address the current situation facing  
554 American families and businesses, and in fact, could  
555 potentially make the tools that we do have available to  
556 protect U.S. energy security less effective.

557 Drawdown to the Strategic Petroleum Reserve have been  
558 used in the past to offset the loss of crude oil supplies and  
559 mitigate the impact to the Nation of oil supply interruptions  
560 and the resulting price spikes. The Strategic Energy  
561 Production Act of 2012, if enacted, will make it more  
562 difficult for the Strategic Petroleum Reserve to achieve its  
563 mission to respond promptly to supply interruptions with  
564 emergency crude oil.

565 Draw downs are already a complicated process, involving

566 coordination with a variety of local, regional, and  
567 international entities. Imposing a requirement to coordinate  
568 future increases in leased federal lands as a consequence of  
569 releasing crude oil from the Strategic Petroleum Reserve  
570 would require a significant expansion of the resources at the  
571 Department of Energy and other departments and would have a  
572 negative impact on the decision-making process to employ the  
573 Strategic Petroleum Reserve, which should be based solely on  
574 protecting the United States from the consequences of severe  
575 supply interruptions.

576         Similarly, the other piece of legislation being  
577 discussed today, the discussion draft of the Gas Regulations  
578 Act of 2012, would require a large investment of resources  
579 from the Department of Energy and other federal agencies  
580 participating on the committee and would be exceedingly  
581 difficult, if not impossible, to accomplish in the timeframe  
582 mandated in the legislation.

583         The Administration shares this committee's concern about  
584 the burden caused by high gasoline prices. However, we do  
585 not believe that the bills we are discussing today would help  
586 achieve the intended purpose. Creating more bureaucratic  
587 structures and complicating the government's decision-making  
588 processes are not the means of best responding to spikes in  
589 gasoline prices and reducing our dependence on imported oil.

590 We remain committed to working with Congress on ways to  
591 constructively address our Nation's energy challenges.

592 Thank you, again, for having me here today, and I look  
593 forward to addressing any questions that the committee might  
594 have.

595 [The prepared statement of Mr. Smith follows:]

596 \*\*\*\*\* INSERT 2 \*\*\*\*\*

|  
597           Mr. {Whitfield.} Thank you, Mr. Smith, and Mr. Abbey,  
598 you are recognized for a 5-minute opening statement.

|  
599 ^STATEMENT OF ROBERT ABBEY

600 } Mr. {Abbey.} Thank you, Mr. Chairman and members of the  
601 subcommittee, for the opportunity to appear before you this  
602 morning to discuss the Department of Interior's role in the  
603 Administration's plan for our domestic energy future.

604 We understand that this subcommittee is considering a  
605 discussion draft of legislation which would link oil and gas  
606 leasing on federal lands and waters to the authorization by  
607 the President of a drawdown of the Strategic Petroleum  
608 Reserve. And while we defer to the Energy Department, which  
609 is the lead agency on this issue, for a position on the  
610 legislation, the planning and leasing processes currently in  
611 place at the Department of the Interior are already resulting  
612 in a broad energy strategy that is reducing our dependence on  
613 foreign oil.

614 We know the prices at the pump are high and that there  
615 is no simple solution to bring down that price. This is why  
616 the President and the Department of Interior has continued to  
617 promote and implement an all-of-the-above approach to  
618 American energy.

619 The BLM is responsible for managing our National System  
620 of Public Lands, which are located primarily in 12 western

621 states, including Alaska. The BLM administers over 245  
622 million surface acres, more than any other federal agency,  
623 and approximately 700 million acres of onshore subsurface  
624 mineral estate throughout the Nation.

625 The Bureau of Land Management plays an important role in  
626 advancing domestic energy production on these America's  
627 public lands. Domestic oil and gas production from the  
628 public lands remain critical to our energy supply.

629 We are also expanding development of renewable energy  
630 sources like wind and solar and geothermal production that  
631 will help diversify our Nation's energy portfolio. Onshore  
632 there are now over 38 million acres under lease for oil and  
633 gas, but less than one-third, about 32 percent of that  
634 acreage is currently in production.

635 Companies also continue to hold thousands of approved  
636 but unused permits to drill on our public lands. Expanding  
637 safe and responsible oil and gas production from the Outer  
638 Continental Shelf is a key component of the President's  
639 Blueprint for a secure energy future and will help us  
640 continue to reduce our dependence on foreign oil and create  
641 jobs here at home.

642 The Bureau of Ocean Energy Management or BOEM manages  
643 the Nation's offshore energy and mineral resources in a  
644 balanced way that promotes efficient and environmentally

645 responsible oil and gas and renewable energy development and  
646 a commitment to rigorous, science-based environmental review  
647 and study.

648         The Bureau of Ocean Energy Management's Five-Year Oil  
649 and Gas Leasing Program is a key element in managing our  
650 offshore oil and gas assets. Under these statutory  
651 requirements, the Department prepares a long-range program  
652 that specifies the size, timing, and location of areas to be  
653 considered for federal offshore oil and gas leasing.

654         The proposed Outer Continental Shelf Oil and Gas Leasing  
655 Program for 2012 through 2017 includes substantial acreage  
656 for lease in regions with known potential for oil and gas  
657 development. This plan makes areas containing more than 75  
658 percent of undiscovered technically-recoverable oil and gas  
659 resources in the federal OCS available for exploration and  
660 development.

661         BOEM has also established a regulatory framework for  
662 renewable energy leasing and development. Recently, BOEM has  
663 taken a number of important steps towards additional lease  
664 sales in fiscal year 2013, and beyond, including developing a  
665 commercial lease form, conducting an analysis to determine  
666 auction formats, and completing an environmental assessment  
667 to support leasing in wind energy areas off four Mid-Atlantic  
668 States.

669           Recognizing that America's oil supplies are limited, we  
670 must develop our domestic resources safely, responsibly, and  
671 efficiently, while at the same time taking steps that will  
672 ultimately lessen our reliance on oil. We are also taking  
673 steps both onshore and offshore to encourage industry to  
674 develop the thousands of leases and permits that they already  
675 have but that are currently sitting idle.

676           The Obama Administration and the Department of the  
677 Interior are working to secure our energy future by ensuring  
678 that our domestic oil and gas resources are safely developed  
679 and that the potential for clean energy development on our  
680 public lands and water is realized.

681           Thank you, Mr. Chairman, for the opportunity to appear  
682 before this subcommittee.

683           [The prepared statement of Mr. Abbey follows:]

684           \*\*\*\*\* INSERT 3 \*\*\*\*\*

|  
685           Mr. {Whitfield.} Thank you. We appreciate the opening  
686 statement of all of you, and Ms. McCarthy, I know you all  
687 have got a lot going on over at EPA, but we have a policy of  
688 asking that opening statements be given to us 48 hours before  
689 the hearing, and I know a lot of people are surprised at  
690 this, but we actually read these opening statements.

691           And yesterday we received yours at 6:25 last night,  
692 which is certainly way beneath the 48 hour, so I would hope  
693 that in the future if you could get to us 48 hours in  
694 advance, we would really appreciate that.

695           Ms. {McCarthy.} Mr. Chairman, I will do my best in the  
696 future. We had some difficulty because we didn't receive the  
697 draft legislation until last week, so but we will do our best  
698 in the future.

699           Mr. {Whitfield.} Okay, and second of all, recently you  
700 gave a speech to the COL Club here in Washington, DC, and in  
701 that speech you had indicated that there were hundreds of  
702 utility plants that could meet the--existing utility plants  
703 that could meet the Utility MACT regulations, and you  
704 indicated that you would make that list available to anyone  
705 that wanted it. And our staff has asked your staff to  
706 provide that list to us, and we have not received it yet, and  
707 since the implication was that you all certainly had that

708 list, could you provide that to us by the end of the day  
709 today?

710 Ms. {McCarthy.} Mr. Chairman, I did attend the meeting  
711 that you identified. I did misspeak. There are dozens of  
712 facilities that actually achieve the existing standards, and  
713 we are more than happy to respond to the request.

714 Mr. {Whitfield.} Well, could we have it by the end of  
715 the day?

716 Ms. {McCarthy.} I don't know if I can accommodate that,  
717 but I will get back to you by--

718 Mr. {Whitfield.} Well, because your staff had indicated  
719 to us that we needed to write a letter, so I am just going to  
720 ask you verbally if you could get it to us by the end of  
721 today, if possible, the 12, the list of 12 or so plants that  
722 meet that existing--

723 Ms. {McCarthy.} It is dozens. It is in the sixties,  
724 but I will do my best--

725 Mr. {Whitfield.} All right.

726 Ms. {McCarthy.} --to get that to you.

727 Mr. {Whitfield.} Thank you very much. Now, I would  
728 like to ask all of you yes or no, has the EPA or Department  
729 of Energy or Department of Interior taken a position on these  
730 two pieces of legislation? Mr. Smith, have you all taken a  
731 position on them?

732 Mr. {Smith.} Yeah. Thank you for the question, Mr.  
733 Chairman.

734 So on the first piece of legislation that has to do with  
735 the petroleum reserve, as I mentioned in my opening statement  
736 we do have some concerns about the idea of tying the  
737 operational capability of one of the few quick response tools  
738 that the Federal Government actually does have to respond to  
739 emergency supply disruptions that could cause high price  
740 spikes for American consumers and taking that and tying it to  
741 a regulatory, legal legislative process by which we are  
742 trying to estimate new quantities of oil and gas to be  
743 produced on public lands in cooperation with private oil  
744 companies. So we have some concerns about that.

745 Mr. {Whitfield.} So you are not opposed to it at this  
746 point, but you have some concerns that we might be able to  
747 address with you?

748 Mr. {Smith.} Well, I would say categorically that we  
749 think that the direction of taking a strategic asset that is  
750 dedicated by statute to protecting national security by  
751 protecting against price spikes that might be caused by  
752 supply interruptions and tying it to a legislative process,  
753 that is something that we would be categorically against.

754 Mr. {Whitfield.} Now, Mr. Abbey, what about your  
755 Department?

756 Mr. {Abbey.} Mr. Chairman, we have deferred to the  
757 Department of Energy to take a position on that particular  
758 legislative proposal, but I will say this, that we believe  
759 such a proposal is unnecessary.

760 Mr. {Whitfield.} And, Ms. McCarthy, has EPA taken a  
761 formal position?

762 Ms. {McCarthy.} No, sir, we don't.

763 Mr. {Whitfield.} Okay. Well, one of the things that  
764 you had mentioned in your comment was that this legislation  
765 appears to use high gas prices as the reason to roll back  
766 fundamental public health protections, and I would just say  
767 and clarify that this legislation on the gas issue does not  
768 roll back anything. It simply defers three rules for at  
769 least 6 months after the issuance of a final report, the Tier  
770 3 Motor Vehicle Emission and Fuel Standards, the new Source  
771 Performance Standards for Petroleum Refineries, which is not  
772 out there yet, and the new Ozone Standards, which is not out  
773 there.

774 So it is not the intent of this legislation to roll back  
775 any existing health protections.

776 Ms. {McCarthy.} I appreciate that, Mr. Chairman. The  
777 roll back comment was related to the requirement that we  
778 change from being advised by the science in terms of what is  
779 protective as a standard for smog as opposed to taking into

780 consideration cost and feasibility, which would significantly  
781 change the fundamental premise of the Clean Air Act.

782 Mr. {Whitfield.} Well, I would just say that the  
783 President himself wrote a letter to Administrator Jackson in  
784 which he directed that you minimize regulatory costs and  
785 burdens. He wrote that letter September 2, 2011.

786 My time has expired. At this time I recognize the  
787 gentlelady from Florida, Ms. Castor, for--Mr. Sarbanes was  
788 here first I was told. Recognize the gentleman from  
789 Maryland, Mr. Sarbanes, for 5 minutes.

790 Mr. {Sarbanes.} Thank you, Mr. Chairman. I am glad to  
791 be back here on the committee. Appreciate the opportunity.

792 Mr. {Whitfield.} Let me just say we welcome you back,  
793 and thank you.

794 Mr. {Sarbanes.} Thanks very much.

795 Ms. McCarthy, I wanted to address most of my questions  
796 to you. First of all, thanks for being here. Thanks for  
797 your testimony, and thanks for the work that you do at the  
798 EPA. I thought since I was returning to the committee that I  
799 ought to get back to core principles and understanding the  
800 mission of the EPA, so I looked again this morning at the  
801 mission of the EPA, which is to protect human health and the  
802 environment. And the first purpose listed for the EPA is its  
803 purpose is that all Americans, to ensure that all Americans

804 are protected from significant risks to human health and the  
805 environment where they live, learn, and work.

806         And I commend you for bringing out attention to Section  
807 6 of the act that is under review here today because I agree  
808 with you that it creates a dangerous, it is a dangerous  
809 development to start putting aside the concerns about the  
810 science in developing the standards, and as I understand it  
811 from what you have said, that is your concern. It is not  
812 that we throw economics completely out the window, but when  
813 it comes to developing the standards that you want to put  
814 forward that are designed to protect human health and the  
815 environment, you need to rely on the science first and  
816 foremost, and your fear based on this provision is that that  
817 would be trumped by these other concerns. So I thank you for  
818 bring that up.

819         I come from Maryland, and I am concerned about the fact  
820 that Maryland, I think, is one of the, well, Baltimore has  
821 been found to have one of the highest levels of smog on the  
822 east coast. Baltimore and Washington. That is the corridor  
823 I travel every day, so I am very, very interested in the  
824 potential of these Tier 3 Tailpipe Pollution Standards, which  
825 are coming along to address pollution in our area.

826         And what I would like you to do, if you could, and I  
827 understand that standards aren't developed yet, the

828 regulations have not been issued, I am concerned about any  
829 effort to get in the way of the timeline for those because we  
830 have great expectations of what they can, how they can  
831 benefit Maryland and frankly the whole Chesapeake Bay  
832 watershed.

833         But if you could speak to the health benefits behind  
834 these new Tier 3 Tailpipe Pollution Standards in terms of  
835 reducing nitrogen, oxides, and what that means in terms of  
836 the public health, I would appreciate it very much.

837         Ms. {McCarthy.} Mr. Congressman, first let me  
838 congratulate Maryland for all the work they do. I know that  
839 we work with them very closely on issues of ozone. There are  
840 many rules that we have done that are attempting to address  
841 the interstate transport of ozone into Maryland where they  
842 are working very hard on Tier 3 in particular. The  
843 importance of Tier 3 is very large to states like yours and  
844 others that deal with smog, and it will produce vehicles that  
845 will significantly lower both VOCs and NOCs which are  
846 precursors of ozone. They will also provide significant net  
847 benefits related to lower sulfur in gasoline.

848         So while the rules haven't been proposed, our major  
849 concern here is that we would be having to wait for the  
850 completion of a report that may never come, and this rule,  
851 this new law would actually tell us that we had to wait for 6

852 years for the completion of a rule that will provide no  
853 further clear information to the public on our Tier 3 rule,  
854 and our rule hasn't even been proposed. It is not clear how  
855 it would be analyzed, and we want to move on and get it in  
856 front of the public and provide the benefits that the Clean  
857 Air Act intended, and it is a significant way for us to  
858 reduce ozone and to provide those public health protections.

859       Mr. {Sarbanes.} I appreciate that, and I want to  
860 anticipate, you know, in the context of this hearing the  
861 criticism would be that those new tailpipe emission standards  
862 would significantly increase the cost of gasoline. In fact,  
863 the studies that I have available to me, I am looking at a  
864 very good article from the ``Baltimore Sun,' ' last November,  
865 suggests based on industry forecasts that you might increase  
866 fuel costs by a half cent, potentially a half cent to a cent,  
867 and you are looking at, you know, all tolled maybe \$143  
868 million increased costs up to potentially \$400.

869       You look at the benefits in terms of reduced healthcare  
870 costs because of reducing the pollution out there, and you  
871 are talking about--and this is reducing hospitalizations,  
872 sick days, and premature deaths, and you are looking at \$234  
873 million to \$1.2 billion saved. So that is really something  
874 we should take into consideration. Thank you.

875       Mr. {Whitfield.} The gentleman's time has expired.

876 At this time I recognize the gentleman from Texas, Mr.  
877 Barton, for 5 minutes.

878 Mr. {Barton.} Thank you, Mr. Chairman.

879 Ms. McCarthy, yesterday the EPA put out the proposed  
880 regulations on new coal-fired power plants that allows the  
881 emission of CO2 to be, I think, 1,000 pounds per ton. Most  
882 coal-fired power plants, the best that--the average, I think,  
883 is about 1,700 pounds of CO2 per ton.

884 Where did 1,000 pounds per ton come from, and what is  
885 magic about it?

886 Ms. {McCarthy.} The standard is 1,000 pounds per  
887 megawatt hour.

888 Mr. {Barton.} Per megawatt. I am sorry. You are  
889 right. Per megawatt hour.

890 Ms. {McCarthy.} And it is based on what we believe to  
891 be the best system of emission reduction is what is called on  
892 in the law. It is based on natural gas combined cycle, which  
893 is about 95 percent of the natural gas combined cycle units  
894 that have been built since 2005, actually achieve this 1,000  
895 pound standard.

896 Mr. {Barton.} But that is natural gas.

897 Ms. {McCarthy.} It is, but we also recognize that most  
898 new units are actually going to be natural gas. That is the  
899 trend we see because of the availability and cost.

900 Mr. {Barton.} You understand that if you set the  
901 standard for coal at that range, you are not going to build a  
902 new coal-fired power plant.

903 Ms. {McCarthy.} We--

904 Mr. {Barton.} You understand that?

905 Ms. {McCarthy.} --identified a pathway for coal to  
906 achieve by providing flexibility to allow coal a 30-year  
907 averaging to achieve that standard, recognizing that carbon  
908 capture and storage, while it is available today, they may  
909 not want to put or design the facility--

910 Mr. {Barton.} Well, it is too expensive.

911 Ms. {McCarthy.} --to have it today, but they could over  
912 a 30-year period and achieve--

913 Mr. {Barton.} Carbon capture works in the laboratory,  
914 but when you scale it up to put it on a real power plant, it  
915 raises the cost by about 30 percent or at least it did the  
916 last time I looked at it. So what you have done is  
917 effectively say we are not going to use coal to generate  
918 electricity in the United States ever again.

919 Is the EPA and President Obama comfortable with that,  
920 that you are just wiping out half the generation capacity of  
921 America of electricity currently?

922 Ms. {McCarthy.} We believe that carbon capture and  
923 sequestration is actually being put on at full scale now. We

924 believe that the capture rate, which is very modest for  
925 today's systems, can be achieved and allow this averaging to  
926 be a very successful approach to coal continuing to be  
927 developed.

928         And we recognize that over time the cost and  
929 effectiveness of that technology will likely improve  
930 dramatically. The 30-year horizon gives units 10 years to  
931 actually, before they need to install carbon capture and  
932 sequestration in order to make that standard within that 30-  
933 year period.

934         Mr. {Barton.} I don't think it is a surprise to you  
935 that many of us don't share the optimism that you just  
936 expressed about the ability for technology to overcome that,  
937 and I wouldn't be surprised if you don't see some legislative  
938 attempts to correct the proposed regulation.

939         I want to ask Mr. Abbey about permitting reform on  
940 federal lands. As I pointed out in my opening statement, in  
941 Texas the Railroad Commission on occasion will issue a new  
942 permit for an oil or gas well within a day, but it almost  
943 always never takes more than a week. I can't find a record  
944 of a federal permit on federal lands or the OCS being issued  
945 in--the average is 3 years. Some take as long as 7 years.

946         Do you agree that federal permitting reform for oil and  
947 gas leases should be a priority to enact?

948 Mr. {Abbey.} It is a priority for the Department of  
949 Interior to look at our existing processes and always  
950 determine where improvement could be achieved and  
951 efficiencies achieved so that we can move forward as  
952 expeditiously as possible to review the applications that  
953 come before us and make decisions on those applications.

954 Mr. {Barton.} Do you have--what would be a good goal to  
955 shoot for? Do you think 90 days?

956 Mr. {Abbey.} Well, again, it would be difficult to  
957 assign a goal to each application because they vary from  
958 complexity, by complexity, but let me just share with you--

959 Mr. {Barton.} How about let us do it in less than a  
960 year?

961 Mr. {Abbey.} Well, many of them are approved or  
962 decisions made within a year. For example, last year we  
963 received approximately 41 applications for permits to drill  
964 within the Bureau of Land Management. We made decisions. We  
965 issued approvals on over 4,200 applications for permits to  
966 drill because we ended up addressing some of the backlog that  
967 we had.

968 Mr. {Barton.} So when industry says it is 3 to 7 years,  
969 they are just not telling the truth?

970 Mr. {Abbey.} Some applications will require that much  
971 time because we go back and have to do an environmental

972 impact statement, but many of the applications, most of the  
973 applications that we do receive for permits to drill are  
974 decided within probably anywhere between 90 days to a year.

975 Mr. {Barton.} Okay. My time has expired. I would like  
976 to ask Ms. McCarthy one final question.

977 Could you elaborate on Lisa Jackson, the Administrator,  
978 Ms. Jackson's announcement yesterday that the EPA had no  
979 plans to issue regulations for greenhouse gases for existing  
980 power plants? What is no plans? Is that the next week, the  
981 next year, the next decade? Would you elaborate a little bit  
982 on her announcement on that issue?

983 Ms. {McCarthy.} I think her statement, Congressman, was  
984 very clear. We do not have plans to develop new source  
985 performance standards for existing--

986 Mr. {Barton.} So I can state that for the rest of the  
987 Obama Administration Lisa Jackson and the EPA is not going to  
988 issue a regulation for existing power plants on greenhouse  
989 gases.

990 Ms. {McCarthy.} We just indicated that we have no plan.

991 Mr. {Barton.} For the rest of the Obama Administration?

992 Ms. {McCarthy.} Right now we have focused solely on  
993 what you have already proposed, which is getting comment on  
994 the new source standard, which is the premise for moving  
995 forward. We are looking forward to those comments, and we

996 want to make sure that we get the new source performance  
997 standard right, that we protect existing facilities at this  
998 point, and should we move forward with existing in the  
999 future, that would be a standard that would be established  
1000 through separate rulemaking.

1001 Mr. {Shimkus.} [Presiding] The gentleman's time--

1002 Mr. {Barton.} No plans is like President Clinton saying  
1003 depends on what the gentleman--

1004 Mr. {Shimkus.} The gentleman's time has expired.

1005 The chair now recognizes the gentleman from Texas, Mr.  
1006 Green, for 5 minutes.

1007 Mr. {Green.} Mr. Chairman, I am glad to follow my  
1008 colleague from Texas, and if I run over, could I get a couple  
1009 minutes, too, although I am not a Chairman Emeritus as he is.

1010 Mr. {Shimkus.} No.

1011 Mr. {Green.} That was a quick response.

1012 Ms. McCarthy, following my colleague from Texas, I  
1013 appreciate what you did on the existing facilities because  
1014 that was a big concern. Now, we may still have some  
1015 discussion on how we can do secrets ratio intervenings on  
1016 existing facilities, but my interest is obviously refining  
1017 capacity, and it is my understanding the EPA has publicly  
1018 stated or proposed the Tier 3 Sulfur Standards this March,  
1019 which would mean they would need to be proposed this week.

1020           When do you plan to propose those Tier 3 Sulfur  
1021 Standards?

1022           Ms. {McCarthy.} We don't have an exact timeline at this  
1023 point, Congressman. We are actively looking at this issue.  
1024 We want to assure that they are as cost effective as they can  
1025 be. Right now we project that cost to be somewhere less than  
1026 a penny. We recognize the challenges associated with the  
1027 cost of gasoline, and we are going to be sensitive to that.

1028           Mr. {Green.} Okay, and since you don't have a timeline  
1029 I know you agree that in using the same rationale that you  
1030 have used on greenhouse gases for new permitting, the  
1031 combination of these rules could put refiners in quite a  
1032 predicament, and so I would hope that you are working with--I  
1033 understand you are working with litigants and seeing what we  
1034 can do because obviously everybody wants to do what is right,  
1035 but we need to be able to capitalize it, particularly on  
1036 refineries like I have. I have five of them that are very  
1037 large, and they just don't, I mean, at any given time there  
1038 is a permit for something in the works there in East Harris  
1039 Country. So I appreciate that.

1040           Let me ask Mr. Smith, Mr. Smith, I have some concerns in  
1041 the discussion draft that our colleague, Mr. Gardner, has  
1042 with interfere with the efficient management operation of the  
1043 Strategic Petroleum Preserve, maybe make it unusable, in

1044 fact. The proposal covers not just draw downs and sales but  
1045 also exchange agreements. The authority entered in an  
1046 exchange agreement with private companies has been used ten  
1047 times, and these exchanges allow refiners to overcome  
1048 unforeseen emergency disruptions in their crude oil supply.

1049 In June of 2000 this authority was used because of a  
1050 commercial dry dock collapsing in a shipping canal in  
1051 Louisiana, blocking the primary route of the two refineries.  
1052 If not for the exchange, these refineries would have had to  
1053 halt production. In 2006, an accidental release of storm  
1054 water and oil caused another ship canal closure, again,  
1055 blocking the supply to refineries. Again, the exchange for  
1056 the strategic petroleum reserve kept these refineries  
1057 running.

1058 In my district I have a number of refineries that depend  
1059 on the Houston Ship Channel. A closure of that channel could  
1060 be devastating to these companies and the workers, not to  
1061 mention the economy that depends on their fuel.

1062 My question is, Mr. Smith, do the requirements of  
1063 Congressman Gardner's bill apply to exchange from the  
1064 Strategic Petroleum Reserve such as the ones we that are we  
1065 were done to address ship channel closures in 2000, and 2006?

1066 Mr. {Smith.} Thank you for the question, Congressman.  
1067 I can't speak to the details of exchanges. It is just

1068 something, I am not familiar with that clause of the  
1069 regulation. What I can say is that anything in the  
1070 regulation that is going to restrict the ability for us to  
1071 use the Natural Petroleum--Strategic Petroleum Reserve in a  
1072 way that protects national security and in a way that allows  
1073 us to respond to emergency disruptions in supply that might  
1074 cause price spikes for American consumers would be something  
1075 that is going to be taking away a primary tool that the  
1076 Federal Government does have at its exposure to protect the  
1077 American consumers, and it would be something that would not  
1078 be in the best interest of the American public.

1079 Mr. {Green.} So would an exchange from just one  
1080 refinery to address an emergency interruption trigger the  
1081 rift requirement to create a leasing plan?

1082 Mr. {Smith.} Well, my understanding is that exchanges  
1083 are covered.

1084 Mr. {Green.} Okay. In June of 2000 exchange I  
1085 mentioned early on, it was only 500,000 barrels, that is less  
1086 than one-tenth of 1 percent of the holdings of the SPR. Mr.  
1087 Smith, would this bill require you to create a nationwide  
1088 leasing plan because of the exchange of less than one-tenth  
1089 of 1 percent of the SPR, and the plan would have to increase  
1090 leasing of federal land by less than one-tenth of 1 percent?

1091 Mr. {Smith.} Well, my understanding of the legislation

1092 as it is proposed is that the draw down to the SPR would be  
1093 tied, the utilization of the SPR would be tied to the  
1094 requirement to create plans to increase production on public  
1095 lands, which would involve working with all of the regulatory  
1096 and legal authorities and estimates of private companies that  
1097 would be producing on the private end.

1098         Mr. {Green.} I don't want any confusion. I want us to  
1099 lease on public lands everywhere we can, and but I also know  
1100 that if we tie it to the SPR there are some emergencies that  
1101 happen, and we know in our district what happened with  
1102 Hurricane Ike came into the Houston Ship Channel, we had to  
1103 shut down those refineries, and literally the price of oil  
1104 went up, the price of gasoline went up until we could get  
1105 them up, and we had airline companies and DOD saying, we need  
1106 to get those refineries back up.

1107         So I worry that if we have a disruption, that we need to  
1108 have the SPR on a short-term basis in some cases to help.

1109         Mr. {Smith.} Well, and just to be clear about the  
1110 response, you know, we are certainly in favor of having that  
1111 flexibility to respond should need be, and we are also in  
1112 favor of generally speaking, making sure we have got an  
1113 efficient process to produce oil and gas on public lands.  
1114 The tying of the two together is something that would make us  
1115 less effective.

1116 Mr. {Green.} Thank you.

1117 Mr. {Shimkus.} I just want for the record my ranking  
1118 member of my subcommittee did get like 38 additional seconds  
1119 so--thank you, and I would like to recognize myself for 5  
1120 minutes.

1121 Ms. McCarthy, I really do personally respect you and  
1122 have great admiration for your work, but you all are just  
1123 killing us in southern Illinois, our coalminers and our  
1124 electricity generation by coal. So I have a couple of  
1125 questions.

1126 Under the new standards, if a power producer were to  
1127 build a new coal-fired power plant, what would that cost be?

1128 Ms. {McCarthy.} Mr. Chairman, we are talking about the  
1129 greenhouse gas?

1130 Mr. {Shimkus.} Right.

1131 Ms. {McCarthy.} Well, we took a look, frankly, and  
1132 there are--there is anticipated no proposals for coal fired  
1133 at this point in time, but we did take a look at it. We  
1134 looked at the costs and benefits.

1135 Mr. {Shimkus.} Well, we did the calculation based upon  
1136 your own numbers. Your inventory greenhouse gases said this  
1137 fossil fuel electricity generation emitted 2,154 million  
1138 metric tons of CO2 in 2009. Your report, interagency report  
1139 says that that would cost between 60 to 90 per ton in CO2

1140 avoided, and if we assume 50 percent carbon capture, it would  
1141 cost between \$64 to \$102 billion to replace our existing  
1142 coal-fired generation with new plants using CCS.

1143 We would be happy--we have economists. We will be happy  
1144 to share those numbers with you, but those are the costs  
1145 incurred.

1146 Let me go to another question.

1147 Ms. {McCarthy.} Just for clarity, this has to do with  
1148 future power plants?

1149 Mr. {Shimkus.} That is right. If we are going to  
1150 replace our current ones with future power plants under your  
1151 standards, it will cost \$60 to--\$64 to \$102 billion based  
1152 upon your numbers.

1153 Now, let us go to the second question. In the analysis  
1154 the EPA assumes that nobody would want to build a new coal-  
1155 fired power plant. Is that correct?

1156 Ms. {McCarthy.} That is the modeling done by--

1157 Mr. {Shimkus.} Right. So you are saying no one is  
1158 going to build one anyway. In fact, I have got your all's  
1159 quote here that says we don't think anybody is going to do it  
1160 with these additional costs incurred.

1161 Ms. {McCarthy.} Not at this point in time, Congressman-  
1162 -

1163 Mr. {Shimkus.} Yeah.

1164 Ms. {McCarthy.} --because of the availability and price  
1165 of natural resources.

1166 Mr. {Shimkus.} Isn't it a self-fulfilling prophesy that  
1167 if you issue rules that nobody could meet that we won't have  
1168 electricity generation by coal?

1169 Ms. {McCarthy.} One of the reasons why we created a 30-  
1170 year window was to ensure that there was a pathway forward.

1171 Mr. {Shimkus.} Well, there--at \$64 to \$102 billion,  
1172 there is no pathway forward.

1173 Let me go--coal is our most abundant source of low-cost  
1174 domestic energy. How is taking coal out of our energy mix  
1175 consistent with the All of the Above energy strategy?

1176 Ms. {McCarthy.} EPA is not preventing either the  
1177 continued use or the construction of new coal.

1178 Mr. {Shimkus.} Okay. Mr. Barton sent a letter, the  
1179 Department of Energy responded on May 28, 2009, and I quote.  
1180 ``Timeframe for undertaking a project varied depending upon  
1181 the scale and complexity of the project with smaller-scale  
1182 projects typically lasting 3 to 4 years in duration. Larger  
1183 scale near-commercial scale, this is for carbon capture and  
1184 sequestration, projects taking 10 plus years to complete.''

1185 Now, I am in one of the largest areas where carbon  
1186 capture and sequestration is thought to be able to do it, and  
1187 we are not there. No one is going to go there. Also, on the

1188 DOE letter it says, ``A legal framework is needed to provide  
1189 certainty in having to deal with ownership of the geological  
1190 core space.'' That is never going to happen. So to think we  
1191 are going to move to carbon capture and sequestration is just  
1192 very frustrating.

1193         This Administration promised before the election that  
1194 they were going to bankrupt coal, and if I could run the U-  
1195 Tube clip.

1196 [Video shown]

1197         Mr. {Shimkus.} Okay. This is to the San Francisco  
1198 Chronicle, and the President basically says--so the issue is  
1199 his goal was to bankrupt coal generation, electricity  
1200 generation by coal, and it is not just greenhouse gases. Mr.  
1201 Barton was correct. Greenhouse gases is the challenge next.  
1202 What is the electricity generation by coal challenges now?  
1203 Boiler MACT, mercury MACT, transport rule, coal ash. So,  
1204 yeah, let us put a new burden on future generation, but you  
1205 are not admitting the burden that is closing down coal-fire  
1206 power plants today. So you are already taking the ones out  
1207 today through current regulation. You are going to take out  
1208 the next generation of coal through greenhouse gas.

1209         My time has expired. I yield back.

1210         Now I would like to recognize Ms. Castor for 5 minutes.

1211         Ms. {Castor.} Well, thank you, Mr. Chairman.

1212 Mr. {Shimkus.} Now, wait. Mr. Rush is back. So, Mr.  
1213 Rush, you are recognized for 5 minutes.

1214 Mr. {Rush.} I want to thank you, Mr. Chairman. I seen  
1215 that very exciting there, but you were excited as much to do  
1216 about nothing. I mean, you--what was the President speaking  
1217 of? You are trying to insinuate--you are taking a brief  
1218 three or four words out of total context what he was saying,  
1219 and Mr. Chairman, that is--

1220 Mr. {Shimkus.} Would the gentleman yield?

1221 Mr. {Rush.} No, I won't yield.

1222 Mr. {Shimkus.} It is 3-1/2 minutes.

1223 Mr. {Rush.} That is the way that your side continues to  
1224 operate. Take a few words that the President says, take it  
1225 out of context, and then start attacking it in the context  
1226 that you want to place it in and start attacking him on those  
1227 few words. I am sure that the President wasn't talking about  
1228 all the coal plants. He was talking about the most egregious  
1229 polluters, and that--I am not going--but I just want to make  
1230 a point that that is totally out of line and with fairness,  
1231 and that is totally out of line with the way I would think  
1232 that the chair would operate.

1233 And Mr. Chairman, I just think that that is very  
1234 malicious on your part because those comments were taken out  
1235 of, totally out of context. Totally out of context.

1236 Ms. McCarthy, what would the health implication be of  
1237 compelling the EPA to consider cost when setting health-based  
1238 standards?

1239 Ms. {McCarthy.} The implication would be that science  
1240 and the advice of the scientists and health experts would no  
1241 longer be the primary and sole way in which the Clean Air Act  
1242 defines the goals that it is trying to achieve to protect the  
1243 public and deliver clean air.

1244 Mr. {Rush.} Would implementing this bill help reduce  
1245 prices at the pump?

1246 Ms. {McCarthy.} As far as I can see it will have no  
1247 impact on the price at the pump. For the most part the rules  
1248 that it is delaying have not even been proposed, so they  
1249 could not possibly be influencing the price of gasoline  
1250 today.

1251 Mr. {Rush.} So, again, and this is much ado about  
1252 nothing as far as what we are going through here today, and  
1253 these are my comments. I am not asking you a question as it  
1254 relates to this hearing and what we are attempting to do in  
1255 terms of blaming the EPA and the Administration for the  
1256 rising, the prices at the pump.

1257 Also blocks the EPA from setting new Tier 3 Emission  
1258 Standards for motor vehicles and gasoline, some may believe  
1259 that the current standards are sufficient and that air

1260 quality has improved enough. Why do we need to consider  
1261 additional Tier 3 Standards?

1262 Ms. {McCarthy.} Tier 3 Standards would deliver needed  
1263 and required public health protections to deliver cleaner  
1264 fuel that is lower in sulfur and also to ensure that vehicles  
1265 continue to ratchet down the amount of NOCs and VOC  
1266 emissions. It is also providing fuels that will allow new  
1267 technologies to enter into the market, technologies that the  
1268 car companies are looking to deliver to the American people  
1269 so that we have clean and more efficient vehicles.

1270 Mr. {Rush.} In the absence of Tier 3 Standards, how  
1271 will states and localities achieve the emission reductions  
1272 needed to achieve clean health air?

1273 Ms. {McCarthy.} Tier 3 is going to be one of the most  
1274 cost-effective methods of delivering public health  
1275 protections to the American public. If they are denied those  
1276 protections, then they will have to look at other potentially  
1277 much more costly ways of achieving those reductions that are  
1278 necessary to protect their health.

1279 Mr. {Rush.} And in these present economic environment  
1280 and the plight of states and local governments, do you think  
1281 that will be part of the problem or part of the solution in  
1282 your opinion?

1283 Ms. {McCarthy.} I think it is safe to say our partners

1284 at the states, local communities, and the tribes are looking  
1285 to the Federal Government to deliver for them just these  
1286 types of rules that deliver significant public health  
1287 protections at very, very, very low costs.

1288 Mr. {Rush.} So how would Tier 3 Standards affect the  
1289 price of gasoline?

1290 Ms. {McCarthy.} From what we can tell in the policies  
1291 that we are looking at now because the rule hasn't been  
1292 proposed, we are estimating a cost at less than a penny a  
1293 gallon.

1294 Mr. {Rush.} Gasoline regulations will not do nothing to  
1295 guarantee the lower of gasoline prices or reduce our  
1296 dependency on oil. What it does is guarantee as Americans we  
1297 will continue to breath polluted air.

1298 Mr. Chairman, with that I yield back the balance of my  
1299 time.

1300 Mr. {Whitfield.} Thank you.

1301 At this time I recognize the gentleman from Texas, Mr.  
1302 Burgess, Dr. Burgess, for 5 minutes.

1303 Dr. {Burgess.} Thank you, Mr. Chairman, and Mr. Smith,  
1304 your testimony that you provided us this morning reading the  
1305 start of one of the paragraphs it says, ``The Obama  
1306 Administration is committed to expanding the safe and  
1307 responsible production of America's energy resources.'' And

1308 let me just say I wholeheartedly concur, and I congratulate  
1309 the President for being correct on this and congratulate him  
1310 on espousing this as a policy that he wishes to push forward.

1311         The second part of your statement, though, confuses me.  
1312 It says, ``which is one reason why U.S. oil production has  
1313 increased each year the President has been in office.'' The  
1314 President has been in office a little over 3 years. We sat  
1315 in this committee room for a whole day in 2008, and heard a  
1316 hearing on the speculation effect on oil prices in 2008, if  
1317 you recall prices were very high, similar to what we are  
1318 seeing this year, and we heard testimony that day that it  
1319 wouldn't do any good to drill because if you drill today, you  
1320 wouldn't see anything for 4 to 7 years.

1321         Now, I will submit that if we drilled 4 years ago, maybe  
1322 then we would be seeing something happen now, but hard to see  
1323 how your two statements are true and related if, indeed, you  
1324 want to take credit for what the President has implemented.  
1325 That credit is actually going to accrue a few years from now,  
1326 not today. Is that not correct?

1327         Mr. {Smith.} Thank you for the question, Congressman.  
1328 A couple comments. First of all, I am glad we have some  
1329 agreement on--

1330         Dr. {Burgess.} Sure.

1331         Mr. {Smith.} --some of the aims and--

1332 Dr. {Burgess.} Always looking for areas of agreement.  
1333 That to me, I am Mr. Bipartisan, always looking for areas  
1334 where we can get together.

1335 Mr. {Smith.} That is encouraging. The second part of  
1336 your question, not only are policies and practices in place  
1337 that are incentivizing production and allowing companies to  
1338 get to work in a way that is expeditious, you know, creating  
1339 better value for American consumers, but as you look at the  
1340 activity that is going on right now, if you look at the rig  
1341 count that is going on right now, not only are we producing  
1342 more barrels right now, but there is actually more activity  
1343 going on in the United States in terms of producing, crudely  
1344 producing our domestic oil and gas resources than any time in  
1345 the past.

1346 Dr. {Burgess.} If I may just reclaiming my time, and I  
1347 live in an area of north Texas, we live on top of the Barnett  
1348 Shale, and we have seen a lot of activity. Now, the activity  
1349 is diminishing, the price has gone down, and dry gas  
1350 production is apparently not as lucrative as gas and liquids  
1351 in other parts of the state, but nevertheless, it has been an  
1352 economic benefit to our part of the state.

1353 On the other hand, it has not come without a cost, and  
1354 there are municipalities who have had to make some pretty  
1355 tough decisions regarding where they allow the citing of

1356 these well, where they allow drilling, how they handle the  
1357 disposal of waste water. But, again, it is all on private  
1358 land. None of this is developed on federal land, so I would  
1359 just submit to you some of the boom we are seeing in energy  
1360 production, and I am grateful that the gas I there, I am  
1361 grateful that the cost has come down from what it was 5 and 6  
1362 years ago.

1363           At the same time it has not been without some  
1364 significant angst at the local level because all of these  
1365 things have to be managed at the local level because, again,  
1366 these are not on federal land somewhere out in the  
1367 wilderness. These are on private lands very near existing  
1368 residential neighborhoods and very near existing development.

1369           Now, one of the Presidential candidates is talking about  
1370 a goal for setting a goal for gasoline prices at \$2.50 a  
1371 gallon. Is that realistic?

1372           Mr. {Smith.} Well, Congressman, you know, first of all,  
1373 I grew up in Fort Worth, Texas, so I saw that boom firsthand  
1374 and as I go back and forth I see the impact that local  
1375 drilling has had both in terms of creating jobs and creating  
1376 opportunities for the people who live there but also concerns  
1377 about the fact that you are undertaking these activities in  
1378 people's backyards.

1379           So there is going to be some concern about the

1380 environmental impacts of drilling.

1381 Dr. {Burgess.} Which is why I would submit if we would  
1382 open up more federal lands, we could move away from where the  
1383 people are and still develop the product, but be that as it  
1384 may, \$2.50, is that a realistic goal?

1385 Mr. {Smith.} I think that--

1386 Dr. {Burgess.} Add state and federal taxes to that it  
1387 is almost \$3 a gallon. You know, that is pretty modest in my  
1388 opinion.

1389 Mr. {Smith.} --what American people understand is that  
1390 there is not a one-point plan or a five-point plan or a ten-  
1391 point plan that is going to result in a big precipitous drop  
1392 in gasoline prices.

1393 Dr. {Burgess.} I am going to surprise you again. I  
1394 agree. All the above, all hands on deck. I think it is  
1395 necessary.

1396 Administrator McCarthy, before my time expires, I have  
1397 just got to ask you in your testimony you talked about the  
1398 effect of ozone on patients who have asthma, and you have  
1399 talked about this before.

1400 Ms. {McCarthy.} Yeah.

1401 Dr. {Burgess.} For heaven sakes, you have got something  
1402 within your grasp to help people with asthma right now today,  
1403 because as you know, January 1 because of the banning of CFCs

1404 in asthma inhalers, no one can buy these things anymore, and  
1405 asthma patients wake up at two o'clock in the morning without  
1406 any other med, they have got no option now other than going  
1407 to the emergency room and spending 1,500 bucks to get a  
1408 breathing treatment.

1409           Why cannot we have a waiver to allow existing stocks, I  
1410 am not asking for anybody to make anymore, but allow existing  
1411 stocks of Primatene to be sold in the drug stores until they  
1412 are exhausted just to give a little relief to those asthma  
1413 patients that you profess to be so concerned about?

1414           Ms. {McCarthy.} Congressman, we have heard nothing from  
1415 FDA that indicates--

1416           Dr. {Burgess.} Wait. No FDA. Okay. We have  
1417 jurisdiction over them, too. I got a beef with them as well.  
1418 This is your jurisdiction. Grant a waiver so existing stock,  
1419 which has already been approved by the FDA, can be sold to  
1420 patients today who may need this product tonight. If we  
1421 cared about asthmatics, if we weren't conducting a war on  
1422 asthmatics, we would allow this to happen.

1423           I have submitted a letter to the President on this. I  
1424 would ask that it be made part of the record. I simply do  
1425 not understand EPA's intransigence on this. It makes no  
1426 sense, and people are suffering as a consequence.

1427           Mr. {Whitfield.} Without objection the letter will be

1428 admitted for the record.

1429 [The information follows:]

1430 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
1431           Dr. {Burgess.} And Mr. Shimkus asked me if I would  
1432 submit it on his behalf subject for the record as well  
1433 dealing with if you want to build a coal plant, you can, but  
1434 it is going to bankrupt you. Can I submit that for the  
1435 record?

1436           Mr. {Whitfield.} Without objection, so ordered.

1437           [The information follows:]

1438 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
1439 Mr. {Whitfield.} At this time I recognize the  
1440 gentlelady from California, Ms. Capps, for 5 minutes.

1441 Mrs. {Capps.} Thank you, Mr. Chairman.

1442 Director Abbey, we have been told that the proposal  
1443 relating to the Strategic Petroleum Reserve is about linking  
1444 supply from the Strategic Petroleum Reserve, which I will  
1445 refer to as SPR, to supply from domestic production. The  
1446 proposal says that--or the bill that is being proposed says  
1447 that we can't release oil from the SPR no matter how  
1448 important the reason is unless we also engage in a  
1449 duplicative planning process to lease more federal land for  
1450 oil production years down the line.

1451 The bill sponsor has said that this bill is intended to  
1452 increase production, and I quote, ``to match the amounts  
1453 released from the reserve.''

1454 However, while the proposal would interfere with  
1455 operation of the SPR, it may not achieve this goal. The bill  
1456 ignores the fact that the Department of Energy has no  
1457 expertise in lease sales, that lease sales may or may not be  
1458 bid on by industry, and that leased land may or may not  
1459 produce oil.

1460 Director Abbey, does this bill specify how much  
1461 production from federal land should be increased?

1462 Mr. {Abbey.} It doesn't the way at least I interpret  
1463 it. It does require us to make available more federal  
1464 minerals as a result of any release from the reserve.

1465 But let me point out as I state in my opening remarks,  
1466 we are already leasing land. Last year the Bureau of Land  
1467 Management held 32 oil and gas lease sales offering up 4.4  
1468 million acres on approximately 1,750 parcels. Of those 1,750  
1469 parcels 1,296 were actually leased.

1470 Mrs. {Capps.} Right.

1471 Mr. {Abbey.} We have 38 million acres already leased on  
1472 onshore, we have another 38 million acres already leased on  
1473 the Outer Continental Shelf. Of the 76 million acres that  
1474 the Department of Interior has already leased, 50 million of  
1475 those 76 million acres have not even been explored or  
1476 developed at this point in time.

1477 Mrs. {Capps.} Let me ask. I want to get some certain  
1478 specific things on the record, so if I could just ask you a  
1479 series of questions that pretty much could be responded to  
1480 with a yes or a no, and Mr. Abbey, if we look at acreage  
1481 leased nationwide, is there a simple calculation to find the  
1482 oil and gas holdings of that acreage? In other words, are  
1483 all acres of federal land equal in terms of oil and gas  
1484 holdings?

1485 Mr. {Abbey.} They are not.

1486 Mrs. {Capps.} And if acreage is offered for lease, is  
1487 it guaranteed that industry would bid on those leases?

1488 Mr. {Abbey.} No.

1489 Mrs. {Capps.} In recent lease sales, both onshore and  
1490 off, a significant portion of offered leases have not  
1491 received bids. Is that correct? I believe I just heard you  
1492 say that.

1493 Mr. {Abbey.} Primarily on offshore.

1494 Mrs. {Capps.} Primarily on offshore?

1495 Mr. {Abbey.} Uh-huh, and in the case of Alaska as well.

1496 Mrs. {Capps.} Offshore leases.

1497 Mr. {Abbey.} Onshore and Alaska.

1498 Mrs. {Capps.} Offshore and on, a significant portion of  
1499 leases have not received bids that have already been offered?

1500 Okay. Moving on. Assuming for the sake of argument that  
1501 acreage was offered for lease and industry did bid on those  
1502 leases, is it guaranteed that those lease holders are going  
1503 to drill on that land or offshore?

1504 Mr. {Abbey.} No.

1505 Mrs. {Capps.} Okay. A 1 percent draw down from the  
1506 Strategic Petroleum Reserve would make about seven million  
1507 barrels of oil available, but it sounds like you were saying,  
1508 you are saying that a 1 percent increase in the amount of  
1509 federal land offered for lease could run a gamut. It might

1510 be ten times that, or it might be no oil at all.

1511 Mr. {Abbey.} I see no correlation.

1512 Mrs. {Capps.} So there is, in your opinion, no  
1513 correlation between--there is not an equal over here and an  
1514 equal over there?

1515 Mr. {Abbey.} No.

1516 Mrs. {Capps.} So this bill does not match new domestic  
1517 oil and gas reduction to draw down from the Strategic  
1518 Petroleum Reserve?

1519 Mr. {Abbey.} I don't see how it is.

1520 Mrs. {Capps.} Well, I have one just comment to make,  
1521 and then I will let you--because this is your area of  
1522 expertise, make any further conclusions that you would like  
1523 to. In my way of understanding this legislation it is just  
1524 not thought out. I suggest that we need to go back to the  
1525 drawing board. I suggest this to the Office of the  
1526 Legislation and perhaps in this subcommittee we need to hold  
1527 a hearing, Mr. Chairman, on the Strategic Petroleum Reserve  
1528 before we pass legislation to interfere with its management  
1529 and operation.

1530 I will yield the last half minute to the director of BLM  
1531 to respond.

1532 Mr. {Abbey.} Well, again, the Department of Interior is  
1533 quite proud of the work that we are doing to support this

1534 Administration, but more importantly to support the citizens  
1535 that we serve in making appropriate lands and waters  
1536 available for leasing. We are making progress. As I  
1537 mentioned in my statistics, you know, there is 76 million  
1538 acres that we have already leased offshore as well as  
1539 onshore. Fifty million of those acres are not even being  
1540 explored or developed.

1541 At the same time we have 7,000 permits that we approved  
1542 last year, I mean, that we have already approved that are not  
1543 being developed on by the industry.

1544 Mrs. {Capps.} Thank you.

1545 Mr. {Whitfield.} The gentlelady's--

1546 Mrs. {Capps.} I yield.

1547 Mr. {Whitfield.} --time has expired.

1548 I might say that this bill does not preclude the release  
1549 of oil from SPR in the event of an emergency. It simply asks  
1550 that a plan for leasing be submitted within 180 days.

1551 At this time I recognize the gentleman from California,  
1552 Mr. Bilbray, for 5 minutes.

1553 Mr. {Bilbray.} Thank you, Mr. Chairman.

1554 Following up on that just quickly, there is no guarantee  
1555 that if you offer land up that you will get bids. Right?

1556 Mr. {Abbey.} That is true.

1557 Mr. {Bilbray.} But isn't it true that there is a

1558 guarantee that if you do not offer the land up, you will get  
1559 no bids at all?

1560 Mr. {Abbey.} That is true.

1561 Mr. {Bilbray.} Okay. So let us talk about the world of  
1562 the possible. Do you have the slide up, please? Slide on  
1563 the gas buddy.

1564 To the EPA, if you look at this slide, those of us in  
1565 California, and let me just say this as--wouldn't you agree  
1566 that, first of all, probably one of the most successful clean  
1567 air strategies that has ever been implemented or agencies  
1568 have been very successful is the Air Resources Board in  
1569 California. Right?

1570 Ms. {McCarthy.} Yes.

1571 Mr. {Bilbray.} Okay, and I think Connecticut, you guys  
1572 kind of kept an eye on us. Can you explain to me then when  
1573 we are told that oil is fungible around the world, that  
1574 environmental regulations aren't affecting price, that supply  
1575 doesn't affect the price, would you take a look at this  
1576 graphic and explain to me so I can explain to my citizens in  
1577 California why we have the highest priced gasoline in America  
1578 as a state?

1579 Ms. {McCarthy.} I am sorry. I don't have the  
1580 information available to me to make an assumption.

1581 Mr. {Bilbray.} Okay. Well, let me say as somebody who

1582 is a regulator, for me to deny that our regulations didn't  
1583 have some affect there or the federal mandate of regulations  
1584 haven't had an affect there or the fact that domestic supply  
1585 coming from Alaska and California has dropped of dramatically  
1586 and we import 55 percent of our oil in California now from  
1587 the states, I just think that we ought to, Mr. Chairman, I  
1588 think we ought to have a hearing and try to explain what is  
1589 that impact, because obviously there is some impact there,  
1590 and we ought to be upfront about this. I think that that is  
1591 one of the things I would like to look at.

1592         You brought up the issue of volatile organic compounds,  
1593 and you used the term tailpipe emissions. Can you explain to  
1594 me why the Federal Government at this time in our history is  
1595 still operating off of tailpipe emissions rather than going  
1596 to total emissions, which at California we did in the early  
1597 '90s? Why are we maintaining that antiquated testing system  
1598 when those of us at ARB found it grossly inadequate at  
1599 reflecting real world emissions?

1600         Ms. {McCarthy.} Just a second. I am sorry. I would  
1601 like to be able to answer your question, and maybe we could  
1602 have an exchange after.

1603         Mr. {Bilbray.} Okay.

1604         Ms. {McCarthy.} But I am not following the question.

1605         Mr. {Bilbray.} The question is this. The cutting edge

1606 agency on Clean Air that you as a state agency followed and  
1607 everybody looked to, we had the proof that tailpipe emissions  
1608 were misleading and did not reflect reality, and we abandoned  
1609 that I think in 1990, '92. In fact, I think even before  
1610 that.

1611           When California recognized the failure of using tailpipe  
1612 emissions, why in the world has EPA continued to use that  
1613 system, which is faulty science, and you talk about science,  
1614 faulty testing, why haven't you gone to barn testing and  
1615 total emissions so it is a real world issue not just sticking  
1616 a probe in the tailpipe but looking at total emissions?

1617           Ms. {McCarthy.} Well, we--let me just make clear. We  
1618 do actually look at tailpipe emissions, and we do have almost  
1619 complete alignment with California who also looks at tailpipe  
1620 emissions. If you are talking about evaporative emissions,  
1621 we also address those in various ways, and we look at the  
1622 fuel that is being used and the vehicle of the engine. So we  
1623 do look at a variety of ways in which we can actually reduce  
1624 pollution using our fuels.

1625           Mr. {Bilbray.} The point being is that the Federal  
1626 Government is still not using as their standard for auto  
1627 emissions total emissions. They are using tailpipe. Right?

1628           Ms. {McCarthy.} We are using a variety of emissions,  
1629 primarily tailpipe, but we look at evaporative emissions as

1630 well.

1631           Mr. {Bilbray.} Okay. Ma'am, I will just tell you the  
1632 reason why we abandoned it because we saw in real-life  
1633 experience that our modeling did not reflect reality, and so  
1634 we abandoned that a long time ago, and I am still--I still  
1635 think that the Federal Government is consciously or  
1636 unconsciously hiding the fact that evaporative emissions are  
1637 a much bigger issue than what anybody wants to admit to, and  
1638 tailpipe emissions is a faulty science that hides true  
1639 emissions.

1640           And so I just ask we take a look at that and have a  
1641 dialogue about when we talk about let us go science, let us  
1642 go to real science.

1643           Ms. {McCarthy.} But you do agree that we both look at  
1644 tailpipe emissions.

1645           Mr. {Bilbray.} But you continue to hide evaporative  
1646 emissions by even using tailpipe emissions in my opinion. We  
1647 use barn testing out there, we use cold start so you reflect  
1648 the fact that the catalytic converters don't operate  
1649 initially, and hot soak, which then reflects the evaporative  
1650 emission.

1651           I yield back.

1652           Mr. {Whitfield.} The gentleman's time has expired.

1653           At this time I recognize the gentl lady from Florida,

1654 Ms. Castor, for 5 minutes.

1655 Ms. {Castor.} Thank you very much.

1656 You know, if you look back at the past 40 years of the  
1657 Clean Air Act, and you combine that with the improved fuel  
1658 economy standards over time for the cars that we drive, this  
1659 is a real success story for our country and a great success  
1660 story for our American families. I mean, I remember being  
1661 younger in the 1970s and going out in the morning and the  
1662 smog-filled mornings. We don't have those as much anymore  
1663 thanks to the Clean Air Act.

1664 And we have also made fantastic progress on the gas  
1665 mileage for our cars, and we are on track now for cars in  
1666 America to the standard to be 55 miles per gallon by 2025,  
1667 but a lot of those vehicles are already on the road. That  
1668 American technology is out there. Someone in my family  
1669 bought one of the cars recently. It is over 50 miles per  
1670 gallon, and he loves driving by the gas stations these days.

1671 There are additional policies that the Congress can  
1672 adopt to address high gas prices over the long term, and I am  
1673 very disappointed in my Republican colleagues because they  
1674 continue to turn a blind eye to good public policy. Their  
1675 prescription, according to the two bills here, is, one, roll  
1676 back fundamental health protections. Two, create new  
1677 bureaucracy on top of existing agencies.

1678           And then they continue to guard the subsidies to the  
1679 big oil companies. These are not the answers.

1680           There are a few things we should be doing. We could  
1681 require oil companies to use the oil that is produced in the  
1682 United States from public lands and offshore to meet the  
1683 energy needs here at home and stopping oil companies from  
1684 exporting oil from our public lands and waters to overseas  
1685 markets. I mean, our domestic production is at an 8-year  
1686 high, and now America is an exporter. We export more  
1687 product.

1688           We could repeal the \$4 billion per year in federal  
1689 subsidies that are currently given to the big oil companies  
1690 and use that money instead to fund investments that will make  
1691 us less dependent on oil. After all, the big five oil  
1692 companies made \$137 billion in profit last year, and then you  
1693 ask the American taxpayer not just to pay one time at the  
1694 pump, you ask them to pay again when they fill out their tax  
1695 return.

1696           We could have tighter oversight and regulation of Wall  
1697 Street speculators to prevent them from artificially driving  
1698 up the price of gasoline. We could do even more to increase  
1699 fuel efficiency standards for cars and trucks so they get  
1700 even more miles per gallon and consumers will save on their  
1701 gasoline costs.

1702           Just the standards we have in place now it is predicted  
1703 that will save the average American family at the pump over  
1704 \$8,000 over time. So that is meaningful, and that is doable,  
1705 and the two bills that are proposed here are--they are simply  
1706 not the answer.

1707           First let us start with the Gasoline Regulations Act.  
1708 It studies blocks and delays EPA quality, air quality  
1709 protections that haven't even been proposed, and I have a  
1710 hard time understanding how blocking rules that aren't even  
1711 on the books would do anything to help consumers at the pump.

1712           Ms. McCarthy, would blocking EPA from taking action on  
1713 rules that haven't even been proposed help lower gasoline  
1714 prices?

1715           Ms. {McCarthy.} No.

1716           Ms. {Castor.} And this proposal also includes an  
1717 amendment previously offered by Mr. Latta on the House Floor.  
1718 It is a radical proposal to overturn 40 years of Clean Air  
1719 Policy by undermining the goal that air should be clean  
1720 enough to breathe safety.

1721           Ms. McCarthy, will gutting the Clean Air Act help lower  
1722 gasoline prices?

1723           Ms. {McCarthy.} No.

1724           Ms. {Castor.} The bills we are discussing today also  
1725 would create a new, would create new government

1726 bureaucracies. Chairman Whitfield's proposal would create a  
1727 new interagency committee to conduct an impossible study  
1728 based on data that doesn't exist. Mr. Gardner's bill would  
1729 assign the Department of Energy the job of developing a new  
1730 plan for drilling on federal lands when oil is released from  
1731 the Strategic Petroleum Reserve, but this isn't even the  
1732 Department of Energy's area of expertise.

1733         Mr. Abbey, do you think that adding another layer of  
1734 bureaucracy to help the Interior Department's oil drilling  
1735 policing process will help lower gasoline prices?

1736         Mr. {Abbey.} I do not.

1737         Ms. {Castor.} What about you, Mr. Smith? Do you think  
1738 adding another Department of Energy, adding the Department of  
1739 Energy to leasing process for federal lands will help lower  
1740 gasoline prices?

1741         Mr. {Smith.} I agree with Mr. Abbey. I do not.

1742         Ms. {Castor.} The bill would also apparently require  
1743 the USDA, the Interior Department, and even the Department of  
1744 Defense to follow DOE's drilling plan, even if the plan is  
1745 inconsistent with those Departments' missions authorizing  
1746 statutes and regulations.

1747         Mr. Smith, can you explain how forcing the Defense  
1748 Department to follow the Department of Energy's drilling  
1749 plan, even if it compromises military training, is a sound

1750 solution to rising gasoline prices?

1751 Mr. {Smith.} I can't really answer that question.

1752 Ms. {Castor.} And Mr. Abbey, can you explain how  
1753 forcing Secretary Salazar to do whatever Secretary Chu says  
1754 would lower gasoline--

1755 Mr. {Whitfield.} The gentlelady's time has expired.

1756 Ms. {Castor.} --prices?

1757 Mr. {Whitfield.} The gentlelady's time has expired.

1758 Mr. {Abbey.} I don't see where it would add value.

1759 Ms. {Castor.} Well, thank you for these, for your  
1760 testimony. These bills are not--

1761 Mr. {Whitfield.} At this time I recognize--

1762 Ms. {Castor.} --real solutions to rising gasoline  
1763 prices.

1764 Mr. {Whitfield.} --Mr. Olson for 5 minutes.

1765 Mr. {Olson.} I thank the chair. I would like to  
1766 welcome the witnesses. Thank you for coming today and giving  
1767 us your time and expertise.

1768 And Ms. McCarthy, I would like to talk to you about  
1769 EPA's Tier 3 gasoline rulemaking because as you can imagine  
1770 good period--

1771 Mr. {Whitfield.} Mr. Olson, excuse me. Excuse me. All  
1772 right. Go ahead. I am sorry.

1773 Mr. {Olson.} I am sorry, sir. As you can imagine the

1774 good people of Texas 22 want me to ask you a lot of questions  
1775 about how this rulemaking is going to impact their jobs.  
1776 Compliance with these new standards will require refineries  
1777 to make very large capital investments, and the cost will be  
1778 passed down to the consumers. America is feeling the pain at  
1779 the pump as you alluded to in your opening statement.

1780 Our economy can't handle skyrocketing energy prices as  
1781 the President promised in the video my colleague from  
1782 Illinois showed earlier today. Now is not the time for  
1783 unjustified new regulations that will raise the price of fuel  
1784 even further.

1785 In a letter to Congress in February you affirmed that  
1786 your agency plans to propose gasoline sulfur changes only, a  
1787 likely reduction of ten parts per million in sulfur. I know  
1788 that you know that the Tier 2 Standards have already reduced  
1789 sulfur from 300 parts per million down to the current  
1790 standard of 30 parts per million, a 90 percent reduction.

1791 Will the EPA propose to reduce the sulfur standard to  
1792 ten parts per million? You said you were considering it.

1793 Ms. {McCarthy.} We haven't even yet proposed the rule.  
1794 It has not gone through interagency review. I hesitate to  
1795 tell you what we will actually propose at the time.

1796 I will tell you that we are very interested in ensuring  
1797 that there is a national standard for the amount of sulfur in

1798 gasoline and that it be a cost-effective way of achieving  
1799 reductions, and I don't think that there is enough  
1800 information out yet for people to assume that there are going  
1801 to be significant capital expenses associated with complying  
1802 with a rule that we have yet to propose.

1803         Mr. {Olson.} And that is what they are most scared  
1804 about is there is no, they have no idea where you are going  
1805 to go with this proposal. We achieved a 90 percent  
1806 reduction. That is something to be very proud of.

1807         Has your agency studied how the Tier 3 Standards will  
1808 impact gasoline prices?

1809         Ms. {McCarthy.} We will be, we will obviously have to  
1810 do that and will have a public debate about that when the  
1811 rule comes out. It will be accompanied by a complete  
1812 economic analysis that will look at all prices associated  
1813 with this rule that we can identify.

1814         Mr. {Olson.} I look forward to you getting us that  
1815 information.

1816         I would like to add also, do you believe that as my  
1817 colleague from Maryland mentioned earlier today that he  
1818 thinks that your study will result that gasoline prices are  
1819 somewhere in the cost of a gallon of one penny will be what  
1820 the increase to Tier 3 Standards? Do you think one penny is  
1821 the number on the price per gallon of gasoline? Something

1822 like that as my colleague from Maryland stated?

1823 Ms. {McCarthy.} Right now the policies that we are  
1824 considering, and, again, it is yet to be gone through the  
1825 process and out in the public arena, is we estimate that the  
1826 cost associated with this rule will have an impact of less  
1827 than a penny on a gallon of gasoline.

1828 Mr. {Olson.} Well, I would love to see that statement  
1829 when you get it out there, because the facts back home, the  
1830 work in the industry, think that it will increase their  
1831 manufacturing costs by about 9 cents a gallon. It is almost,  
1832 you know, nine times what you are proposing, what you think  
1833 may be the limit there. That is significant.

1834 Do you know of any refineries right now that can comply  
1835 with the ten parts per million standard?

1836 Ms. {McCarthy.} I am sorry. Say that again.

1837 Mr. {Olson.} Do you know any refineries right now,  
1838 ma'am, that can comply with the proposed ten parts per  
1839 million standard?

1840 Ms. {McCarthy.} What I do know is that under our rules  
1841 and under our proposal we will be giving substantial lead  
1842 time associated with any rule change as we always do. In the  
1843 case of fuel standards it is usually 4 years, and I believe  
1844 that the standard that we are considering is certainly  
1845 achievable with current technologies.

1846           Mr. {Olson.} We have been told that 17 refineries  
1847 currently can attain, can achieve those standards, but do you  
1848 have any idea how many refineries are going to have to  
1849 install expensive retrofits to comply with the ten parts per  
1850 million?

1851           Ms. {McCarthy.} We will be looking at that and  
1852 providing that information, and we are working with the  
1853 refinery industry now, and I would note that they are already  
1854 looking at how they can comply with these standards, and they  
1855 always seem to be able to use their innovation and knowhow to  
1856 achieve these standards much more efficiently and at lower  
1857 costs than we anticipate.

1858           Mr. {Olson.} And I have been told that 110 or more of  
1859 the refineries are going to have those expensive retrofits,  
1860 and finally just do you have any idea what the cost is going  
1861 to be to the industry to get down to ten parts per million?

1862           Ms. {McCarthy.} I cannot--that certainly will come out  
1863 in the regulatory impact analysis that we release with the  
1864 rule.

1865           Mr. {Olson.} And does this problem have a negative  
1866 impact on consumers? What about their health? I mean,  
1867 obviously, you have no power, that is going to impact our  
1868 jobs, we will have no jobs, no people's healthcare, no  
1869 people--and if people are out there are struggling, that is a

1870 health impact, and so I submit to you EPA needs to include  
1871 these analyses in the proposal. It can't just be done in a  
1872 box in a vacuum. You have to take into account what you are  
1873 actually doing to our economy because there are health  
1874 impacts of these rules.

1875         And it looks like I have used my time and yield back.  
1876 Thank you, Mr. Chairman.

1877         Mr. {Whitfield.} Thank you. At this time I recognize  
1878 the gentleman from California, Mr. Waxman, for 5 minutes.

1879         Mr. {Waxman.} Thank you, Mr. Chairman. Today's bills  
1880 may win the prize for legislative false advertising. These  
1881 bills will not reduce gasoline prices by a single penny.  
1882 Instead they will block pollution controls, increase health  
1883 costs for Americans, diminish our energy security, and create  
1884 pointless new government bureaucracies. There is no silver  
1885 bullet for gas prices.

1886         But there are some critical steps we can take to reduce  
1887 our vulnerability to swings in world oil markets and gas  
1888 prices. This Administration is taking those steps and  
1889 getting results. The most effective thing we can do is use  
1890 less oil. If your car is more efficient, increased gas  
1891 prices will have less effect on you, and if all of our cars  
1892 and trucks are more efficient, increased gas prices will have  
1893 less effect on our whole economy.

1894           Recent data from the Energy Information Administration  
1895 underscores this point. Cost per mile driven were about 23  
1896 cents in 1980. Last month gas prices were higher than any  
1897 previous February, but thanks to more efficient vehicles, the  
1898 cost per mile driven were lower, only 16 to 17 cents per  
1899 mile.

1900           Ms. McCarthy, what has EPA done and what are you working  
1901 on that will protect American consumers from gasoline price  
1902 spikes?

1903           Ms. {McCarthy.} We have been working on--

1904           Mr. {Waxman.} Is your mike on?

1905           Ms. {McCarthy.} Is it? Okay. We continue to work on  
1906 fuel economy standards with NHTSA and what we do is ensure  
1907 that there are greenhouse gas reductions that are driving  
1908 both reductions in the amount of oil that is demanded by this  
1909 country, as well as providing significant cost savings in  
1910 cleaner air for the American people.

1911           Mr. {Waxman.} Millions of Americans are already  
1912 enjoying savings at the pump with new model year 2012,  
1913 vehicles. As new cars become more efficient, the least  
1914 efficient oldest cars are gradually phased out, improving  
1915 efficiency, saving money throughout the whole fleet. In  
1916 addition to reducing the demand, the Obama Administration is  
1917 also increasing domestic production.

1918           Mr. Abbey, please describe the Administration's  
1919 achievements in increasing domestic reduction.

1920           Mr. {Abbey.} Well, as Mr. Smith indicated in his  
1921 opening remarks, domestic oil and gas reduction has increased  
1922 each year of the Obama Administration and is the highest it  
1923 has been in almost a decade, and I know that there is some  
1924 criticism that most of that increase is on private lands and  
1925 minerals, but that is not necessarily the case. Even though  
1926 there was a dip last year relative to the amount of oil that  
1927 was produced from public lands, in the first 3 years of the  
1928 Obama Administration total federal oil production has  
1929 increased by 13 percent over what was produced in the final 3  
1930 years of the Bush Administration.

1931           Mr. {Waxman.} The increase in U.S. production does not  
1932 lower gas prices. Every oil market economist tells us that.  
1933 Years of experience here and in other countries proves it.  
1934 For example, Canada is a net oil exporter but still  
1935 experiences the same gasoline price spikes we do. The real  
1936 answer to gas prices is to reduce our dependence on oil,  
1937 which means transitioning to alternatives. Here, too, the  
1938 Obama Administration is investing serious effort and making  
1939 real progress.

1940           Mr. Smith, what is the Department of Energy doing to  
1941 develop alternatives to oil?

1942 Mr. {Smith.} Thank you for the question, Congressman.  
1943 One observation, we pointed out the fact that as Director  
1944 Abbey just mentioned, that oil production here is at an 8-  
1945 year high. If you--

1946 Mr. {Waxman.} What are you doing to develop  
1947 alternatives? Are you doing things in the battery  
1948 technologies, vehicle electrification, renewable electric  
1949 power in natural gas vehicles? Are those things you are  
1950 working on?

1951 Mr. {Smith.} Congressman, we are working on all of  
1952 those things.

1953 Mr. {Waxman.} And so that will help us develop  
1954 alternatives so we don't have to use that--as much oil, isn't  
1955 that right?

1956 Mr. {Smith.} Yes, it will.

1957 Mr. {Waxman.} Ms. McCarthy, what has the combination of  
1958 more efficient vehicles and more alternatives to oil done to  
1959 reduce U.S. oil dependence?

1960 Ms. {McCarthy.} It has significantly reduced oil  
1961 independence by billions of barrels of oil each and every  
1962 year.

1963 Mr. {Waxman.} And Mr. Smith, what has happened with oil  
1964 imports as a result of these achievements?

1965 Mr. {Smith.} Oil imports have declined every year of

1966 this Administration.

1967 Mr. {Waxman.} Oil imports have fallen from 60 percent  
1968 to 45 percent. Last year the U.S. became a net exporter of  
1969 refined products for the first time since 1949, according to  
1970 EIA. The Obama Administration is doing exactly what is  
1971 necessary to reduce the dependence on oil, reduce our  
1972 vulnerability to gasoline price spikes for over the long  
1973 term, but there is no quick fix. Anyone who tells us that we  
1974 can drill or deregulate our way to \$2.50 gasoline isn't  
1975 telling us the truth.

1976 Finally, I would like to note that the Tier 3 Clean  
1977 Vehicle and Fuel Requirements are critically important to  
1978 reducing unhealthy air pollution that is affecting millions  
1979 of Americans.

1980 Ms. McCarthy, when will the EPA propose these  
1981 provisions?

1982 Ms. {McCarthy.} We are actively working on these rules,  
1983 and we hope to have them ready for interagency review  
1984 shortly.

1985 Mr. {Waxman.} Well, I urge you to do it as soon as  
1986 possible. Cleaning up vehicles and fuels is a highly cost  
1987 effective way to reduce air pollution and keep our children  
1988 and families healthy.

1989 Thank you, Mr. Chairman.

1990 Mr. {Whitfield.} At this time I would recognize the  
1991 gentleman from Nebraska, Mr. Terry, for 5 minutes.

1992 Mr. {Terry.} Thank you, Mr. Chairman.

1993 First of all, I just want to follow up on what I heard  
1994 is that the Administration is responsible for the reduction  
1995 in oil imports. That is interesting considering that most  
1996 economists state that the reduction of imports is due to a  
1997 recession where people used less, and so I assume that the  
1998 President is now claiming credit for the recession now.

1999 Is that an accurate statement, Mr. Smith? Yes or no?

2000 Mr. {Smith.} What we will say, that was not a--

2001 Mr. {Terry.} That is a yes or no. Is he claiming  
2002 credit for the recession now since that had the largest  
2003 impact in reducing imports?

2004 Mr. {Smith.} Congressman, that is not a yes or no  
2005 question.

2006 Mr. {Terry.} Well, then probably you shouldn't have  
2007 answered that that way.

2008 Now, Ms. McCarthy, are the new Tier 3 Standards to be  
2009 proposed, are those discretionary or mandatory?

2010 Ms. {McCarthy.} We have not yet proposed the Tier 3  
2011 rules but--

2012 Mr. {Terry.} That is why I said to be proposed.

2013 Ms. {McCarthy.} --they are--

2014 Mr. {Terry.} Are those discretionary or mandatory?

2015 Ms. {McCarthy.} They are mandatory.

2016 Mr. {Terry.} They are mandatory?

2017 Ms. {McCarthy.} Yeah. We are required to look  
2018 periodically at fuels and vehicles and to make adjustments to  
2019 comply with the requirements under--

2020 Mr. {Terry.} Okay. Under what authority then  
2021 specifically are they mandatory?

2022 Ms. {McCarthy.} I will get back to you with that, Mr.  
2023 Congressman.

2024 Mr. {Terry.} Okay. Do you know how much time you would  
2025 need to be able to get back to us on the basis of the  
2026 authority that they would be mandated? All right.

2027 I just--could you do it in 30 days?

2028 Ms. {McCarthy.} I should clarify, and I just received  
2029 clarification. When I said they were mandatory, we are  
2030 looking at requirements to reduce pollution necessary to  
2031 achieve ozone standards. They are not required apparently  
2032 under Title 2 of the Act. They are a discretionary act on  
2033 our part, which is providing cost effective reductions of  
2034 ozone precursors.

2035 Mr. {Terry.} Okay. So they are discretionary.

2036 Ms. {McCarthy.} I believe--if you are talking about  
2037 whether or not this specific act is required--

2038 Mr. {Terry.} Has--

2039 Ms. {McCarthy.} No.

2040 Mr. {Terry.} --EPA performed an analysis of the  
2041 accumulative impacts of regulations on fuel prices?

2042 Ms. {McCarthy.} When we look at every fuel rule, we  
2043 look at the rules that have come before. They are built into  
2044 the baseline, and we take those into account relative to our  
2045 economic analysis.

2046 Mr. {Terry.} So they have not yet been performed?

2047 Ms. {McCarthy.} When we do a fuels analysis, we look--  
2048 the baseline includes all of the regulations that have come  
2049 before. So they take account of all of the regulations--

2050 Mr. {Terry.} So you take the studies that have been  
2051 done before on accumulative impacts of the regulations? I  
2052 think you are kind of half answering the question, and so it  
2053 is confusing me.

2054 Ms. {McCarthy.} Well, you have defined cumulative  
2055 impact differently in the proposed act that I am testifying  
2056 on, so I am trying to make that distinction. When we do our  
2057 rules, we look in the baseline--

2058 Mr. {Terry.} Right.

2059 Ms. {McCarthy.} --when we look at what the costs are  
2060 associated, the rules we consider.

2061 Mr. {Terry.} If I ask to be delivered with the next 24

2062 hours your analysis of the cumulative impacts to date on fuel  
2063 prices, could you provide me anything?

2064 Ms. {McCarthy.} We could provide you with an assessment  
2065 of the individual, the costs associated with each of these  
2066 rules as we propose them.

2067 Mr. {Terry.} So you said individual, but I am talking  
2068 about cumulative where you can determine--

2069 Ms. {McCarthy.} Well, some of those will be redundant,  
2070 so there will be overlaps in those costs, but we can  
2071 certainly provide you as best we can the information that you  
2072 looking for.

2073 Mr. {Terry.} All right, and I asked about the  
2074 cumulative impact on fuel prices. How about the cumulative  
2075 affect of these regulations on businesses?

2076 Ms. {McCarthy.} We look at impacts both relative to  
2077 small businesses as well as the economy at large. We look at  
2078 costs associated with refineries, we look at consumer costs.  
2079 Those are all included in our economic analysis.

2080 Mr. {Terry.} All right, but that is on an individual  
2081 rule basis, but I am talking about the cumulative nature of  
2082 those. Has there been a study of how together they all  
2083 affect businesses?

2084 Ms. {McCarthy.} I don't think we could answer a  
2085 question as broad as that with the analysis that we do.

2086 Mr. {Terry.} All right. Well, I think that answers the  
2087 question, and it would be no. Just one last observation in  
2088 my 12 seconds, not a question, but we have heard along the  
2089 rant earlier from the gentlelady from Florida that data  
2090 doesn't exist. I think that is probably why we are here, but  
2091 you have also then stated that you have studies that show  
2092 that the Tier 3 will only impact gas prices 1 percent. So I  
2093 am hearing that you don't have studies--

2094 Ms. {McCarthy.} No. By less than a penny.

2095 Mr. {Terry.} --but that you do have studies.

2096 Yield back.

2097 Mr. {Gardner.} [Presiding] The gentleman yields back.

2098 The gentleman from Massachusetts is recognized for 5  
2099 minutes.

2100 Mr. {Markey.} Thank you, Mr. Chairman.

2101 Today is the 17th time this committee has met to discuss  
2102 some form of repeal of the EPA's Clean Air Act authority  
2103 during this Congress, and the House has acted so far on  
2104 Republican bills to, one, prevent EPA from reducing the  
2105 amount of oil we have to import from hostile nations, two,  
2106 preventing EPA from reducing the toxic mercury dioxin and  
2107 other chemicals that spew out of power plants and other  
2108 industrial sources.

2109 Three, prevent EPA from reducing harmful global warming

2110 pollution, four, Republicans have even felt compelled to  
2111 prevent EPA from promulgating fictitious regulations to  
2112 reduce levels of farm, fairy, or pixie dust, and why did the  
2113 Republican majority do that? Because when unemployment is  
2114 spiking, Republicans tell us EPA regulations, even the non-  
2115 existent ones, are going to kill jobs. But that storyline is  
2116 getting harder and harder to sell as the economy improves and  
2117 improves and improves month after month after month, and we  
2118 see positive job numbers.

2119           So what are the Republicans doing to try to convince  
2120 Americans anew of the reason why EPA must be stopped now?  
2121 Well, they shake up the Etch a Sketch and tell America that  
2122 the new reason to limit and postpone EPA's authority under  
2123 the Clean Air Act is to stop gas prices from spiking, and  
2124 just like the committee's earlier efforts to repel non-  
2125 existent regulations to reduce levels of farm or fairy dust,  
2126 this new bill also requires a trip to Fantasyland.

2127           Ms. McCarthy, isn't it true that the EPA has no plans to  
2128 propose an expensive standard to lower the Reid vapor  
2129 pressure in gasoline and that what you will propose is likely  
2130 to cost only one penny per gallon?

2131           Ms. {McCarthy.} That is correct.

2132           Mr. {Markey.} Isn't it true that there are also no  
2133 rules currently in development to reduce global warming

2134 pollution from refineries?

2135 Ms. {McCarthy.} That is correct.

2136 Mr. {Markey.} And just so I am clear, are any of the  
2137 rules that this bill delays or weakens the reason why gas  
2138 prices are so high?

2139 Ms. {McCarthy.} No.

2140 Mr. {Markey.} So when Americans pull up to the pump  
2141 these days, there is no question that it is stressful. They  
2142 see their paychecks trickling away right in front of them,  
2143 and they can't understand why these prices are spiking, but  
2144 let me just say this to all the members if they want to hear  
2145 it. This is not about Obama. This is about OPEC, oil  
2146 companies and Wall Street speculators.

2147 Now, what does the majority want to do about those  
2148 things? One, should we deploy the Strategic Petroleum  
2149 Reserve to send a signal to Wall Street speculators?  
2150 Republican answer, no, absolutely not. That would interfere  
2151 with the free market that OPEC totally manipulates in their  
2152 meetings in Vienna.

2153 Number two, should we fully fund the Commodities Futures  
2154 Trading Commission, the police on the beat for the Wall  
2155 Street speculation? The Republicans say no, we are going to  
2156 kneecap that agency, keep the cops off the beat, and try to  
2157 stop the rulemakings on manipulation, on position limits, on

2158 the kinds of power that the agency would need.

2159           Three, the Democrats say keep the oil and gas that is  
2160 drilled for on public lands in the United States. Don't send  
2161 it overseas. How do the Republicans vote? No. Send that  
2162 oil overseas, send that gas overseas.

2163           So, ladies and gentlemen, when it comes to lowering gas  
2164 prices, you know, when you say to them, hey, let us make sure  
2165 the Keystone Pipeline oil stays in the United States, the  
2166 Republicans say, oh, no. We are voting no on that, and you  
2167 did all vote no to keep the Keystone oil in the United  
2168 States. We had that vote out on the House Floor 3 weeks ago.

2169           So this crocodile tear, concern about consumers and  
2170 trying to blame the EPA when you have it within your own  
2171 power right now to do something about gasoline prices is so  
2172 clear in terms of what the goal is. It is not about Obama.  
2173 It is about OPEC, oil companies, Wall Street manipulators and  
2174 speculators, and we see no activity on the side of the  
2175 Republicans in taking any actions in this area.

2176           Moreover, just for the record, there are one-third more  
2177 rigs, floating rigs that are going to be in the Gulf of  
2178 Mexico this summer than there were before the oil spill. So  
2179 this is a very bad way that Obama has of having a plot to  
2180 undermine oil drilling in our country if one-third more  
2181 floating rigs are going to be in the Gulf of Mexico this

2182 summer than there were before the actual BP historical worst  
2183 environmental spill in the United States. And by the way,  
2184 each one of those CEOs should be sitting down here. You want  
2185 to investigate the mess we have got in the country, BP should  
2186 be sitting next to Halliburton, and we should have them under  
2187 oath, and they should be explaining why they lied or  
2188 incompetence saying only 1,000 barrels per day were going  
2189 into the Gulf of Mexico.

2190 I thank the chairman.

2191 Mr. {Gardner.} The gentleman yields back.

2192 The gentleman recognizes--the chairman recognizes  
2193 himself for 5 minutes.

2194 Thank you to the witnesses for being here today and to  
2195 Mr. Abbey, a question for you. Oil production on federal  
2196 lands increased in 2009, and 2010, as a result of leasing and  
2197 permitting decisions made before your administration took  
2198 office. However, the fall off in leasing and permitting  
2199 actions under the Obama Administration is apparent and even  
2200 your own EIA anticipates continued fall off in production in  
2201 2012, and beyond.

2202 Isn't it true that BLM leased fewer onshore acre than  
2203 any Administration going all the way back to 1984?

2204 Mr. {Abbey.} There is a lot of factors that come into  
2205 play where we lease. I will say this, that we are moving

2206 forward aggressively in identifying appropriate areas for  
2207 leasing, and we are making progress in offering up more acres  
2208 each year.

2209 Mr. {Gardner.} So let me repeat the question. Is it  
2210 true that BLM leased fewer onshore acres than any  
2211 Administration going all the way back to 1984?

2212 Mr. {Abbey.} Well, that is based upon the market. For  
2213 example--

2214 Mr. {Gardner.} Yes or no? I have the public land  
2215 statistics right here.

2216 Mr. {Abbey.} Yes. We will get--

2217 Mr. {Gardner.} So it is yes or no? Have you leased--

2218 Mr. {Abbey.} We offered 4.4 million acres for lease  
2219 last year.

2220 Mr. {Gardner.} Onshore acreage according to this shows  
2221 the past 3 years, 2009, 2010, 2011, the lowest on record  
2222 going back to 1984, and it is public land statistics is what  
2223 I am citing data for fiscal year 1984, through fiscal year  
2224 2011, from your website. So is that true?

2225 Mr. {Abbey.} That is true.

2226 Mr. {Gardner.} And so, yes, the lowest number since  
2227 1984. Thank you.

2228 Oil and gas production on federal lands and waters  
2229 declined 14 percent in 2011. However, oil and gas production

2230 experienced a massive increase last year on lands controlled  
2231 by state and private entities. The CRS last week,  
2232 Congressional Research Service, reported that 96 percent of  
2233 the increase in oil and gas production between 2007, and  
2234 2011, has occurred on non-federal lands, the lands you do not  
2235 have anything to do with.

2236           Since the Federal Government does not manage private  
2237 lands, do you think it is fair for it to take credit for  
2238 private market decisions?

2239           Mr. {Abbey.} Congressman, total natural gas production  
2240 from public lands, and I am talking about onshore, has  
2241 increased 6 percent during the first 3 years of the Obama  
2242 Administration and during the last 3 years of the Bush  
2243 Administration.

2244           Mr. {Gardner.} So are you taking credit for private  
2245 land production as well?

2246           Mr. {Abbey.} I am talking about public lands.

2247           Mr. {Gardner.} But I am asking--

2248           Mr. {Abbey.} Six percent on public lands.

2249           Mr. {Gardner.} --a question about private land. You  
2250 said natural gas, correct, not oil?

2251           Mr. {Abbey.} Natural gas. On oil it has increased 13  
2252 percent over the last 3 years or the first 3 years of the  
2253 Obama Administration.

2254 Mr. {Gardner.} Yeah, but what about last year?

2255 Mr. {Abbey.} Last year it took a dip.

2256 Mr. {Gardner.} It did take a dip. Thank you, and a  
2257 further question for you, Mr. Abbey. A Citigroup last week  
2258 predicted total liquids production could double for the  
2259 continent in the next decade and that the United States could  
2260 overtake both Russia and Saudi Arabia in oil production by  
2261 2020.

2262 Here is what Citi said about new energy production would  
2263 mean for the U.S. Real GDP would increase by 2 to 3.3  
2264 percent, that is \$370 to \$624 billion. Three point six  
2265 million direct and indirect jobs could be created by 2020, as  
2266 a consequence of increased energy production. Our trade  
2267 deficit could shrink by 80 to 90 percent. The value of the  
2268 dollar could jump by 1.6 to 5.4 percent due to increased  
2269 energy production, and risks to the United States, in  
2270 particular geopolitical risks, would dramatically decrease.

2271 But the only caveat in this report, here is the Citi  
2272 report right here, is this, and this is a quote from the  
2273 report. ``Whether the increase in production results in the  
2274 U.S. reducing its imports or whether net exports grow doesn't  
2275 matter much to world balances. Either way North America is  
2276 becoming the new Middle East. The only thing that can stop  
2277 this is politics, environmentalists getting the upper hand

2278 over supply in the U.S. for instance.''

2279           Yet according to CRS as I mentioned 96 percent of the  
2280 increase in production from '07, to 2011, was on non-federal  
2281 lands. Only about 5.5 percent of government lands onshore  
2282 are leased for energy, and you said the lowest amount in 3  
2283 years, since 1984, the past 3 years leased. And 93 percent  
2284 of the shale oil and gas wells have occurred on non-federal  
2285 lands, and there is no commercial leasing system for  
2286 government lands for oil shale production even though  
2287 Congress ordered one in 2005. And people are worried  
2288 including Indian tribes about new regulations regarding  
2289 drilling and fracking that might affect their energy  
2290 production.

2291           Assuming you agree that more jobs, more GDP growth, more  
2292 oil production, and more potential to become the largest  
2293 producer of energy in the world are good things, how do you  
2294 square your Administration of lands and these sorry  
2295 statistics with those goals? It is clearly not working.

2296           Mr. {Abbey.} Well, what I did not see in that report is  
2297 the fact that there is 50 million acres that have already  
2298 been leased by the Department of Interior that are going  
2299 undeveloped at this point in time.

2300           Mr. {Gardner.} Does a lease guarantee production?

2301           Mr. {Abbey.} It does not.

2302 Mr. {Gardner.} Does an oil rig guarantee production?

2303 Mr. {Abbey.} It does not.

2304 Mr. {Gardner.} Thank you. Further questions to Mr.

2305 Smith. Mr. Smith, last week Mr. Chu, Secretary Chu testified

2306 saying that supply mattered when it came to price, and I will

2307 quote him. ``If long-term decreased demand has an affect on

2308 price, then don't the basic laws of supply and demand dictate

2309 that so will long-term increased supplies?'' His response,

2310 ``I absolutely agree.''

2311 Do you believe increased supply will decrease costs?

2312 Mr. {Smith.} What we do believe is that over the long

2313 term increased supply will have an impact on global oil.

2314 Mr. {Gardner.} So a long-term increase in supply will

2315 decrease costs like the Strategic Energy Production Act calls

2316 for?

2317 Mr. {Smith.} I would disagree with the premise of that

2318 statement given that this act, what it will do is simply tie

2319 any activity that is going on anyway, which is trying to make

2320 sure that we are prudently developing acres on public land

2321 with an important operational capability that the Federal

2322 Government has. So I would disagree with your assertion that

2323 this act would actually have an impact on U.S. production or

2324 on global oil prices.

2325 Mr. {Gardner.} So if you have this under this act, 3

2326 percent of the federal land is leased onshore without this  
2327 under this act?

2328 Mr. {Smith.} I am sorry. I didn't hear that.

2329 Mr. {Gardner.} Without this act 3 percent of federal  
2330 lands is leased. Without this act.

2331 Mr. {Smith.} Without this act--

2332 Mr. {Gardner.} As it stands today, 3 percent of federal  
2333 lands is leased.

2334 Mr. {Smith.} Is--I am sorry. I am not hearing the  
2335 question. Three percent of federal lands is what?

2336 Mr. {Gardner.} Leased.

2337 Mr. {Smith.} Is leased.

2338 Mr. {Gardner.} Right.

2339 Mr. {Smith.} Three percent of--well, I mean, you would  
2340 have to direct that question, I think, to--

2341 Mr. {Gardner.} My time has expired. Thank you.

2342 The chair now recognizes the gentleman from Virginia,  
2343 Mr. Griffith.

2344 Mr. {Griffith.} Thank you, Mr. Chairman. I noted with  
2345 some interest earlier when Mr. Shimkus was talking that he  
2346 made several comments that I happen to agree with, and then  
2347 Mr. Rush said, well, this is much ado about nothing. Much  
2348 ado about nothing? I have to beg to differ.

2349 Three companies in my region have recently either laid

2350 off employees or idle production of coal. Much ado about  
2351 nothing? Tell that to those employees.

2352         When you take utility MACT, boiler MACT, transfer rule,  
2353 and coal ash and now the greenhouse gas regulations on  
2354 utilities, you are affecting jobs. My district has a median  
2355 household income of \$36,000. Median household income. The  
2356 President said that they were going to raise electric rates.  
2357 Now, he was talking about his cap and trade scheme at the  
2358 time.

2359         Ms. McCarthy, this is going to raise electricity rates  
2360 because as the President said when he was campaigning, the  
2361 utilities, and his quote was, ``They will pass that money  
2362 onto consumers.'' Isn't that true with your utility plan as  
2363 well?

2364         Ms. {McCarthy.} We looked at the impact of the mercury  
2365 and toxics standard on electricity rates, and we did not see  
2366 a significant increase as a result of that rule, and that was  
2367 based on looking at the Cross State Air Pollution Rule as  
2368 well. The Greenhouse Gas Standard that we announced  
2369 yesterday has nothing to do with the electricity rates.

2370         Mr. {Griffith.} Has nothing to do with electricity  
2371 rates because it doesn't affect the current facilities.  
2372 Isn't that correct?

2373         Ms. {McCarthy.} And it also has very little impact on

2374 the future facilities that we anticipate to be constructed.

2375 Mr. {Griffith.} It would be constructed not using coal,  
2376 however.

2377 Ms. {McCarthy.} They have a place should natural gas  
2378 rise so much in price that cost would again be--coal would  
2379 again become competitive. Right now in most places it is  
2380 not.

2381 Mr. {Griffith.} All right. If we could see that clip,  
2382 please. All right. Let me just read it.

2383 [Video]

2384 Mr. {Griffith.} All right. Let me read you what else  
2385 is in there. ``When I was asked earlier about the issue of  
2386 coal, you know, under my plan of a cap and trade system,  
2387 electricity rates would necessarily skyrocket.'' Those--  
2388 well, let me finish the quote and then I will get onto my  
2389 hypothesis. ``Even regardless of what I say about whether  
2390 coal is good or bad, because I am capping greenhouse gases,  
2391 coal-power plants, you know, natural gas, you name it,  
2392 whatever the plants were, whatever the industry was, they  
2393 would have to retrofit their operations. That will cost  
2394 money. They will pass that onto the consumers.''

2395 Now, I have to ask you, Ms. McCarthy, when the President  
2396 has a little more flexibility, when he gets past November, do  
2397 you anticipate that that flexibility will incorporate not

2398 only the existing, not only the future power plants, but  
2399 existing coal-power plants and that new regulations will come  
2400 forward on the existing plants at that time?

2401 Ms. {McCarthy.} The regulations we announced are a  
2402 commonsense step forward that look at regulating solely  
2403 greenhouse gases emissions from future power plants. That is  
2404 what is in the works. That is what we are taking comment on.  
2405 It is not a cap, it is an emission rate that we relies on  
2406 modern technology and that can be delivered today.

2407 Mr. {Griffith.} But when the President has more  
2408 flexibility, if we believe his words, and we believe his  
2409 words from his last campaign, don't you anticipate that he is  
2410 going to make the costs rise on the use of coal and even  
2411 natural gas, because they are both carbon-based fuels?  
2412 Wouldn't you anticipate that? If you were sitting in my  
2413 shoes watching your district being decimated in jobs across  
2414 the board because the electricity rates don't just affect the  
2415 coalmines and the coalminers and the people relying on coal.  
2416 They affect every business in my district because in our area  
2417 we are relying on coal at this time to produce every good  
2418 that we produce.

2419 Ms. {McCarthy.} Right now the flexibility that the  
2420 President is allowing is allowing EPA to provide the public  
2421 health benefits that the legislature asked us to deliver

2422 relative to the Clean Air Act. That is the kind of  
2423 flexibility that I expect him to continue to provide.

2424 Mr. {Griffith.} And so when it comes to using of the  
2425 carbon-based fuels, you expect less flexibility so that he  
2426 can be more flexible in cleaning up the air and taking away  
2427 the jobs of the hardworking American taxpayer. Is that  
2428 correct?

2429 Ms. {McCarthy.} The President was very clear that it is  
2430 an All of the Above Strategy. The rule we propose--

2431 Mr. {Griffith.} All of the above but doesn't include  
2432 coal. That is a four-letter word now, isn't it?

2433 Ms. {McCarthy.} It allows a pathway forward for coal as  
2434 well as natural gas.

2435 Mr. {Shimkus.} The gentleman's time has expired.

2436 The chair now recognizes the gentleman with a birthday  
2437 today from West Virginia, Mr. McKinley.

2438 Mr. {McKinley.} You would add that. Thank you, Mr.  
2439 Chairman, and welcome back Ms. McCarthy. That last question  
2440 perhaps needed a little bit more, but if we have time, we  
2441 will get back to that, but it is interesting that you just,  
2442 you said all of the above.

2443 Ms. {McCarthy.} Yes.

2444 Mr. {McKinley.} And you have said I think earlier in  
2445 your testimony about that the--for sequestration with coal,

2446 they could go ahead with sequestration, but I thought--did I,  
2447 maybe I didn't hear correctly. Did you say there is an  
2448 existing facility now with sequestration? You said there it  
2449 is going on today?

2450 Ms. {McCarthy.} There are facilities that are large-  
2451 scale applications--

2452 Mr. {McKinley.} Can you share that? We don't have any-  
2453 -I have no listing of those commercial--could you send that  
2454 to our office for someone to release that?

2455 Ms. {McCarthy.} I most certainly will.

2456 Mr. {McKinley.} If you would. Thank you. But let us  
2457 go back to the sequestration again, because in your testimony  
2458 you are saying you believe in we should be pursuing the  
2459 sequestration at a route to continue to use fossil fuels,  
2460 coal particularly.

2461 Ms. {McCarthy.} I think the Administration--

2462 Mr. {McKinley.} But yet the DOE just cut the NETL's  
2463 laboratory by 41 percent. So, you know, that is where the  
2464 research and development for coal, that is where we have the  
2465 plans for carbon capture and sequestration, which didn't get  
2466 funded at all under this.

2467 So can you share, do you agree with the DOE's idea to  
2468 slash funding for coal research?

2469 Ms. {McCarthy.} I am aware that there has been

2470 significant funding to--

2471 Mr. {McKinley.} No. My question was do you agree with  
2472 it.

2473 Ms. {McCarthy.} I am not aware of DOE's current plan--

2474 Mr. {McKinley.} You weren't aware that they cut it 41  
2475 percent.

2476 Ms. {McCarthy.} --at NETL.

2477 Mr. {McKinley.} I just, I am astounded with that  
2478 because I think the idea of using it is fine, but then to cut  
2479 the research for it shows it is disingenuous on the part of  
2480 this Administration. They have, try to have it both ways.

2481 Let me go to the economic models, because in your  
2482 testimony on page two of ten you use a lot of statistics.  
2483 You talk about the model year 2016, the cars will cost maybe  
2484 only \$950, but we have heard testimony from the EPA time and  
2485 time again that it just--I really have to question your  
2486 economic model. If you look at--if we could have up on the  
2487 chart, the first one, you were predicting or the EPA was  
2488 predicting that the grid reliability was only going to be 4  
2489 gigawatts, and everyone else was showing that they were in  
2490 the 50 to 60 to 70 gigawatts of potential loss. We already  
2491 had one company, First Energy, alone cut 4 gigawatts out of  
2492 the system.

2493 So there is your model. There is what you are saying--

2494 and I have got to question it.

2495           Let me go to the second one having to do with heavy-duty  
2496 trucks. In this chart this is from 2004, to 2010, the  
2497 compliance you could see it in different years that it talks  
2498 about in these charts, this one in particular, says in 2004,  
2499 you, the EPA was predicting that the cost of compliance was  
2500 only going to be \$900 and some or less than \$1,000, but in  
2501 reality it was over \$4,000. And in 2007, you were  
2502 predicting, it might be \$4,000, but in reality it was closer  
2503 to \$8,000, and then just 2 years ago you were, you all were  
2504 predicting it was going to be just over \$3,000, but the cost  
2505 was \$9,000.

2506           Could I see the next chart?

2507           Here is another one in 2010. This talks about your  
2508 estimate was \$3,400, but look down the list of all of these  
2509 from Freightliner, International, Kenworth, Mac, Peterbilt,  
2510 Volvo, Western Star are all in the \$9,000 range, three times  
2511 the amount that you all were predicting. I really question  
2512 your ability to estimate and because we rely on those  
2513 estimates. When the people on the other side of the aisle,  
2514 we are trying to work together on this, and if your numbers  
2515 are good, we want to work with them, but I come from the  
2516 construction industry. When we give an estimate, we live  
2517 with it.

2518           Are you ready to live with it? If your estimates are  
2519 wrong, are you going to reimburse the consumers for the cost  
2520 that you have incurred because you have convinced Congress to  
2521 adopt these heavy regulations because they are only going to  
2522 cost \$3,000, but in the real world it costs \$9,000. Are you  
2523 going to reimburse the consumers?

2524           Ms. {McCarthy.} I believe that over the course of the  
2525 last 40 years that EPA had done some of the best economic  
2526 modeling available to any agency.

2527           Mr. {McKinley.} So you are disagreeing with all of  
2528 your--

2529           Ms. {McCarthy.} I do not have any idea what those  
2530 charts were, who they developed them on, what basis. Those  
2531 were not charts developed by the EPA, so if that information  
2532 is available, we are happy to take a look at it and to  
2533 provide you some input as to whether or not we believe it is  
2534 accurate.

2535           Mr. {McKinley.} That is fair. I mean, I have got your  
2536 number. So you just project--

2537           Ms. {McCarthy.} We have retroactive--

2538           Mr. {McKinley.} --these numbers at \$900, and we can see  
2539 it is--and you are predicting that it is going to be \$900 4  
2540 years from now.

2541           Ms. {McCarthy.} And the only other thing I would like

2542 to clarify is that the retirement slide that you put up is we  
2543 took great pains in the mercury and toxic standard to do that  
2544 understanding the impacts associated with the utility  
2545 industry. We knew that there were more than those  
2546 retirements strictly as a matter of business decisions  
2547 related to the market. What you are seeing closing are  
2548 inefficient, old coal-fired power plants that cannot compete  
2549 moving forward. I do not believe--

2550 Mr. {McKinley.} But everyone else--

2551 Mr. {Shimkus.} The gentleman's time has expired.

2552 Mr. {McKinley.} I am sorry my time has elapsed, but  
2553 everyone else had the same information, and they used more  
2554 accurate--they came to a better conclusion than you did.

2555 Thank you.

2556 Mr. {Shimkus.} The gentleman's time has expired.

2557 The gentleman from Kansas is recognized for 5 minutes,  
2558 Mr. Pompeo.

2559 Mr. {Pompeo.} Thank you, Mr. Chairman. Thank you for  
2560 being here today. I am going to try and--I think these  
2561 pieces of legislation are both good. I think there are a few  
2562 things that could change, but I think they make good sense.  
2563 I want to make sure and get a couple facts straight, Ms.  
2564 McCarthy, about what you said in your testimony today and  
2565 then I want to talk about your theory of regulation.

2566           So you said nothing in these regulations has any impact  
2567 on high gasoline prices. Is that correct?

2568           Ms. {McCarthy.} We were speaking about the current  
2569 gasoline prices. That is absolutely true.

2570           Mr. {Pompeo.} Do you believe that both for the short  
2571 term and the long term? That is do these regulations have  
2572 you so--I have heard some trying to say, well, I can't do  
2573 anything about tomorrow's gasoline prices. Do you think this  
2574 impacts next week's or next year's or a decade's from now  
2575 gasoline prices?

2576           Ms. {McCarthy.} All I can tell you is that we have  
2577 managed a number of fuel and vehicle programs over the years,  
2578 and as far as we know the result of the impacts of those  
2579 relative to gasoline prices is dwarfed by crude oil prices,  
2580 by taxes, by other inputs that go into the price of gasoline.

2581           Mr. {Pompeo.} I disagree. Do you think the same thing  
2582 for electricity? So we talked about gasoline. Do you think  
2583 these regulations have no impact on electricity prices in  
2584 America because you have been talking about gas, now  
2585 electricity.

2586           Ms. {McCarthy.} Well, the regulations in--

2587           Mr. {Pompeo.} I am just asking you about electricity.  
2588 Do you think these regulations--

2589           Ms. {McCarthy.} Are we talking about the--

2590 Mr. {Pompeo.} I am talking about the cumulative set of  
2591 regulations that EPA has pending and current. Do you think  
2592 they impact--you have testified before. Do you think they  
2593 impact electricity prices?

2594 Ms. {McCarthy.} Only--I am trying to see how.

2595 Mr. {Pompeo.} Okay. So you think they don't, no  
2596 impact.

2597 Ms. {McCarthy.} I don't believe so.

2598 Mr. {Pompeo.} The more the merrier.

2599 I want to talk about your theory of regulation you  
2600 mentioned. You said, hey, we are going to essentially put  
2601 these new rules on new coal-fired power plants, but that is  
2602 okay because no one is building them anyway.

2603 Ms. {McCarthy.} That isn't my theory. That is an  
2604 analysis by the Energy Information Office and EIA, and they  
2605 are the ones that have done modeling, that took a look at  
2606 what power plants are being constructed, and it is really on  
2607 the basis of market conditions, what is competitive.

2608 Mr. {Pompeo.} Right. So your justification for this  
2609 set of--this greenhouse gas rule that you have presented  
2610 yesterday is that it is okay because no one is building--

2611 Ms. {McCarthy.} No, no. That was how we analyzed the  
2612 result of the cost and benefits. The reason for regulating  
2613 greenhouse gases from power plants is because greenhouse

2614 gases pose a danger to public health and welfare, and they  
2615 are a regulated pollutant, and as a regulated pollutant under  
2616 the Clean Air Act we must move forward with new source  
2617 performance standards. That is why we did the rule.

2618 Mr. {Pompeo.} So why do you talk about that? Why do  
2619 you talk about what the market might or might do in response?  
2620 You just throw it out there as a justification to explain to  
2621 the American people?

2622 Ms. {McCarthy.} No. It is part of the economic  
2623 analysis that you are interested in us pursuing--

2624 Mr. {Pompeo.} Right.

2625 Ms. {McCarthy.} --was to look at what are the costs and  
2626 benefits as a result of the rule.

2627 Mr. {Pompeo.} Right.

2628 Ms. {McCarthy.} We are required to regulate greenhouse  
2629 gases, we have tried to do that in a reasonable way, we have  
2630 identified costs. What is clear is that because of the  
2631 availability of natural gas in the low cost, that coal is not  
2632 competitive at this moment, so it is not anticipated that  
2633 these rules would have a significant cost impact. That is  
2634 what we have identified.

2635 Mr. {Pompeo.} I appreciate that. You say coal is not  
2636 competitive. I will tell you compared to solar, compared to  
2637 wind, compared to all the things that you are taking taxpayer

2638 money to throw resources at, I will promise you that coal is  
2639 intensely competitive. It is why we are using it in America  
2640 today. It is because consumers care about their rates. You  
2641 haven't talked about ratepayers one moment today. You  
2642 haven't talked to the fact that ratepayers all across America  
2643 may or may not know it but they are thrilled that we are  
2644 using coal-fired power plant generation in America today  
2645 because it allows them to continue to take care of their  
2646 families and heat their homes and cool their homes and all  
2647 the things that consumers care about.

2648           Manufacturers care about it, too. They need to make  
2649 sure they have affordable electricity as well. As you  
2650 continue to foreclose these facts, and I have heard others,  
2651 depending on how you count them, 13 to 15 different sets of  
2652 rules and regulations just in my time in Congress that you  
2653 all have imposed on the fossil fuel industry and to sit here  
2654 today and tell me this isn't going to impact costs for  
2655 consumers and costs for businesses and jobs in America, I  
2656 just think it is Alice in Wonderland, and I will yield back  
2657 the balance of my time.

2658           Mr. {Shimkus.} The gentleman yields back.

2659           The gentleman from Louisiana is recognized for 5  
2660 minutes.

2661           Mr. {Scalise.} Thank you, Mr. Chairman. I appreciate

2662 the time, appreciate the panel.

2663           Coming today I think it is important that we continue to  
2664 talk about energy policy in this country and different  
2665 proposals that we brought forward in the House and passed in  
2666 the House that actually would increase energy production,  
2667 implement a real All of the Above strategy, and lower gas  
2668 prices at the pump. It is unfortunate that the Senate has  
2669 blocked that legislation. It is unfortunate the President  
2670 continues to oppose that, and that gets into my questions.

2671           Mr. Abbey, in your opening statement you made a number  
2672 of comments I want to go through, but you said, ``This is why  
2673 the President and the Department has continued to promote and  
2674 implement an All of the Above approach to American energy.''  
2675 And I know the President said that out on the campaign trail  
2676 a lot. He has, you know, taken the language that we have  
2677 been using. We have actually filed an All of the Above Bill,  
2678 passed All of the Above legislation, and now the prices are  
2679 going higher. The President is feeling the heat from his  
2680 policies, and so he is trying to say that he is for All of  
2681 the Above, and unfortunately, if you look at the record, it  
2682 just doesn't back up that the President or your agency  
2683 supports an All of the Above strategy.

2684           I want to start with the moratorium in the Gulf of  
2685 Mexico. You know, in my area we have seen since the, not

2686 only the moratorium, but even after the moratorium was  
2687 lifted, there is still what people consider a permatorium in  
2688 the Gulf of Mexico. It is very difficult to have any kind of  
2689 consistent policy out of Department of Interior that allows  
2690 people to go back to work. We have seen about a dozen deep  
2691 water rigs leave not only the Gulf of Mexico but leave the  
2692 United States, left this country, taken about 12,000 jobs  
2693 with it. That number is now up to about 19,000 jobs.

2694           And I am not sure if you have seen this, I hope you  
2695 would go look if you haven't, a group called Greater New  
2696 Orleans Inc., which is an alliance of business organizations  
2697 in the New Orleans region, did a study called the ``Impact of  
2698 Decreased and Delayed Drilling Permit Approvals on Gulf of  
2699 Mexico Businesses,' ' and I am not sure if you have seen it.  
2700 I would like to submit this for the record if I could ask  
2701 unanimous consent to have this report issued.

2702           Mr. {Shimkus.} Without objection.

2703           [The information follows:]

2704 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
2705           Mr. {Scalise.} Because they actually surveyed not the  
2706 big five oil companies, small businesses that are American  
2707 businesses that service the oil and gas industry, and what  
2708 they found in their report 41 percent of those businesses are  
2709 not making a profit. In fact, 50 percent of the businesses,  
2710 and you can see this in the report, 50 percent of the  
2711 businesses in the oil and gas industry have laid off workers  
2712 as a result of your policies.

2713           And so while you are out there touting and saying, hey,  
2714 production is up, everything is great, the companies that  
2715 actually do this with over \$100 a barrel oil, with gasoline  
2716 skyrocketing, they are laying people off in the industry  
2717 because they can't go to work. They have sent rigs to places  
2718 like Egypt, and so people have calculated that it is better  
2719 to do business in Egypt than in the United States because of  
2720 your policies.

2721           And so when you are making those statements, that is not  
2722 an All of the Above policy when companies are losing money or  
2723 laying people off in America because they have got to send  
2724 jobs overseas, and so I would hope you would take a look at  
2725 that. Have you seen that report yet?

2726           Mr. {Abbey.} I have not, but what I have seen are  
2727 statistics that would lead me to believe that the pace of

2728 permitting is at nearly pre-Macondo levels as it stands  
2729 today.

2730           Mr. {Scalise.} Okay, and I know you have talked about  
2731 that, too, and I have got some information that unfortunately  
2732 disputes what you just said there and what your testimony  
2733 said, because, again, in your testimony you tout here that  
2734 you have had increased total federal oil production has  
2735 increased by 13 percent during the first 3 years of the Obama  
2736 Administration combined, yet your own Department of Energy,  
2737 your own Administration's agency, the U.S. Energy Information  
2738 Administration, confirms that production in the Gulf of  
2739 Mexico was down 22 percent in 2011, projected to be down 30  
2740 percent in 2012. Again, Energy Information Administration  
2741 said in the Rockies leasing is down 68 percent since federal-  
2742 -President Obama took office. This is federal lands, and all  
2743 of this is down. That is not an All of the Above strategy.

2744           And, again, you know, I don't know, do you dispute those  
2745 numbers, because they are actually looking at your data. I  
2746 mean, Energy Information Administration is under the Obama  
2747 Administration, and they are using real numbers, and they are  
2748 saying that production is actually down 22 percent last year.  
2749 Do you dispute that?

2750           Mr. {Abbey.} You know, Congressman--

2751           Mr. {Scalise.} I know I am running out time. A yes or

2752 no. I mean, yes or no. Do you dispute it, or do you know  
2753 about it?

2754 Mr. {Abbey.} I think that the statistics speak for  
2755 themselves, but, you know, the Department--

2756 Mr. {Scalise.} Well, they do, and they say that it is  
2757 down. That is not All of the Above. That is not All of the  
2758 Above when you have got production down because of your  
2759 policies. We are losing jobs because of your policies.

2760 I want to ask Ms. McCarthy, you know, we have seen some  
2761 numbers from a number of different entities. You know, you  
2762 talk about this as well, but, you know, we see on EPA going  
2763 after hydraulic fracturing, and this is something that has  
2764 been one of the areas, one of the few areas that has actually  
2765 been doing well. President Obama, you know, touts the  
2766 success of hydraulic fracturing, and we do, and fortunately,  
2767 the President hasn't been able to shut it down. It is mostly  
2768 on private lands, but now we are seeing that--we understand  
2769 next week EPA plans to issue a new source performance  
2770 standard on hydraulic fracturing which will actually decrease  
2771 one of the big areas that has actually been doing well in  
2772 this industry, and that is not All of the Above.

2773 Are you all getting ready to release some kind of new  
2774 source performance standards on hydraulic fracturing? Is  
2775 that accurate?

2776 Ms. {McCarthy.} We are under a deadline to release that  
2777 next week, yes, but it is not a rule that is specifically  
2778 focused on hydraulic fracking. It is--

2779 Mr. {Scalise.} Right. That is one of the few areas  
2780 that has been up.

2781 Ms. {McCarthy.} --a rule that looks at oil and gas.

2782 Mr. {Scalise.} So now you all are going to go after  
2783 that, too, so that the President has actually shut down--

2784 Ms. {McCarthy.} Actually, I think if you wait until  
2785 next week--

2786 Mr. {Scalise.} --areas in leasing, rejected Keystone XL  
2787 Pipeline.

2788 Ms. {McCarthy.} --to see what the rule is, and we will  
2789 show you that it is not just cost effective, but it will be a  
2790 way to actually enhance development and--

2791 Mr. {Scalise.} People have heard that before and then  
2792 they see their prices go up even higher when you all go in  
2793 and try to help enhance production, it usually means people  
2794 are going to pay higher prices for energy, and people are fed  
2795 up with those higher prices.

2796 Mr. {Shimkus.} The gentleman's time has expired.

2797 Mr. {Scalise.} I hope you all would review those  
2798 policies again.

2799 Thank you, and I yield back.

2800 Mr. {Shimkus.} I thank the witnesses for the first  
2801 panel, and your time is done, so thank you very much for  
2802 being here today. Appreciate your willingness to testify.

2803 And if the second panel witnesses would please come take  
2804 the table. I want to welcome the panel today for joining us  
2805 and for your testimony and time today. Appreciate your  
2806 willingness to be here and the expertise that you are going  
2807 to provide.

2808 We will begin this testimony to my left here, Mr.  
2809 Burkhard, the Managing Director of Global Oil Group, IHS  
2810 Cambridge Energy Research Associates. You will be given 5  
2811 minutes to testify, and thank you for joining us, and also  
2812 joined on the panel today by Matthew--let us see where is  
2813 that in order here. By Dr. Joseph Romm, Senior Fellow,  
2814 Center for American Progress, Jack Coleman, Mr. Jack Coleman,  
2815 Managing Partner and General Counsel, EnergyNorth America,  
2816 Mr. Matt Smorch, Vice President of Strategic Planning,  
2817 CountryMark, Mr. Robert Meyers, Senior Counsel, Crowell and  
2818 Moring, and Mr. Niger Innis, Co-Chairman, Affordable Power  
2819 Alliance, and Dr. George Schink, Managing Director and  
2820 Principal Navigant Economics here on behalf of the Emissions  
2821 Control Technology Association.

2822 Thank you very much for joining us. Each panelist will  
2823 be given 5 minutes.

2824

Mr. Burkhard, you may begin.

|

2825 ^STATEMENT OF JAMES BURKHARD, MANAGING DIRECTOR, GLOBAL OIL  
2826 GROUP, IHS CAMBRIDGE ENERGY RESEARCH ASSOCIATES; JOSEPH ROMM,  
2827 SENIOR FELLOW, CENTER FOR AMERICAN PROGRESS; JACK COLEMAN,  
2828 MANAGING PARTNER AND GENERAL COUNSEL, ENERGYNORTH AMERICA,  
2829 LLC; MATT SMORCH, VICE PRESIDENT OF STRATEGIC PLANNING,  
2830 COUNTRYMARK; ROBERT MEYERS, SENIOR COUNSEL, CROWELL AND  
2831 MORING, LLP; NIGER INNIS, CO-CHAIRMAN, AFFORDABLE POWER  
2832 ALLIANCE; AND GEORGE R. SCHINK, MANAGING DIRECTOR AND  
2833 PRINCIPAL, NAVIGANT ECONOMICS, ON BEHALF OF THE EMISSIONS  
2834 CONTROL TECHNOLOGY ASSOCIATION.

|

2835 ^STATEMENT OF JAMES BURKHARD

2836 } Mr. {Burkhard.} Thank you very much for this very  
2837 timely opportunity to discuss oil and gasoline markets and--  
2838 Mr. {Shimkus.} Press your microphone. Thank you.  
2839 Mr. {Burkhard.} Is that on? Okay. Good. Thank you  
2840 very much for the opportunity, very timely opportunity to  
2841 discuss oil and gasoline markets and the role of the U.S.  
2842 Strategic Petroleum Reserve.

2843 As we all know, gasoline is nearing \$4 per gallon on  
2844 average in the United States, which isn't far from the all-  
2845 time high of \$4.17 in 2008, and this is clearly a burden for

2846 American motorists and businesses.

2847           Since the beginning of the year gasoline is up nearly 20  
2848 percent, and the reason for that is mainly due to higher  
2849 crude oil prices. So what is driving crude oil prices? The  
2850 main driver is geopolitics, specifically concern over the  
2851 adequacy and reliability of oil supplies due to the  
2852 uncertainty surrounding the--nuclear issues having such an  
2853 impact is the limited amount of oil production capacity of  
2854 the world. The capacity is the oil market's--

2855           Mr. {Shimkus.} Mr. Burkhard, I am sorry to interrupt  
2856 you again, but I think your microphone may have been bumped  
2857 and turned off again.

2858           Mr. {Burkhard.} It has gone off again? Okay.

2859           Mr. {Shimkus.} Thank you.

2860           Mr. {Burkhard.} There we go.

2861           Mr. {Shimkus.} Pull it up a little bit closer to you.

2862           Mr. {Burkhard.} Is that better?

2863           Mr. {Shimkus.} Is the light on?

2864           Mr. {Burkhard.} The light is on.

2865           Mr. {Shimkus.} Okay. Thank you.

2866           Mr. {Burkhard.} Okay. So spare capacity is the world  
2867 oil market's shock absorber. When it is high, the oil market  
2868 can better absorb supply disruptions or demand spikes for  
2869 large volumes of oil to be brought into production. And for

2870 decades Saudi Arabia has been the main holder of spare  
2871 capacity, and that is still the case today.

2872         As recently as 2010, global spare production capacity  
2873 stood at about 5.5 million barrels per day, and at that time  
2874 that was equivalent to about 6 percent of world oil demand.  
2875 Today spare capacity is much less. It is at most at 2.5  
2876 million barrels per day, which is equivalent to less than 3  
2877 percent of current world oil demand. For context, Iran in  
2878 2011, exported about 2.4 million barrels per day. The spare  
2879 capacity and the amount of exports last year are roughly the  
2880 same.

2881         Under such conditions limited spare capacity, under such  
2882 conditions of limited spare capacity yields political  
2883 concerns and can impact payoffs--switch mikes there.

2884         Okay. Is that--is this mike working? Well, we will  
2885 just go ahead. Okay.

2886         So November last year the International Energy Atomic  
2887 Agency--if that is not working I will just pretend this one  
2888 is working--stated that Iran had carried out activities  
2889 relevant to the development of a nuclear explosive device.  
2890 In the time since that report was issued, the U.S. and the  
2891 European Union have adopted sanctions aimed at tendering  
2892 Iran's economy, particularly by making it more difficult for  
2893 Iran to sell its oil, and that is in order to pressure the

2894 Iranian regime to reign in its nuclear program and  
2895 international monitoring and controls.

2896         Iran has responded with bellicose statements such as  
2897 threatening to close the Strait of Hormuz, through which  
2898 passes about 35 percent of the world's oil exports. The  
2899 sanctions the U.S. and the E.U. sanctioned may well succeed  
2900 in reducing the amount of Iranian oil in the global market,  
2901 and this would likely lead to even lower spare capacity and  
2902 the possibility of higher prices. The oil market is tense.

2903         It is also an election year in the United States, and  
2904 this has raised question again of the purpose of the U.S.  
2905 Strategic Petroleum Reserve, the SPR, which is the world's  
2906 largest emergency oil reserve. The SPR was created in the  
2907 aftermath of the 1973, '74, oil crisis when disrupted flows  
2908 of oil from the Middle East exposed vulnerability in the U.S.  
2909 and global economies to such actions.

2910         The original purpose of the SPR was to help the U.S.  
2911 manage a very large oil supply disruption from the Persian  
2912 Gulf. If the SPR is used to influence the price of gasoline  
2913 and not in response to a major disturbance in the oil market,  
2914 it is a blunt instrument with limited prospects for a lasting  
2915 impact. The original purpose of the SPR was not to manage  
2916 gasoline prices, which is an extremely daunting challenge  
2917 even under benign conditions, but it was said to help to

2918 address major supply disruptions, particularly from the  
2919 Persian Gulf.

2920         The first emergency release of oil from the SPR was in  
2921 January, 1991, at the start of Operation Desert Storm, and it  
2922 was done in coordination with other members of the  
2923 International Energy Agency. The release was conducted out  
2924 of concern for what could happen amid the fog of war in the  
2925 world's most important oil-producing region. When the  
2926 release was announced, war was certain. In fact, the very  
2927 day that the President just announced the commencement of  
2928 attacks against Iraqi forces, and it had a calming impact  
2929 on the oil market.

2930         Today, to conclude, there is a risk that ratcheting up  
2931 economic pressure on Iran, combined with Iranian  
2932 intransigence on the nuclear issue could lead to a situation  
2933 where the SPR needs to be used for its original purpose, as  
2934 an emergency response to a massive supply disruption.

2935         Thank you.

2936         [The prepared statement of Mr. Burkhard follows:]

2937 \*\*\*\*\* INSERT 4 \*\*\*\*\*

|

2938 Mr. {Shimkus.} Thank you, Mr. Burkhard.

2939 Dr. Romm, 5 minutes, please.

|

2940 ^STATEMENT OF JOSEPH ROMM

2941 } Mr. {Romm.} Is this working?

2942 Mr. {Shimkus.} We just ask that you speak very loudly,

2943 please.

2944 Mr. {Romm.} All right.

2945 Mr. {Shimkus.} Thank you. .

2946 Mr. {Romm.} Mr. Chairman, members of the committee,

2947 thank you for inviting me to testify. Actually my first

2948 hearing was 16 years ago this month when I was Principle

2949 Deputy Assistant Secretary at the Department of Energy, and

2950 that hearing was also on oil crisis.

2951 Imagine the world's oil market is the Atlantic Ocean.

2952 U.S. oil production is the Potomac River. You could release

2953 every reservoir dam in this country, and it just won't raise

2954 sea levels noticeably. There is just too much water in the

2955 ocean, and that is the way it is with oil, the global oil

2956 market, and oil prices.

2957 I have six key points to make.

2958 First, there is broad agreement among energy experts and

2959 economists that increasing domestic oil production will have

2960 no noticeable impact on U.S. gasoline prices for the

2961 foreseeable future. Oil prices are set on a world market.

2962           Could we have the first chart?

2963           This is a chart of the U.S. oil price, which is on the  
2964 bottom, plotted against the price of--U.S. gasoline price, I  
2965 am sorry, which is the line on the bottom and the British,  
2966 German, and French price, which is on the top, and as you can  
2967 see oil prices, gasoline prices rise and fall in tandem. Our  
2968 prices rise and fall in tandem with European countries, even  
2969 though they produce very little oil, and we produce a great  
2970 deal. It is, again, gasoline prices are driven by the world  
2971 price for oil.

2972           Second, my second point, the rising U.S. gasoline prices  
2973 has come at a time of soaring U.S. gasoline production. So  
2974 while President Obama has adopted an aggressive pro-drilling  
2975 strategy, it has, as expected, not worked to lower prices for  
2976 Americans. As the Cato Institute itself explained this  
2977 month, ``It is not Obama's fault that crude oil prices have  
2978 increased.'' Indeed, Douglas Holtz-Eakin, former CBO  
2979 Director and Chief Economist for President Bush's Council of  
2980 Economic Advisory, wrote this month, ``Domestic actions to  
2981 increase production will not lower gas prices set on the  
2982 global market.''

2983           The Energy Information Administration has estimated that  
2984 adding a quarter million barrels of oil a day in 2020, would  
2985 have no impact on gasoline prices whatsoever, and adding half

2986 a million barrels of oil a day in 2030, would lower gasoline  
2987 prices by just 3 cents.

2988 Third, U.S. refining costs account for a mere one-eighth  
2989 of the price of gasoline. The cost of reducing pollutants  
2990 that harm public health and our children are a small fraction  
2991 of that small fraction. As the Wall Street Journal has  
2992 noted, ``Germans over the past 3 years have paid an average  
2993 of \$2.64 a gallon, excluding taxes, while Americans have paid  
2994 \$2.69, even though we produce 200 tons as much oil as they  
2995 do.'' Again, it just is not domestic regulations that affect  
2996 the price of gasoline.

2997 Senator Bingaman has explained, ``We do not face these  
2998 cycles of high gasoline prices because of lack of access to  
2999 federal resources or because of some environmental regulation  
3000 that is getting in the way of us obtaining cheap gasoline.''

3001 Fourth, every independent study shows that EPA  
3002 regulations deliver benefits to the economy and public health  
3003 that vastly exceed their short-term costs. The OMB reported  
3004 to Congress that in the past decade EPA regulations had total  
3005 costs of some \$28 billion while delivering benefits to the  
3006 Nation that ranged from \$80 billion up to an astonishing \$500  
3007 billion.

3008 Economic analysis does not support the conclusion that  
3009 EPA regulations have harmed U.S. competitiveness, and indeed,

3010 some analyses suggest that they have boosted our  
3011 competitiveness by giving us market leadership and cleaner  
3012 technologies. Given that our major industrialized trading  
3013 competitors pay \$2 and \$4 a gallon more for gasoline than we  
3014 do, it would be essentially impossible for the tiny impact  
3015 EPA regulations might have to harm U.S. competitiveness.

3016         There is only one demonstrated way to reduce gasoline  
3017 prices a little in the short term and that is the release of  
3018 oil from the Strategic Petroleum Reserve, ideally in concert  
3019 with a similar release by our allies. This has on average  
3020 temporarily reduced oil prices by around 10 percent.

3021         Six, the only thing that can protect Americans from  
3022 rising gasoline prices and global oil shocks is an aggressive  
3023 strategy to reduce the country's oil intensity, oil consumed  
3024 per dollar of GDP, including a steady increase in the fuel  
3025 efficiency of our vehicles and an alternative fuel vehicle  
3026 policy built around electric vehicles. As Michael Levi of  
3027 the Council on Foreign Relations put it, ``The amount of oil  
3028 you produce at home does not affect the price. You can lower  
3029 your vulnerability price by lowering your consumption of oil  
3030 but not by increasing your production.''

3031         So you are not going to notice a big change with  
3032 gasoline prices through more domestic production or by  
3033 gutting regulations to protect public health.

3034           Just one final point since the new carbon pollution  
3035 rules have been discussed here, unrestricted emissions of  
3036 industrial carbon pollution are the greatest threat to public  
3037 health and the American way of life that we know of. The  
3038 EPA's new carbon pollution rules are the minimum first step  
3039 to protecting our children and future generations.

3040           Thank you.

3041           [The prepared statement of Mr. Romm follows:]

3042           \*\*\*\*\* INSERT 5 \*\*\*\*\*

|  
3043           Mr. {Shimkus.} Thank you, Dr. Romm, and Mr. Coleman,  
3044 for 5 minutes, please. Thank you.

|  
3045 ^STATEMENT OF JACK COLEMAN

3046 } Mr. {Coleman.} Thank you. Thank you very much, Mr.  
3047 Chairman. It is a pleasure to be here. I appreciate the  
3048 opportunity to testify on this proposal that you submitted  
3049 the underlying bill for.

3050 I think it is extremely important, and by the way, my 6  
3051 years of working for the House Resources Committee, I had the  
3052 pleasure of working with this committee many times, and it is  
3053 my pleasure to testify before it.

3054 I think the Strategic Energy Production Act of 2012, is  
3055 a very important piece of legislation that highlights the  
3056 fact if we have supply situations that we need to draw down  
3057 Strategic Petroleum Reserve for, then we need to be doing  
3058 more to produce from our federal lands.

3059 It has been mentioned that, you know, we haven't had a  
3060 lack of resources available from federal lands. I beg to  
3061 differ. When we look at the Outer Continental Shelf, only 2  
3062 percent of the Outer Continental Shelf is available, is  
3063 leased. Five percent of the onshore public lands, federal  
3064 lands are leased. So a total of around 3 percent of all  
3065 federally-controlled lands are leased. You cannot tell me  
3066 that we don't have a lot of resources that are available to

3067 the United States and to the citizens of this country for not  
3068 only economic development, creating jobs, high-paying jobs in  
3069 those other resources that have not been made available or  
3070 not leased.

3071         You know, I think it is a lot of fuzzy thinking,  
3072 frankly, to say that we don't, it doesn't matter about  
3073 American production of oil to the federal oil price. You  
3074 know, the AP analysis that came out about the price of oil  
3075 and trying to say that, you know, it didn't matter about  
3076 increases or decreases in production in the United States  
3077 because the world, the oil is set on the world market,  
3078 certainly it is, but we are the third largest producer of oil  
3079 in the world. You cannot tell me that if we--if our  
3080 production was eliminated, that that would not have an impact  
3081 on the price of oil in the world. We already have just  
3082 because of the reduction in production from Iran, much  
3083 smaller amount than what this country is producing, already  
3084 has a significant impact on the world market price of oil.

3085         So what we need to be focused on is what can we do. You  
3086 know, I am pretty amazed with the credit that is being  
3087 claimed for increases in production of oil from private and  
3088 state lands. As we, as I point in my testimony, actual  
3089 production of oil from federal lands decreased significantly  
3090 over the last year. We all know based on how long it takes

3091 to get permits and how long it takes to get out there and  
3092 drill, it takes a long time to get that production on board.  
3093 The increase that we had in the previous years came about  
3094 from significant lease sales that were in the past and  
3095 commitment of capital, what you have seen.

3096         And a little bit of my background, I have spent 14 years  
3097 as Senior Attorney for Offshore Minerals at the Interior  
3098 Department, and you know, I know something about this, and  
3099 then another 6 years here at the committee. What we have  
3100 seen is really a manipulation of statistics, trying to claim  
3101 credit for something which people aren't due credit for, and  
3102 actually what credit there is due is a 15 percent reduction  
3103 in leasing of federal lands, onshore and offshore, in the  
3104 last 3 years. The actual number--it doesn't matter. The  
3105 actual number of leased acreage, which is an indicator of  
3106 future production, has decreased by 15 percent over the last  
3107 3 years. It is one of the lowest levels that we have had in  
3108 almost 20 years.

3109         This should be a great concern to the American people,  
3110 that you have much less opportunity. We talk about  
3111 opportunities for production in this country. You know, for  
3112 the longest time we were given the mantra, oh, we don't have  
3113 much resources, nothing we can do. Well, we actually have  
3114 had that corrected by the record of Congressional Research

3115 Services, I point out in my testimony, came out with a report  
3116 about 2 years ago that said the United States has the largest  
3117 endowment of total fossil fuel resources that have not yet  
3118 been produced in any other country in the world, and even in  
3119 the oil and gas area we have significantly more  
3120 conventionally recoverable resources than most nations on the  
3121 face of the earth.

3122           And the Institute for Energy Research came out with a  
3123 report about 3 months ago in North America we have something  
3124 around a 1-1/2 trillion barrels of oil that could be  
3125 produced. The vast majority of that is in the United States,  
3126 and more than half of that is on federal lands.

3127           So I appreciate the opportunity to testify, and I look  
3128 forward to any questions.

3129           [The prepared statement of Mr. Coleman follows:]

3130 \*\*\*\*\* INSERT 6 \*\*\*\*\*

|  
3131           Mr. {Shimkus.} Thank you, Mr. Coleman, and Mr. Smorch,  
3132 you are recognized for 5 minutes.

|  
3133 ^STATEMENT OF MATT SMORCH

3134 } Mr. {Smorch.} Thank you, Mr. Chairman, for allowing me  
3135 to testify and tell you about CountryMark and how current  
3136 regulatory regime affects our business.

3137 CountryMark is Indiana's only American-owned oil  
3138 refining and marketing company. We are a cooperative, and w  
3139 are owned and controlled by our members who represent over  
3140 100,000 farmers in our market area. Our purpose is to ensure  
3141 adequate supply of quality fuels to these farmers.

3142 CountryMark, our refinery is small. Only one-tenth the  
3143 size of the average refinery in our region. Even though  
3144 CountryMark is small, we have a big impact in our area. We  
3145 purchase 100 percent American crude oil, providing \$100  
3146 million of income per year to 40,000 local royalty owners.  
3147 We supply over 75 percent of the agricultural market and 50  
3148 percent of the school districts in the State of Indiana. We  
3149 employ nearly 450 workers, mostly in rural communities. We  
3150 purchase nearly \$200 million in products and services every  
3151 year.

3152 With everything combined, CountryMark's total economic  
3153 contribution exceed \$2.5 billion per year. This value stays  
3154 here in the United States and provides much needed jobs in

3155 mostly rural communities. We are not a fully-integrated oil  
3156 company. We operate between two commodity markets, crude on  
3157 one side, products on the other. CountryMark stays in  
3158 business based on how well we can control our costs compared  
3159 to other fuel suppliers.

3160         Regulations and mandates increase operating costs, which  
3161 makes our viability uncertain. My job is to analyze market  
3162 trends and develop long-term strategies. Since I work for a  
3163 cooperative, I do not own a piece of the company. I am here  
3164 solely to have the longevity of CountryMark. I am a chemical  
3165 engineer and have spent most of my career in refinery  
3166 operations, so I have real world experience.

3167         In my current role I have to look at the cumulative  
3168 affects over a 10-year period of all regulations to make sure  
3169 that money and credit is available when it is needed.

3170         Today I would like to highlight two examples where  
3171 regulations increased our costs.

3172         First let me talk about sulfur and gasoline. In 2010,  
3173 CountryMark constructed a process unit that reduced gasoline  
3174 sulfur by 90 percent to meet the Tier 2 sulfur limit of 30  
3175 parts per million. We had to do this to be able to sell  
3176 gasoline and stay in business. That unit cost \$33 million,  
3177 and its annual operating cost is \$1.8 million.

3178         Tier 3 requires gasoline sulfur reductions to 10 PPM.

3179 This will take an additional \$15 million of modifications and  
3180 more energy, in turn, increasing operating costs again. When  
3181 averaged over a 10-year period, meeting Tier 2 costs,  
3182 \$160,000 per ton of sulfur removed, while meeting Tier 3 will  
3183 cost \$200,000 per ton of sulfur removed.

3184 This comparison demonstrates two things. The cost of  
3185 compliance is high when based on the amount of pollutant that  
3186 is removed, and also at each stage there are diminishing  
3187 returns. By requiring multiple reductions in different  
3188 years, capital costs increase and are less efficient.

3189 I would also like to talk about renewable fuels  
3190 mandates. CountryMark blended biodiesel since 2005, and  
3191 ethanol since 2008, because it made economic sense. The  
3192 Renewable Fuel Standards changed the natural progression of  
3193 these fuels by mandating a market. It is a very complicated  
3194 rule. We either purchase and blend renewable fuels or  
3195 purchase credits. Even though there are four distinct  
3196 categories of renewable fuels, ethanol and biodiesel are the  
3197 only two fuels that are available. Cellulosic biofuels don't  
3198 exist.

3199 Under the current rule CountryMark's estimated  
3200 compliance cost for buying credits would be \$9 million this  
3201 year, but that increases to \$64 million like the year 2021.  
3202 We continue to blend ethanol and biodiesel for compliance but

3203 now at a loss. For example, to drive the demand for  
3204 biodiesel we would have to sell it at the same price as  
3205 diesel fuel. We purchase biodiesel at \$5 a gallon and have  
3206 to sell it for \$3 a gallon at a loss of \$2 for every gallon  
3207 of biodiesel that we sell.

3208 Over the next 10 years these two areas combined to  
3209 increase our average cost to produce gasoline by 19 cents per  
3210 gallon or diesel fuel by 22 cents a gallon. Our costs of  
3211 operation have and will increase due to EPA regulation.

3212 While fully integrated oil companies or larger  
3213 refineries may be able to absorb these incremental costs,  
3214 small business refineries like CountryMark cannot. If the  
3215 market does not bear the additional cost with higher prices,  
3216 refineries will go out of business. Jobs are lost, and  
3217 gasoline and diesel prices still increase.

3218 Sixty-six refineries have shut down in my 22-year  
3219 career, and I happened to be at one of those before I came to  
3220 CountryMark. It makes sense to let the experts determine the  
3221 combined effects of all EPA regulation on the industry, the  
3222 consumer, and the American worker.

3223 CountryMark fully supports this legislation.

3224 [The prepared statement of Mr. Smorch follows:]

3225 \*\*\*\*\* INSERT 7 \*\*\*\*\*

|  
3226           Mr. {Shimkus.} Thank you, Mr. Smorch, for your  
3227 testimony, and I am going to recess the committee for such  
3228 time as may be necessary to put this new microphone up and  
3229 hopefully we can get it addressed quickly.

3230           [Recess]

3231           Mr. {Shimkus.} Reconvene the committee, and Mr. Meyers,  
3232 5 minutes, please.

|  
3233 ^STATEMENT OF ROBERT MEYERS

3234 } Mr. {Meyers.} Thank you. First I just want to thank  
3235 the chairman and members of the subcommittee for the  
3236 opportunity to be here, and I would ask that the full written  
3237 statement be placed into the record.

3238 My written testimony addresses the cumulative impact  
3239 analysis required by the discussion draft pending Clean Air  
3240 Act rulemakings affecting refinery sector and the projected  
3241 timing for the new requirements, and I also address the parts  
3242 of legislation that affect the promulgation of ozone  
3243 standards.

3244 What my bottom line conclusion is is that it makes sense  
3245 to do a comprehensive analysis, and it also makes sense to do  
3246 it at this time. A fundamental issue in this legislation as  
3247 my experience tells me for awhile is that any time you are  
3248 dealing with the Clean Air Act you always have to face the  
3249 challenge of why do we want to change anything.

3250 And I can completely understand why EPA is taking the  
3251 position that they do. They are charged with implementing  
3252 the act. That is their role, but I wanted to clarify a  
3253 couple of things from the first panel.

3254 First, from my reading of the discussion draft, there is

3255 no rollback under the bill to affect current regulations, so  
3256 my definition of rollback would be, you know, if you are  
3257 affecting the current regulations. By definition you are  
3258 looking at the effect of regulations in the future.

3259         Second, I was also a little bit confused in terms of we  
3260 are to understand that in terms of the Tier 3 rulemaking it  
3261 has not been decided exactly what the regulations are but at  
3262 the same time we know they cost less than a penny. The two  
3263 don't go together because cost analysis is essentially  
3264 derivative of what the regulatory standards are.

3265         So my questions there go with respect to the current, if  
3266 you look on current OMB iteration of the rulemaking, we are  
3267 also dealing not only with residual authority in the act to  
3268 set standards but 211(v) regarding renewable fuel standards  
3269 and 211(h), which deal with volatility.

3270         Now, they may not do volatility through other authoring  
3271 act, but you also have the issue with the E-15 labor at this  
3272 point in time, whether the current 1-pound waiver exists, and  
3273 that could be another significant cost impact if based on the  
3274 decision to allow E-15, if you don't allow a 1-pound waiver,  
3275 you will have an effect of effectively decreasing the  
3276 volatility of ethanol-blend gasolines by those two actions.

3277         In any event, in terms of the general nature of the bill  
3278 and in terms of looking at multiple pollutant strategies,

3279 this is something that the agency itself has talked about and  
3280 advocated. Indeed, just last fall the Clean Air Act Advisory  
3281 Committee concluded that the time was right to take a more  
3282 vigorous look at opportunities to align and optimize Clean  
3283 Air Act regulations affecting individual sectors. That is an  
3284 outside committee that advises EPA.

3285 My written testimony outlines the nexus between the  
3286 various rulemakings contained in the discussion draft, but I  
3287 was trying to think of a simple analogy, and I think that it  
3288 is mostly as taxes. As an individual we need to pay multiple  
3289 tax levies, sales taxes, school taxes, property taxes,  
3290 federal, state, sometimes local, and federal gas and state  
3291 taxes, and I am certain that each of these taxes were  
3292 initially enacted to convey a public benefit.

3293 But it really their combined effect on individuals in  
3294 our economy that we feel, not the individual levies  
3295 themselves, although sometimes they can be painful.

3296 So I don't see the intellectual leap it takes to support  
3297 a comprehensive review of the cumulative impact of  
3298 regulations. The bill does not require the government to do  
3299 the impossible but instead allows reliance on available data.

3300 Despite numerous executive orders, the plain fact of the  
3301 matter is that such reviews aren't done. I will give you a  
3302 few examples. In the latest transport rule EPA did not

3303 examine the effects of the current program, even though it is  
3304 being implemented in over two dozen states. EPA's climate  
3305 rules didn't examine the impact of the rule on stationary  
3306 sources, even though the net effect of the rules, as was  
3307 explained in the earlier panel, as a result of these  
3308 determinations, now you need to have greenhouse gas  
3309 permitting for large facilities.

3310           And EPA doesn't consider NAAQS imposed costs on small  
3311 businesses, state, local, or tribal governments or the  
3312 private sector. Why? Because the prevailing view is that  
3313 NAAQS did not directly impose regulations on sources. This  
3314 is legally correct but analytically it is problematic.

3315           So the basic question is why does this system of  
3316 analysis make more sense and target the legislation to  
3317 require assessment of the accumulated costs of regulating the  
3318 petroleum sector? What is essentially so sacrosanct about  
3319 the current way we consider costs and benefits?

3320           My written testimony tries to point this out in detail,  
3321 but basically in terms of the impact going forward I made a  
3322 couple observations.

3323           One, we got Tier 3. You are talking model 2017, cars  
3324 and vehicles, other light-duty vehicles, so you are talking  
3325 essentially approximately about 5 years from now before the  
3326 effective date of standards.

3327           In a similar fashion I understand EPA's current ozone  
3328 regulations to require plans for regulations to require rules  
3329 about 28 months from now. Under the reading of the bill you  
3330 have got 13 months for the study, so it would seem to be that  
3331 you do have enough time, well enough time to do a  
3332 comprehensive study before the impact of regulations are  
3333 going to be felt.

3334           So I will sum up here by just saying that the last thing  
3335 I think you should look at was March 20 memo from Cass  
3336 Sunstein, head of OIRA, OMB Office, would direct the agencies  
3337 to, ``take active steps to take into account the cumulative  
3338 effects of new and existing rules and to identify  
3339 opportunities to harmonize and streamline multiple rules.''

3340           The discussion draft in large part implements this  
3341 directive.

3342           Thank you very much.

3343           [The prepared statement of Mr. Meyers follows:]

3344 \*\*\*\*\* INSERT 8 \*\*\*\*\*

|

3345 Mr. {Shimkus.} Thank you, Mr. Meyers.

3346 Mr. Innis, you are recognized for 5 minutes.

|  
3347 ^STATEMENT OF NIGER INNIS

3348 } Mr. {Innis.} Thank you, Mr. Chairman.

3349 Mr. Chairman, Ranking Minority Member Rush, members of  
3350 the committee, I want to thank you for the opportunity to  
3351 address the committee today. I also want to thank your crack  
3352 technical team for getting our mikes up and running.

3353 I am here in my capacity as co-chairman of the  
3354 Affordable Power Alliance and national spokesman for the  
3355 Congress of Racial Equality, one of our Nation's oldest civil  
3356 rights organizations.

3357 In 2007, CORE's National Chairman, Roy Innis, wrote the  
3358 book, ``Energy Keepers, Energy Killers: The New Civil Rights  
3359 Battle.'' The premise of my chairman's book is that the  
3360 final frontier of the civil rights revolution is the fight  
3361 for economic opportunity and that access to reliable,  
3362 affordable sources of energy is integral to providing that  
3363 economic opportunity. Conversely, when energy prices are  
3364 raised due to the market or unfortunate government policy,  
3365 that final frontier becomes all the more difficult to reach.

3366 And that makes high energy prices, be it gasoline for  
3367 our cars or electricity for our homes, an assault on the  
3368 people's ability to exercise their fundamental civil rights.

3369           The book, ``Energy Keepers Energy Killers,`` inspired  
3370 the formation the Affordable Power Alliance. This alliance  
3371 is led by the Congress of Racial Equality and was joined by  
3372 the High Impact Leadership Coalition of Churches, the 60 Plus  
3373 Association, the 2-decade old Senior Citizens Advocacy Group,  
3374 and the National Hispanic Christian Leadership Conference,  
3375 which is the largest Hispanic Christian organization in the  
3376 country with a network of over 30,000 member churches.

3377           The Affordable Power Alliance campaign has promoted the  
3378 message that affordable energy is a critical element of  
3379 today's civil right struggle because energy is the master  
3380 resource that reaches into every facet of our lives. We  
3381 cannot tolerate bureaucratic bans and regulations that  
3382 separate people from that desperately-needed affordable  
3383 energy. Affordable energy is not only a vital resource, it  
3384 is a moral imperative.

3385           Rising energy prices disproportionately discriminate  
3386 against the poorest and most disadvantaged among us. People  
3387 don't want energy welfare. They want affordable energy. They  
3388 want affordable prices based on abundant supply, not  
3389 government subsidies and certainly not artificially-high  
3390 prices based on bureaucratic bans and regulations.

3391           EPA's current automotive standards enacted in 2000 and  
3392 implemented beginning in 2004 already require vehicles to be

3393 77 to 95 percent cleaner and reduce the sulfur content of  
3394 gasoline by up to 90 percent. As for fuel efficiency, fuel  
3395 economy which has been discussed a great deal today, these  
3396 standards, the EPA admits already, they will raise automobile  
3397 sticker prices by \$1,000 by 2016, and \$3,000 by 2025.

3398 Industry estimates are often higher. These higher sticker  
3399 prices would disqualify nearly 7 million working class  
3400 Americans and potentially new car buyers. You can't get the  
3401 fuel savings if you can't afford the car in the first place.

3402 The legislation before this subcommittee, I believe, we,  
3403 the Affordable Power Alliance and the Congress of Racial  
3404 Equality believe will help America produce affordable and  
3405 reliable energy for all its citizens.

3406 Mr. Chairman, the Affordable Power Alliance and CORE are  
3407 not here today with an economic plea. We are here to give  
3408 our support to these measures as a moral imperative to remove  
3409 the bans and regulations that now force energy prices beyond  
3410 the means of millions of decent, worthy Americans.

3411 I see that I have a little bit more time. Very quickly,  
3412 we have made a tremendous amount of progress in our country.  
3413 Minority Member Rush, Congressman Rush was a part of that  
3414 great civil rights revolution, along with my father and many  
3415 others, that changed this country for the better. It would  
3416 be tragic if the social and the political activity and

3417 progress that we have made as a country would be balanced off  
3418 with a stifling of economic mobility which has been the  
3419 hallmark of making this country the greatest country on  
3420 earth.

3421 Thank you, Mr. Chairman.

3422 [The prepared statement of Mr. Innis follows:]

3423 \*\*\*\*\* INSERT 9 \*\*\*\*\*

|  
3424           Mr. {Shimkus.} Thank you, Mr. Innis, and Dr. Shrink,  
3425 Schink, you are recognized for 5 minutes.

|  
3426 ^STATEMENT OF GEORGE R. SCHINK

3427 } Mr. {Schink.} Thank you. Good afternoon, Mr. Chairman  
3428 and members of the committee. I want to thank you for  
3429 allowing me to appear before you and testify regarding this  
3430 very important and relevant topic.

3431 As an economist my work over the past 30 years has been  
3432 focused largely on the energy industry. Today I am here to  
3433 discuss some economic issues related to EPA's Tier 3 Motor  
3434 Vehicle Emission and Fuel Standards.

3435 There are four major points I will make today regarding  
3436 Tier 3 related to the affects not only on gas prices but also  
3437 on the environment, human health, and the economy. These  
3438 points are addressed in more detail in my written testimony.

3439 First, it is vital to understand that Tier 3 has  
3440 absolutely nothing to do with the recent increases in  
3441 gasoline prices. The Tier 3 rules have not yet been proposed  
3442 and will not go into effect until 2017.

3443 The retail price of gasoline depends on numerous demand  
3444 and supply factors with the global price of crude oil being  
3445 the most important. The cents per gallon increases in U.S.  
3446 retail prices and global crude oil prices over the last 3  
3447 years are virtually identical. That is the entire increase

3448 in U.S. retail gasoline prices over the last 3 years can be  
3449 fully explained by the increases in global oil prices.

3450         Second, the estimates of the marginal cost to U.S.  
3451 refiners of meeting of Tier 3 standards prepared on behalf of  
3452 the oil industry by Baker and O'Brien are significantly  
3453 overstated. Initially these estimates costs, marginal cost  
3454 estimates were up to 25 cents per gallon and included the  
3455 cost to U.S. refiners of reducing both the sulfur content and  
3456 vapor pressure of gasoline.

3457         However, the EPA has stated that the Tier 3 rules only  
3458 involve reducing the sulfur content of gasoline. The oil  
3459 industry's revised marginal cost estimates for U.S.  
3460 refineries are 69 cents per gallon for just the sulfur  
3461 reduction. The oil industry's estimated average increase in  
3462 U.S. refining costs is only 2.1 cents per gallon.

3463         However, there are two major concerns with the  
3464 assumptions underlying the oil industry's marginal and  
3465 average cost estimates. First, the investment cost and  
3466 resulting annual capital costs are unrealistically high.  
3467 Second, the cost estimates are developed without taking into  
3468 account the option of averaging and trading across  
3469 refineries. The lateral omission biases the marginal cost  
3470 estimates upward dramatically.

3471         It should be noted that if the latest Baker and O'Brien

3472 marginal average cost estimates are correct and the refiners  
3473 are able to pass the marginal costs onto consumers in the  
3474 form of higher gasoline prices as implied by their study, the  
3475 refiners can make a profit from Tier 3. They could sell  
3476 gasoline for 69 cents per gallon more while incurring only a  
3477 2.1 cent per gallon average cost increase. If this is the  
3478 case, it seems odd the refiners would oppose Tier 3.

3479         There is another study cost that has been performed by  
3480 MathPro Incorporated for the International Council on Clean  
3481 Transportation that has more realistic estimates of  
3482 investment costs and annual capital costs. The MathPro study  
3483 calculates an increase in average U.S. refining costs for  
3484 reducing the sulfur content in gasoline of at most 1.4 cents  
3485 per gallon. This result is close to the EPA's estimate of  
3486 about 1 cent per gallon.

3487         The difference between the oil industry's 2.1 cent per  
3488 gallon estimate and MathPro Inc.'s 1.4 cent per gallon  
3489 estimate can be explained almost entirely based on the  
3490 difference between the annual capital costs estimates in the  
3491 two studies.

3492         Third, when Tier 3 goes into effect in 2017, there may  
3493 be no increase in gasoline prices for the American consumer.  
3494 Removing sulfur from diesel fuel will increase the production  
3495 costs of refineries by a small amount, but there is no

3496 certainty that this incremental cost will result in higher  
3497 retail prices. The retail prices are determined by many  
3498 factors and impossible to tell to what extent these costs  
3499 will be passed through.

3500         It is also important to note that the likely increase in  
3501 the average cost to refining the low-sulfur gasoline is  
3502 probably in the vicinity of 1 cent per gallon. Even if this  
3503 cost were passed to the consumers, increase in gas prices  
3504 would hardly be felt.

3505         Fourth and finally, the increased refining costs  
3506 associated with reducing the sulfur content of gasoline are  
3507 likely to be more than offset by environmental and health  
3508 benefits that will be realized from Tier 3. Tier 3 will be  
3509 pre-submissions of nitrogen oxides that are responsible for  
3510 countless health and environmental problems, including  
3511 asthma, ground level ozone, acid rain, and damage to soil,  
3512 just to name a few.

3513         For the northeast and Mid-Atlantic regions alone, the  
3514 annual health benefits by 2018 are estimated to be in the  
3515 area of--health benefits are estimated to be in the  
3516 neighborhood of \$235 million, which are expected to rise to  
3517 \$1.2 billion over time.

3518         Further, the improvement in health will result in a more  
3519 productive workforce, which will lead to a more productive

3520 economy. Tier 3 will also generate economic benefits. In  
3521 the auto and emission control industries it will increase  
3522 jobs and value added to the implementation of the  
3523 technologies.

3524 I haven't fully evaluated these yet, but my preliminary  
3525 analysis indicates that these benefits will greatly exceed  
3526 the cost.

3527 Thank you, again, for allowing me to appear here.

3528 [The prepared statement of Mr. Schink follows:]

3529 \*\*\*\*\* INSERT 10 \*\*\*\*\*

|  
3530 Mr. {Shimkus.} Thank you, Dr. Schink, and, again,  
3531 thank you to the witnesses for your testimony today, and I  
3532 yield myself 5 minutes for questions.

3533 We have heard a lot today discussing the issue of  
3534 demand, a lot about supply, and in particular, some of our  
3535 colleagues on the Democratic side of the aisle believe that  
3536 perhaps demand can address the price of gasoline, but supply  
3537 is no part of that equation.

3538 A couple of weeks ago we had Secretary Chu from the  
3539 Department of Energy here, and I asked a question about  
3540 whether or not the release that President Obama made last  
3541 year from the Strategic Petroleum Reserve impacted price, and  
3542 Secretary Chu said, ``I think the supply did make a  
3543 difference.'' And we talked about the lifting of the  
3544 moratorium in 2008 by President Bush when the price of oil  
3545 dropped \$9, and then the price that happened when the SPR was  
3546 released, it was two times more than the SPR was released,  
3547 its impact on the price, and he said that is true.

3548 My next question was if long-term decreased demand has  
3549 an affect on price, then don't basic laws of supply and  
3550 demand dictate that so will long-term increased supplies, and  
3551 he said, I absolutely agree. And then the next question, if  
3552 you increase supply, it will decrease costs. That is what

3553 you have admitted to. That is what the SPR did. Is that  
3554 correct? That was a question to the Secretary of Energy, and  
3555 Secretary Chu said, ``I agree that both supply and demand  
3556 matter.''

3557 Now, we have heard people say that supply doesn't  
3558 matter. We have heard people testify that supply has no  
3559 impact, and Mr. Burkhard, in your testimony I don't know if  
3560 you were able to pick out in Dr. Romm's testimony, he talked  
3561 about only a--only by reducing demand can the U.S. lower  
3562 prices at the pump, and I do have a couple of questions for  
3563 you on that.

3564 Do you agree with that assessment?

3565 Mr. {Burkhard.} Well, both the demand and supply set  
3566 the price. It is not one or the other, but it is, indeed,  
3567 both. There is a mix of factors that push prices up. There  
3568 is a mix of factors that push prices down, and the net result  
3569 is what we see in the price of oil.

3570 Mr. {Shimkus.} Dr. Romm says that U.S. demand has  
3571 decreased while U.S. production has increased over the past  
3572 few years, yet oil and fuel prices have continued on an  
3573 upward trajectory over that same time period.

3574 Do supply and demand data only from the U.S. explain the  
3575 global price of oil?

3576 Mr. {Burkhard.} No, they don't, but because it is a

3577 global market as has been discussed here, and both the demand  
3578 trends in the U.S. and the supply trends in the U.S. have had  
3579 a big impact. The U.S. is the biggest oil consumer. It is  
3580 the third largest oil producer. If you look at supply, U.S.  
3581 liquid's production has increased 1.3 million barrels per day  
3582 in the last 3 years. That is by far, by far the largest  
3583 increase of any country in the world.

3584 Mr. {Shimkus.} Well, then do you agree then that more  
3585 U.S. oil production won't help lower prices?

3586 Mr. {Burkhard.} That more production won't--

3587 Mr. {Shimkus.} Well, not--

3588 Mr. {Burkhard.} It is in more--economic logic would  
3589 dictate that more supply at a given level of demand would  
3590 tend to--would be a force to lower prices.

3591 Mr. {Shimkus.} And so any clue if the U.S. was not the  
3592 third highest producer in the world what prices would be?

3593 Mr. {Burkhard.} If we didn't have that supply growth,  
3594 this great revival in U.S. oil production, I talked about how  
3595 tight the market is right now. If we did not have that  
3596 supply growth, we would probably be faced with an even  
3597 tighter market today and probably higher prices.

3598 Mr. {Shimkus.} So if you are releasing oil from the  
3599 Strategic Petroleum Reserve in order to impact price, then it  
3600 makes sense then to have long-term policies in place to

3601 increase overall U.S. supplies as good solid policy?

3602 Mr. {Burkhard.} Yeah. Short term or long-term supply  
3603 does matter, just like demand does.

3604 Mr. {Shimkus.} Thank you. Mr. Coleman, some have said  
3605 that oil companies are sitting on millions of acres of land  
3606 but not producing any oil from their leases. What are the  
3607 problems with that characterization in your opinion?

3608 Mr. {Coleman.} Mr. Chairman, there are many problems  
3609 with that. Number one, it defies economic logic. Companies  
3610 have to pay substantial amounts of money to get these leases.  
3611 They have to pay a lot of money to maintain them every year.  
3612 They have a lot of expenses in studies and surveys to--before  
3613 they could ever go out and try to even apply for a permit to  
3614 drill.

3615 Yet the idea that companies just sit on an asset just to  
3616 drain money out of the corporation is ridiculous, and I  
3617 talked about it in my testimony, in my written testimony, how  
3618 difficult it is and what length of period of time it takes to  
3619 get a permit from the Federal Government versus state  
3620 permitting agencies.

3621 The amount of red tape and the studies and reviews that  
3622 have to be gone through to be able to move forward on federal  
3623 land are not comparable to states. So I really take offense  
3624 at people who say they are just sitting on this stuff and not

3625 making use of it. There is always work to be done in the  
3626 continuum.

3627           Mr. {Shimkus.} And without objection I would enter into  
3628 the record a letter from Steven Allred at the United States  
3629 Department of Interior discussing the Federal Government's  
3630 policy when it comes to using leases and the difficulty it  
3631 is, that it takes in order to move forward with the leasing  
3632 and achieve a permit.

3633           [The information follows:]

3634 \*\*\*\*\* COMMITTEE INSERT \*\*\*\*\*

|  
3635 Mr. {Shimkus.} Thank you, Mr. Coleman.

3636 Mr. Rush, you are recognized for 5 minutes.

3637 Mr. {Rush.} I want to thank you, Mr. Chairman. Most of  
3638 us understand that oil is trading on the global market, and  
3639 therefore, prices are established based on rule of supply and  
3640 demand in addition to other geopolitical factors. I think in  
3641 this panel and the prior panel, I don't think there is any  
3642 disagreements in that.

3643 A number of prominent oil and energy economists have  
3644 indicated that tensions with Iran increase demand from China  
3645 and India, reduce production in Libya, and worried  
3646 observations about global economic growth are all  
3647 contributing to rising oil prices.

3648 Mr. Romm, in your testimony you stated that the only  
3649 thing to protect Americans from rising gasoline prices and  
3650 global oil fluctuations is by implementing an aggressive  
3651 strategy to reduce the country's demand for oil. You cite  
3652 measures such as steadily increasing vehicle fuel efficiency  
3653 and finding alternative fuels to power our automobiles.

3654 Given your conclusions, do you believe that either of  
3655 the two bills under consideration will have any noticeable  
3656 impact on U.S. gasoline prices? And if not, what type of  
3657 policy and programs should Congress be pursuing in order to

3658 resolve this yearly, almost monotonous debate on how to  
3659 address these rising gasoline prices?

3660 Mr. {Romm.} Thanks for that question. No. I don't  
3661 believe either of the bills in question could substantially  
3662 or noticeably affect gasoline prices.

3663 I want to clear up something about what I was trying to  
3664 say in my testimony. I don't think that an aggressive energy  
3665 efficiency strategy fuel economy standards and alternative  
3666 fuels would substantially lower prices. I don't, again, the  
3667 price of oil is set on the world market, and demand is really  
3668 being driven by countries like India and China.

3669 What we can do, however, is reduce fuel bills, which is  
3670 the product of the price and the amount that you use  
3671 personally, let us say, through your vehicle or that the  
3672 economy uses per dollar of GDP. So the goal if you are  
3673 trying to reduce the country's vulnerability to an oil shock,  
3674 price spike that is out of our control because of what  
3675 happens in the Middle East or somewhere else, is to reduce  
3676 the amount of oil that an individual uses when they drive  
3677 their car, and that is what the President has done with the  
3678 aggressive fuel economy standards he has put on the table,  
3679 and I think it was Representative Waxman who cited this new  
3680 EIA analysis which showed that even though we have record  
3681 gasoline prices, consumers are not seeing record fuel bills

3682 because their vehicles are considerably more efficient than  
3683 they were the last time gasoline prices were very high.

3684         So the goal if you want to make the economy more  
3685 resilient to the inevitable rising prices driven by other  
3686 countries and the inevitable price spikes driven by, you  
3687 know, disasters or conflict in other countries, is to make  
3688 this country less dependent on oil consumption, decrease oil  
3689 intensity by making our cars more efficient and by finding  
3690 substitutes for oil.

3691         Mr. {Rush.} Any independent peer review studies that  
3692 conclude that EPA regulations have harmed U.S.  
3693 competitiveness, and commercially, are you aware of any  
3694 independent studies that suggest that EPA regulations have  
3695 loosened our competitiveness by giving us market leadership  
3696 and cleaner technology?

3697         Mr. {Romm.} Well, it is a good question. I discuss it  
3698 somewhat in my testimony. I think it is quite clear that  
3699 there really are not independent studies that find that EPA  
3700 regulations have hurt U.S. competitiveness. I mean, I think  
3701 it is pretty obvious in the case of gasoline. Most of our  
3702 trading competitors, whether it is Japan or Germany or Great  
3703 Britain, tax gasoline at a very high level. I mean, if you  
3704 have been to Europe, you know they are paying \$2, \$3, \$4 a  
3705 gallon more for gasoline than we are. So some regulation

3706 that might affect U.S. gasoline prices by a penny or two  
3707 pennies can't possibly hurt U.S. competitiveness when they  
3708 are paying, you know, \$2, \$3, \$4 a gallon more than we are.

3709         What I do think you will find in the literature is that  
3710 U.S. leadership on clean energy standards, particularly the  
3711 automotive industry, created leadership in pollution control  
3712 technology, catalytic converters, and in fact, the low sulfur  
3713 standards ironically have allowed U.S. diesel producers to  
3714 sell diesel into the European market because it now meets  
3715 their standard.

3716         So I think in general it is always good, the world is  
3717 moving towards cleaner energy and lower emissions. The  
3718 countries that do it first become leaders in the technology,  
3719 and they create jobs exporting that technology.

3720         Mr. {Shimkus.} The gentleman's time has expired.

3721         The gentleman from Virginia is recognized for 5 minutes.  
3722 Mr. Griffith.

3723         Mr. {Griffith.} Thank you, Mr. Chairman.

3724         Mr. Smorch, each of the regulations that would be  
3725 included in this study would require a refiner to spend  
3726 capital. What is it like to face these types of capital  
3727 improvements? Is it easy to arrange for loans, engineering  
3728 design services, construction permitting, and other steps  
3729 that may be required to comply?

3730 Mr. {Smorch.} That is a great question. One of the  
3731 things that we look at, you know, like I said in my testimony  
3732 is I look at where cash and credit is going to be available  
3733 over a 10-year period, and these regulations come one after  
3734 the other it seems like. So I am looking at trying to deal  
3735 with capital for multiple regulations at one time.

3736 Okay. For small business refiners in this type of an  
3737 economy there are some out there that would have a hard time  
3738 being able to get the credit and raise--and to be able to go  
3739 and comply with regulation.

3740 There is an example for renewable fuel standard.  
3741 Thirteen small business refiners got an exemption, an  
3742 additional 2-year exemption because it was a burden for them.  
3743 So that just shows that these are burdensome regulations.

3744 Mr. {Griffith.} If a small refiner is forced out of  
3745 business, how does that impact the local economy? I know  
3746 that when small coal operations are forced out, it impacts my  
3747 district tremendously. What happens when a small refiner is  
3748 forced out in a local, in the local economy, particularly a  
3749 rural economy?

3750 Mr. {Smorch.} For small companies like CountryMark we  
3751 do mostly operate in rural communities. In Posey County,  
3752 Indiana, we are the second biggest employer in the county,  
3753 and as I testified, we have about a \$2.5 billion per year

3754 economic impact.

3755           Other small refiners are similar to that, but they are  
3756 typically located in rural areas that are remote. They tend  
3757 to be the biggest employers and have the most economic impact  
3758 in their areas.

3759           Mr. {Griffith.} And so that then affects the car  
3760 salesman, the refrigerator salesman, the Long John Silvers,  
3761 the McDonald's, et cetera.

3762           Mr. {Smorch.} Yeah. It is going to affect everybody in  
3763 the community. When you lose a big employer in any  
3764 community, it goes away forever.

3765           Mr. {Griffith.} Yeah.

3766           Mr. {Smorch.} And you can never recover. Those  
3767 communities have a hard time recovering in the long term.

3768           Mr. {Griffith.} That is why a lot of folks in my  
3769 district are concerned about the whole array of new  
3770 regulations.

3771           Do you have any examples where different rules would  
3772 either overlap or contradict each other in regard to your  
3773 business?

3774           Mr. {Smorch.} You know, there was a lot of talk about  
3775 Tier 3 rules and all that, and EPA hasn't really proposed  
3776 them yet, but I was able to go and sit on a small business  
3777 advocacy panel, and so I got to see what they were going to

3778 propose. The sulfur standards for me is at CountryMark we  
3779 just completed construction of our low sulfur gasoline unit  
3780 to comply with Tier 2, just a couple of years ago. Now we  
3781 are faced with going and modifying that same equipment and  
3782 going and to meet a ten-part-per-million standard.

3783 Well, it would have been better for us and more  
3784 efficient if we would have known that ahead of time because  
3785 now we have to go and rearrange the equipment we just bought,  
3786 and I don't even know if we can recoup the cost of that  
3787 modification or not in the marketplace.

3788 So it does has a vulnerability. So for me that is two  
3789 regulations I kind of stack on top of each other and really  
3790 cause us problems in the long term.

3791 Mr. {Griffith.} And for some businesses, maybe not  
3792 yours, but for some businesses you start doing that stacking.  
3793 You collapse the business, and they go out of business.

3794 Mr. {Smorch.} That is exactly right.

3795 Mr. {Griffith.} Mr. Innis, let me ask you talking about  
3796 small businesses, many small businesses and what I would call  
3797 micro businesses, the ones that have one or two folks, Mom  
3798 and Pop operations, are owned by low-income persons who are  
3799 struggling to work their way to a better life. They are  
3800 taking a risk, they have opened up a business.

3801 What is the impact of high gasoline prices on small

3802 businesses such as this?

3803           Mr. {Innis.} The impact of high gas prices or high  
3804 electricity prices are traumatic. It stifles economic  
3805 mobility for these entrepreneurs and these small businesses.

3806           Just one quick statistic. The average family right now  
3807 spends 5 percent of their disposable income on energy costs.  
3808 Lower income, 20 percent. You fall below the poverty level,  
3809 50 percent of your income. That means if you are, if you  
3810 fall below the poverty level, before you wake up in the  
3811 morning, half your income is gone, is soaked by high energy  
3812 prices. That means that is income not available for  
3813 healthcare, for education, for food, for shelter, and forget  
3814 entrepreneurship, forget investing in this great idea that  
3815 you might have as a potential entrepreneur.

3816           So it stifles economic mobility, and that is why we  
3817 consider this fight for affordable access, access to  
3818 affordable energy as a final frontier for the Civil Rights  
3819 Revolution.

3820           Mr. {Griffith.} Thank you very much. I yield back my  
3821 time.

3822           Mr. {Shimkus.} The gentleman yields back, and I have  
3823 three things for the record. Without objection I would enter  
3824 into the record the analysis of the Tier 3 Sulfur Rule  
3825 conducted by Baker and O'Brien for the American Petroleum

3826 Institute, a letter of support for the Gasoline Regulations  
3827 Act from the American Fuel and Petra Chemicals Manufacturers,  
3828 and a letter of support for the Gasoline Regulations Act from  
3829 the National Biodiesel Board.

3830 [The information follows:]

3831 \*\*\*\*\* COMMITTEE INSERTS \*\*\*\*\*

|  
3832 Mr. {Shimkus.} I recognize Mr. Sarbanes for 5 minutes.

3833 Mr. {Sarbanes.} Thank you, Mr. Chairman. Thank you all  
3834 for your testimony.

3835 I wanted to start with Mr. Smorch. Just real quick, how  
3836 is your business doing? Is it doing okay?

3837 Mr. {Smorch.} Yeah. Our business is fine, and one of  
3838 the things that when you work for a cooperative, we share in  
3839 our profits with 100,000 farmers. That basically--our  
3840 profits end up going and are shared out in the rural areas of  
3841 our marketing area.

3842 So for us we are sharing in profit with 100,000 farmers  
3843 that are going out, using that money to increase their  
3844 business.

3845 Mr. {Sarbanes.} Well, I commend you for doing that, and  
3846 I just wanted to make the point that the upgrades that you  
3847 needed to implement in response to Tier 2 haven't prevented  
3848 the business from doing well and still having profits that it  
3849 can distribute, and I would expect you would be able to  
3850 handle the Tier 3 requirements as well.

3851 I would like to ask Mr. Coleman, you suggested you were  
3852 offended at the notion that the people would have leases  
3853 issued to them, permits, and would not then take advantage of  
3854 those to produce on the land. Are you questioning the fact

3855 that there are a substantial number of permits and leases  
3856 that have been issued in instances where production has not  
3857 yet occurred?

3858         Mr. {Coleman.} Congressman, I am offended at the  
3859 misrepresentation of the situation. Leases are out there.  
3860 They are working on these leases all the time. It is not  
3861 possible to drill them all at once because the process that  
3862 you have to go through to do the analysis of the lease, you  
3863 get a lease, you may do more analysis, more 3D seismic  
3864 surveys, and you may--and that takes awhile to do. It takes  
3865 money to finance that. It takes the availability of seismic  
3866 crews to be able to shoot that seismic. You may have  
3867 permits, but those may be in litigation. There is a lot of  
3868 different--

3869         Mr. {Sarbanes.} Well, I sat through a lot of hearings  
3870 in the Natural Resources Committee. I have heard endless  
3871 testimony on this question, and I have gotten pretty  
3872 comfortable with the idea that there is substantial number of  
3873 situations in which there is nothing preventing the industry  
3874 from developing, producing, and so forth these leases that  
3875 they have, and yet they haven't proceeded forward.

3876         So I am equally offended by the notion that these  
3877 resources would be available, typically given all the  
3878 arguments that you are making about how we have to increase

3879 supply and that the industry would not be pursuing them.

3880         But I am going to run out of time, so I need to turn to  
3881 Dr. Romm, who I want to thank for your testimony. You put  
3882 together a terrific set of bullet points about the six key  
3883 points that you wanted to see, and I wanted to first echo  
3884 your observation about the benefits the EPA regulations offer  
3885 us in terms of public health in particular. There is--I just  
3886 lost it on my iPad, but there is an article that I was  
3887 referring to earlier which showed great expectations in  
3888 Maryland about the benefits that would come from Tier 3 in  
3889 terms of reducing these nitrogen oxides, and the health  
3890 benefits that would follow reducing smog and so forth. And,  
3891 you know, limiting the amount of sulfur that is coming from  
3892 the gas is one of the most effective ways to impact the  
3893 pollution out there.

3894         But you also made two points that I thought were  
3895 intriguing given the purpose of the legislation that was put  
3896 through here with respect to the Strategic Petroleum Reserve.  
3897 You noted there is broad agreement among energy experts and  
3898 economists that increasing domestic oil production will have  
3899 no noticeable impact on U.S. gas prices for the foreseeable  
3900 future. And then you also indicated there is only one  
3901 demonstrated way to reduce gasoline prices in the short term,  
3902 and that is release of oil from the Strategic Petroleum

3903 Reserve.

3904           And as I understand the legislation, the second piece  
3905 that we are discussing here today, it says that you can't go  
3906 take action with respect to the Strategic Petroleum Reserve  
3907 until you put more of these lands into production.

3908           So essentially it is saying you can't go do the one  
3909 thing that will work until you go do the thing that won't  
3910 work, which doesn't make any sense to me, and I think really  
3911 sort of undermines the inherent logic of that particular  
3912 legislation.

3913           With that I yield back my time.

3914           Mr. {Shimkus.} Thank you. The gentleman yields back,  
3915 and the chair recognizes himself for 5 minutes, and actually,  
3916 the legislation that is before us, the Strategic Energy  
3917 Production Act, doesn't tie the hands of the President  
3918 whatsoever in order to access or release energy from the  
3919 Strategic Petroleum Reserve. In fact, it is very clear that  
3920 the President may continue to make the decision under any  
3921 circumstances that comply with the law to release energy from  
3922 the SPR. So the President can continue just as they always  
3923 has as long as they meet and comply with the conditions of  
3924 the law that allow for the SPR release to occur in the first  
3925 place.

3926           But if that happens, and I believe what we have heard

3927 today, what we have heard in other places, is that we have  
3928 heard another witness testify today--

3929 Mr. {Sarbanes.} Mr. Chairman, you just recognized  
3930 yourself for an additional 5 minutes.

3931 Mr. {Shimkus.} I am sorry. We are doing another round.

3932 Mr. {Sarbanes.} Oh. You want to do another round?

3933 Mr. {Shimkus.} Yes. I am sorry. Yes.

3934 Mr. {Sarbanes.} I didn't understand that. Yes. We can  
3935 do another round.

3936 Mr. {Shimkus.} Thank you. Thank you. I had a  
3937 conversation with Mr. Rush, and that is why we switched out.  
3938 I apologize for that.

3939 But anyway, so the conversations we have had all point  
3940 to the release of the Strategic Petroleum Reserve causing  
3941 prices to go down 4 cents a gallon for, you know, a maximum  
3942 amount of time of a week or so because of the infusion of  
3943 supply into the marketplace, and it makes sense then if you  
3944 infuse the marketplace with supply that supply then matters.

3945 And so instead of a quick fix to supply by going into  
3946 the Strategic Petroleum Reserve, why don't we have a long-  
3947 term supply policy of increasing domestic production so that  
3948 we can actually reduce the price long term instead of just  
3949 for a week or so.

3950 So I think the conversation about the Strategic

3951 Petroleum Reserve, the very point of the conversation is that  
3952 increasing supply decreases price. So if we increase that  
3953 supply, we will decrease price, and that is long term as well  
3954 as short term.

3955         And with that being said, I wanted to get back to this  
3956 issue of leases on federal lands. I know Mr. Abbey in the  
3957 previous panel had talked about the number of acres that are  
3958 under federal leases that may or may not be under active  
3959 production, and, again, I refer to the letter that I entered  
3960 into the record from Mr. Steven Allred, the Assistant  
3961 Secretary of Lands and Minerals Management. This is a letter  
3962 to Don Young, ranking Republican member then in 2008, on the  
3963 Committee on Natural Resources. And the letter makes  
3964 reference to the fact that you have a lease doesn't mean that  
3965 you have production opportunity. It means that you may not  
3966 have production opportunities to go forward with, and the  
3967 letter specifically says that the existence of a lease does  
3968 not guarantee the discovery of or any particular quantity of  
3969 oil and gas.

3970         Mr. Coleman, can you expand on that a little bit?

3971         Mr. {Coleman.} Yes, Mr. Chairman. Leasing happens  
3972 based on a general analysis of the area. Then once you get a  
3973 lease, you do a more specific analysis of the specific leases  
3974 that you have. That is based on additional seismic surveys

3975 rather than potentially a 2D seismic survey which would be  
3976 used for--and less expense seismic survey used to get the  
3977 lease, and you do a 3D seismic survey to determine whether  
3978 you, really looks like you have something there to go after.

3979 That takes awhile as I explained in my previous  
3980 statement. And there are many other hoops that you have to  
3981 jump through. You have to do surveys with endangered species  
3982 before you go out and apply for permits. So many, many  
3983 stages to go through.

3984 This is not a static situation. Just because it is not  
3985 drilling doesn't mean there is not activity. To say as  
3986 previous testimony says, sitting on the leases, they are not  
3987 active on the leases, that is not the case.

3988 Mr. {Shimkus.} Thank you, Mr. Coleman, and Mr.  
3989 Burkhard, in your opinion would it be responsible to initiate  
3990 a SPR draw down right now in the face of what could be an  
3991 extreme supply emergency caused by Iran?

3992 Mr. {Burkhard.} Given the potential for what could  
3993 happen and, again, the oil market is very tense, there is a  
3994 very limited cushion of spare capacity, the situation with  
3995 Iran, there is many scenarios that we could come up with  
3996 which could be startling to the oil market.

3997 So the SPR is intended as a response to a large supply  
3998 disruption, and we haven't had one yet.

3999 Mr. {Shimkus.} Thank you, Mr. Burkhard, and to your  
4000 knowledge has the SPR been refilled, the amount of oil that  
4001 was taken out last year, has it been replaced?

4002 Mr. {Burkhard.} It stands at 696 million barrels, which  
4003 is below what it was last year.

4004 Mr. {Shimkus.} And are you aware of any plans to refill  
4005 that if there is access to the SPR this summer?

4006 Mr. {Burkhard.} I am not aware of any plans.

4007 Mr. {Shimkus.} And so if there is an extreme supply  
4008 emergency caused by some kind of international conflict,  
4009 right now there is no plan to actually fill the SPR back up  
4010 to capacity. In fact, Congress has approved the SPR to go up  
4011 to a billion barrels, but it is almost 300 million below  
4012 that. Ss it currently stands it is even lower than capacity  
4013 at this point. Correct?

4014 Mr. {Burkhard.} That is right.

4015 Mr. {Shimkus.} Okay. Thank you, Mr. Burkhard, and the  
4016 chair now recognizes Mr. Sarbanes for 5 minutes.

4017 Mr. {Sarbanes.} Thank you, Mr. Chair. Before I ask a  
4018 question I ask unanimous consent to, without objection, to  
4019 submit two letters to the record. From is from the Consumer  
4020 Union, the other is from Coalition Environmental groups, both  
4021 addressing the legislation that we are looking at here.

4022 Mr. {Shimkus.} Without objection.

4023 [The information follows:]

4024 \*\*\*\*\* COMMITTEE INSERTS \*\*\*\*\*

|  
4025           Mr. {Sarbanes.} Thank you. This debate over whether we  
4026 are using the lands that already been leased we could  
4027 probably go on all night with it, but I just want to point  
4028 out some statistics here, again, reiterate that between  
4029 fiscal year 2009 and fiscal year 2011, the Bureau of Land  
4030 Management approved almost 14,000 applications for permit to  
4031 drill, but as of the end of 2011, had yet to begin production  
4032 on over 7,000 of them, more than half that had been approved.  
4033 They had yet to begin production, and overall of the nearly  
4034 39 million acres that are currently under lease to oil and  
4035 gas companies, onshore only about 13 million or less than  
4036 one-third are actually in production.

4037           Now, I understand your point that you take a snapshot.  
4038 It may not capture what is going on behind the scenes, that  
4039 industry is making judgments about, you know, which leases  
4040 are the most important to pursue and what is involved in  
4041 doing it, so that, you know, it may be that if only one-third  
4042 of the acreage is in production at a given time that doesn't  
4043 mean that the other two-thirds is being completely ignored.

4044           But to suggest that we are not making lands, public  
4045 lands available to the industry to pursue in the context of  
4046 this idea that have to increase supply, when two-thirds, you  
4047 know, at least one the surface appear not to be actively in

4048 production, I think is sort of pushing the question here, and  
4049 so, again, I don't want to debate it because we are not going  
4050 to solve it here today, but I think it is a legitimate point  
4051 that is being made about the number of acres that are  
4052 actually out there that have yet to be put into production.

4053           Why don't you respond? I don't want you to feel like  
4054 you are not getting a chance to respond to this because--

4055           Mr. {Coleman.} Well, Congressman, I appreciate the  
4056 opportunity to--

4057           Mr. {Sarbanes.} Yeah.

4058           Mr. {Coleman.} --respond to your comments. This is a  
4059 very complicated question, you know. Just to give you--for  
4060 the BOM to give a statistic, okay, this is how much  
4061 percentage of acreage or how many permits are not being used,  
4062 I assume they didn't tell you how many of those permits are  
4063 being litigated, how--what other kind of problems there might  
4064 be with some of these areas.

4065           These are not static. Litigation comes. It can come--

4066           Mr. {Sarbanes.} I will tell you what because I am going  
4067 to--I will commit to you that I am going to make this a  
4068 project of mine to find out the answers to those questions  
4069 that you are raising.

4070           Mr. {Coleman.} And there are other questions, too.

4071           Mr. {Sarbanes.} Yeah. I am sure there are, and we will

4072 make sure we get them all, but I am betting that that won't  
4073 fully respond to the observation that these are not being  
4074 utilized to the extent they could at a time when we need to  
4075 increase production, and I am going to have to move on.

4076 I just wanted to ask Mr. Schink if you could speak, you  
4077 talked about in your testimony but speak to the benefits,  
4078 well, two things. There is this specter raised that if we  
4079 have the Tier 3 regulations as we envision they might be  
4080 because they haven't actually been proposed yet, but if they  
4081 went into the fact that I would have this substantial impact  
4082 on the price of gas and you already spoke to how modest that  
4083 would be, if at all, if it got passed on at all, if you could  
4084 reiterate that and then also allude, again, to the benefits  
4085 in terms of health and protecting the health of the public.

4086 Mr. {Schink.} Yes. I think the reliable estimates are  
4087 that the cost increase refiners will face is somewhere in the  
4088 neighborhood of a penny a gallon, and I think there is no  
4089 guarantee that that will necessarily get passed through,  
4090 because the refining industry is highly competitive, and it  
4091 is, you know, whether or not they are able to pass it on is  
4092 not clear, but even if they are, it is only a penny.

4093 So I think that there has been a lot of skies falling  
4094 going on and based on numbers that are too high and not  
4095 justified. I think it is a small effect, if any.

4096 But I think, and I am glad I ran out of time at the end, but,  
4097 you know, the benefits that come from this in the  
4098 environmental health area I think are probably some of the  
4099 most important. The purpose of the regulations are to  
4100 improve health and environment, and I think this will go a  
4101 long way.

4102 In the Mid-Atlantic area the emissions from motor  
4103 vehicles of nitrogen oxide are a high source of that, and  
4104 this is a cost effective way of trying to reduce it, and the  
4105 benefits can be very large. I think we both cited the same  
4106 numbers or at least one study, and that is one area.

4107 The amount of emissions that are in the others are two  
4108 or three times that much, so the benefits of these other  
4109 areas could be two or three times the numbers for the  
4110 Northeast Region. So rather than \$1.2 billion it could be  
4111 \$3, \$4, \$5 billion once we get through it. I haven't done  
4112 the studies yet. I am not saying that is the number, but I  
4113 think it could be very big.

4114 And one of the benefits of this--

4115 Mr. {Shimkus.} The gentleman's time has expired. If  
4116 you could wrap it up, please. Thank you.

4117 Mr. {Schink.} Okay. There are benefits because the  
4118 health benefits of people would be more productive, and this  
4119 is also very much pro industry. We have a very strong

4120 emission control industry and auto industry. They have  
4121 leadership in this, and this will be a chance for them to,  
4122 you know, to show their stuff again and generate jobs and  
4123 investment by moving to meet these standards.

4124 Mr. {Shimkus.} The gentleman's time has expired. Dr.  
4125 Schink, thank you, and the chair recognizes the chairman of  
4126 the subcommittee, Mr. Whitfield.

4127 Mr. {Whitfield.} Thank you very much, and I would like  
4128 to welcome all the witnesses, and I am sorry that I had to  
4129 leave for awhile, but we genuinely appreciate your being  
4130 here, and Mr. Meyers, let me ask you a question or two. I  
4131 know you have spent quite a bit of time over at EPA, and Mrs.  
4132 McCarthy indicated that it was very difficult for them to  
4133 analyze the cumulative effect of the rules in our bill, and  
4134 just from your experience at EPA do you think that they have  
4135 the necessary tools to review the cumulative impact of the  
4136 regulations that we set out in our legislation?

4137 Mr. {Meyers.} Well, I think in any economic analysis  
4138 that you do you need to make certain assumptions. So you are  
4139 going to have to make some assumptions that would be clear,  
4140 but in different ways that are currently done, you do  
4141 sensitivity analysis, you do different analysis, different  
4142 proposals. They will turn it proposals, so I don't see that  
4143 as insurmountable.

4144           You know, you could basically using current data  
4145 effectively do a range of proposals as to what you think they  
4146 might be and do that prospectively. Plus I think I note in  
4147 the discussion draft, there is a limitation saying it is not  
4148 required to go beyond available data.

4149           So I think it is a doable option. It is just, you know,  
4150 whether they want to do it.

4151           Mr. {Whitfield.} Did you hear her testimony today? Did  
4152 you hear the question and answers with Ms. McCarthy?

4153           Mr. {Meyers.} I was here during the hearing. Yes.

4154           Mr. {Whitfield.} Was there anything else that she may  
4155 have made a comment about that you would like to commend on?

4156           Mr. {Meyers.} Well, you know, I think there was  
4157 basically referenced in my oral I was just saying if Tier 3  
4158 is limited to sulfur, that is one thing. There are other  
4159 authorities in the Clean Air Act regarding fuels that could  
4160 also be--have an effect on the marketplace in the next 5  
4161 years.

4162           Secondly, although when we were talking about the  
4163 changes on the ozone standard and the authority on the ozone  
4164 standard, I make two observations. One, they are not inside  
4165 the act. They don't amend directly the standards saying  
4166 provision that is inside the Clean Air Act. So that still  
4167 remains.

4168           That being said, there are still other statutory law  
4169 talking about cost and feasibility. What I think I tried to  
4170 point out in my testimony is that EPA examines those issues  
4171 now in terms of cost of the standards, in terms of postural  
4172 limitations to scenarios, but what we have is a situation  
4173 where you are effectively saying to the Administrator, you  
4174 know, put blinders on. Don't look at the man behind the  
4175 curtain and try to make this decision.

4176           There are other ways of doing it. The Safe Drinking  
4177 Water Act, for example, has two concepts in it; MCLG, which  
4178 is a goal, and then basically a limitation level. So they  
4179 decide what the goal is.

4180           And the last thing I thought in the written testimony  
4181 was and that is where we actually referred in the written  
4182 testimony as a goal. They are not a goal. They are a  
4183 standard, and I think any state that puts together any  
4184 federal implementation plan that is trying to implement a  
4185 standard knows it is a standard. So I think there is a way  
4186 around it. What I think the legislation is looking for is a  
4187 balancing of factors and allowing the Administrator to look  
4188 at cost and feasibility.

4189           It is a big change. I don't think there is any way of  
4190 getting around saying it is a big change, but it is something  
4191 that could be supportable by looking at other statutes.

4192 Mr. {Whitfield.} We know we are getting ready to have  
4193 some forums on the Clean Air Act simply because it has not  
4194 been really reviewed in quite awhile, and there have been  
4195 some unintended consequences with the Clean Air Act, and we  
4196 are looking forward to having these forums to have people  
4197 come in on all sides of the issue to determine is the Clean  
4198 Air Act working the way that it was really intended to work  
4199 today, and we will be getting into that later on.

4200 Mr. Smorch, let me just ask one question. How many  
4201 refineries do you, are you involved in?

4202 Mr. {Smorch.} CountryMark only owns and operates one  
4203 refinery.

4204 Mr. {Whitfield.} Okay. Now, have you estimated the  
4205 potential impacts of the regulation on gas and diesel prices  
4206 from EPA's pending rules, and if so, what would the range of  
4207 increases be?

4208 Mr. {Smorch.} Earlier, you know, earlier I mentioned  
4209 that we were able to share our profits with our members who  
4210 represent 100,000 farmers in our area, and I thought that was  
4211 the point of this regulation or the legislation, the Gasoline  
4212 Regulations Act, to go and look at regulation and how the  
4213 accumulative effect is going to affect our business.

4214 My job is to try to preserve that that we can go and  
4215 still provide that and return to our member owners. When I

4216 look at the range, and if you look in my written testimony,  
4217 there is a chart on page 11 that basically, depending on how  
4218 regulation is developed, it can be as low as 8 to 13 cents a  
4219 gallon and as high as 39 to 61 cents a gallon, depending on  
4220 how all the regulations stack on top of each other.

4221 That is an extreme expense that we either have to absorb  
4222 or is going to have to get transferred to the consumer.

4223 Mr. {Whitfield.} Thank you.

4224 Mr. {Shimkus.} The gentleman's time has expired.

4225 The gentleman from Virginia, Mr. Griffith, is recognized  
4226 for 5 minutes.

4227 Mr. {Griffith.} Thank you, Mr. Chairman.

4228 Mr. Innis, if I might ask you a few questions, one of  
4229 the concerns that I have with so many of the regulations that  
4230 have been proposed by the EPA is that coming from a district  
4231 that does not have great wealth, we have a few places that  
4232 are wealthier than others, but we have some really poor areas  
4233 in particular, I sense that there are actually public health  
4234 concerns with all these regulations, and I am wondering if  
4235 you can comment on that, and do you share that concern?

4236 Mr. {Innis.} Well, I think what is very important for  
4237 this committee and others to recognize is that economic  
4238 sustainability for these communities that are affected by  
4239 these regulations should be part of the health consideration

4240 as well. What high energy costs represent on poor people in  
4241 particular and working class Americans is the most vicious  
4242 regressive attacks. As I said before, when you have got to  
4243 spend a disproportionate amount of your income, be a small  
4244 family or be a small business, on high energy costs, that  
4245 takes away income that could be made available for other  
4246 things, including healthcare.

4247         So I think what is very important, I think it is what--  
4248 there is no question that the regulations that have gone into  
4249 effect over the last several decades have helped the American  
4250 people. It has helped the environment, it has helped the  
4251 health of the American people.

4252         The question is at what point is there diminishing  
4253 returns. At what point, I mean, do you attempt to achieve  
4254 some type of balance where you realize how much more  
4255 regulation do you want to put on a particular industry and  
4256 what kind of negative impact potentially could it have on the  
4257 economy.

4258         Mr. {Griffith.} And do I hear from your testimony and  
4259 from comments today that you believe we are at that point of  
4260 diminishing returns, at least in the current economic  
4261 situation that we are in?

4262         Mr. {Innis.} Well, if you just look at the sulfur rule,  
4263 and forgive me for not knowing the technical designation, but

4264 I believe that the bill or the regulation that was passed in  
4265 2000, and implemented in 2004, said you have to regulate  
4266 emissions, sulfur emissions up to 95 percent. I mean, how  
4267 much more regulation do you want to implement on top of that?  
4268 And I think that is the question that this committee has to  
4269 ask. I believe I have heard several cases that the EPA is  
4270 not allowed to look at economic impacts on communities, all  
4271 American communities. Forget lower-income communities but  
4272 all communities.

4273 So I think this committee as a representative of the  
4274 people have the moral responsibility to look at those  
4275 economic impacts.

4276 Mr. {Whitfield.} And I would agree with you on that. I  
4277 worry about folks on fixed incomes in my district having to  
4278 heat to a minimal level, one room in their house during the  
4279 wintertime, and when I asked the EPA if they took that into  
4280 consideration as part of their health--Lisa Jackson was here  
4281 last year, and I said, did you take that into consideration  
4282 when you were looking at the health concerns related to  
4283 greenhouse gases, the response was, well, we have programs to  
4284 help those people. Unfortunately, my folks tell me that  
4285 while it may help the very poorest of the poor, they don't  
4286 have enough money in those programs to help the working poor  
4287 and some of the folks who are on fixed income, that it does

4288 help the very poorest of the poor, but there are a lot of  
4289 folks who are not caught in that safety net who then find  
4290 themselves having to make sacrifices or as you said, do we  
4291 pay for healthcare or do we pay for heat. And fortunately,  
4292 we have had a very mild winter, but when you don't have  
4293 natural gas into every area of the district, when you have a  
4294 lot of folks using electricity, and those rates have gone up  
4295 substantially, and you have folks who are using oil to heat  
4296 their homes, this becomes a very serious health concern in my  
4297 opinion, and I appreciate that.

4298         Last but not least and it is somewhat of a rhetorical  
4299 question because I already know the answer, but do you see  
4300 electric cars and other green energy alternatives a viable  
4301 option at least today for low-income households?

4302         Mr. {Innis.} No. That dog is just not going to hunt in  
4303 the lower-income communities, but I would argue, though, that  
4304 the reason we really need to examine these regulations and  
4305 the impact that they have on all energies, be they renewable  
4306 or traditional sources of energy, is that even if you can  
4307 afford the Volt, the Volt to recharge the battery has to be  
4308 plugged in and has to use electricity. In today's  
4309 Washington, I believe it was today's Washington Post, it said  
4310 that some recent EPA regulations, I believe that were  
4311 released yesterday--

4312 Mr. {Whitfield.} Yes, sir.

4313 Mr. {Innis.} --are going to cause coal-powered  
4314 generated power plants, no new ones to be built for the next  
4315 10 years. This is while our largest economic competitor,  
4316 China, is building two per week. What kind of impact is that  
4317 going to have on electricity, which is going to have on the  
4318 ability of someone who can afford that Volt vehicle and needs  
4319 to plug in to recharge it, what kind of impact is that going  
4320 to have on the feasibility of this alternative vehicle?

4321 Mr. {Whitfield.} And I think you are submitting that it  
4322 would have a negative impact, and I would completely agree  
4323 with you. Thank you.

4324 Mr. {Innis.} I am.

4325 Mr. {Whitfield.} I yield back my time.

4326 Mr. {Shimkus.} The gentleman yields back.

4327 Thank you, again, for your time to be here today and  
4328 appreciate your testimony, and that concludes today's  
4329 committee.

4330 [Whereupon, at 1:50 p.m., the Subcommittee was  
4331 adjourned.]