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before the

Energy and Commerce Committee

Subcommittee on Power and Energy

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Summary points

- The imbalance between U.S. demand for oil and our limited reserves of oil mean that the problem of oil dependency will only be solved through policies that address the demand-side of the problem.
- There are promising transportation policy options that work hand in glove with market incentives to encourage energy savings and innovation, and help position US business to compete in the growing global market for clean technologies.
- Oil price spikes have not been incorporated into most economic assessment of energy policy.

Chairman Whitfield and Ranking Member Rush

Thank you for the invitation to testify today.

My name is Chris Busch, and I am the Policy and Program Director for the Apollo Alliance. We are a national alliance of labor, business, environmental and community groups working toward clean energy solutions that also grow the economy and improve American competitiveness.

Every President since Nixon has sought to lessen our dependency on imported oil. Though we have started to turn the corner thanks to policies like the clean car standards I'll discuss below, America still faces this challenge.

Nearly 60 percent of U.S. demand is now met by imported oil, up from 40 percent in 1990.¹ The U.S. accounts for 22% of the world's oil consumption, but we only possess 1.4% of the world's proven reserves.²

These numbers tell a simple truth: no matter how deep we drill, domestic oil supplies cannot solve this problem. We must put in place policies to address the demand side of the problem.

There are promising transportation policy options that work hand in glove with market incentives to encourage energy savings and innovation. These policies can help consumers save money. They also position American industry to succeed in a fast growing global market for clean technologies.

Consider the example of the new federal car and light truck fuel economy standards finalized in 2010. The EPA estimates that the standards will reduce oil demand by 1.8 billion barrels for vehicles sold through 2016.³ When the standard is fully phased in, the average consumer savings will amount to about \$3,000 over the life of the vehicle, roughly 150 dollars per vehicle each year.⁴

James Fine of the Environmental Defense Fund, Remy Garderet of Energy Independence Now, and I calculated the benefits of reduced oil dependency due to AB32 – California's capstone clean energy law. AB 32 reduces California's dependency on imported oil through clean car and clean fuel standards and by providing alternatives to driving.

¹ *America's Energy Future: Technology and Transformation: Summary Edition. 2009.* Committee on America's Energy Future; National Academy of Sciences; National Academy of Engineering; National Research Council

² Department of Energy – Energy Information Administration data. 2009 Total Consumption of Petroleum Products. US 18,771 Thousands Barrels Per Day, world 84,029 Thousands Barrels Per Day.
<http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm?tid=5&pid=54&aid=2>

³ <http://www.epa.gov/oms/climate/regulations/420f10014.htm>

⁴ <http://www.epa.gov/oms/climate/regulations/420f10014.htm>

We found that in the year 2020, California will avoid demand equal to 75 million barrels of oil (an 18% decrease) thanks to AB 32.⁵ At the Department of Energy's year 2020 midrange price forecast, \$114.50 per barrel in 2020, this would reduce California's bill for imported oil by 11 billion dollars.

While shaving 11 billion dollars off the state's import bill is a significant avoided cost, we also estimated the benefits following an oil price shock.

We have experienced six significant price shocks in the past 40 years. We all remember oil nearing \$150 dollars per barrel in 2008. Oil price shocks have been a reality of world oil markets, and surging demand from China and other countries suggests they will become more common, not less.

Our analysis looked at two oil price shock scenarios that cause the price of gasoline and diesel to jump by roughly a dollar or two above a starting point of \$3.42 per gallon. The result is that consumers save an additional 3 – 7 billion dollars, or roughly 200 – 500 dollars per household thanks to the smarter energy use inspired by AB 32.

One of our objectives with this research was to help policymakers understand what is and is not included in the economic analyses they receive.

For example, crude oil and gas prices have shot up six times in the last 40 years, but economic studies are not capturing the painful economic effects of energy price spikes.

National security implications as well as pollution reductions and related public health benefits are also almost never integrated in economic analysis of energy policy.

Attacking the demand side of our imported oil dependency is where real progress will be made.

The Apollo Alliance has recently advanced a clean Transportation Manufacturing Action Plan that would help. I have copies of our Plan here, and ask that it be entered into the record. The Plan calls for increased public transit and railway investments as well as stronger Buy America and loan assistance provisions to emphasize domestic manufacturing job growth. The Plan will create 3.7 million jobs over six years. These are new jobs in every region of the country and include more than 600,000 manufacturing jobs.

This is part of rising to the Sputnik challenge described by the President. We have the technologies needed to get started. And while the world needs American leadership in advancing the innovation frontier further, the big winner will be the American worker.

Thank you for considering this testimony.

⁵ Find the full report, *Shockproofing Society*, here:
http://www.resource-solutions.org/pub_pdfs/Shockproofing%20Society.pdf