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# THE BUSH ADMINISTRATION'S ENERGY POLICY: A FIVE YEAR REVIEW

**PREPARED FOR**

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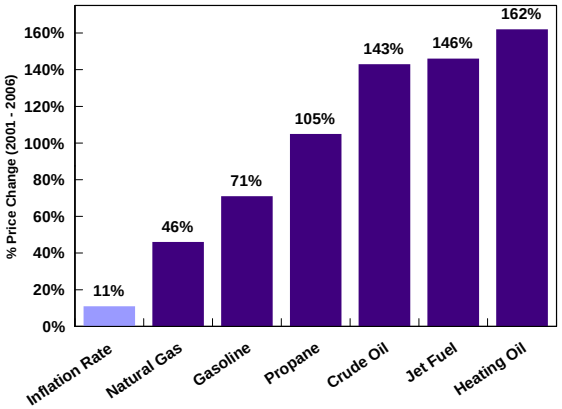
## EXECUTIVE SUMMARY

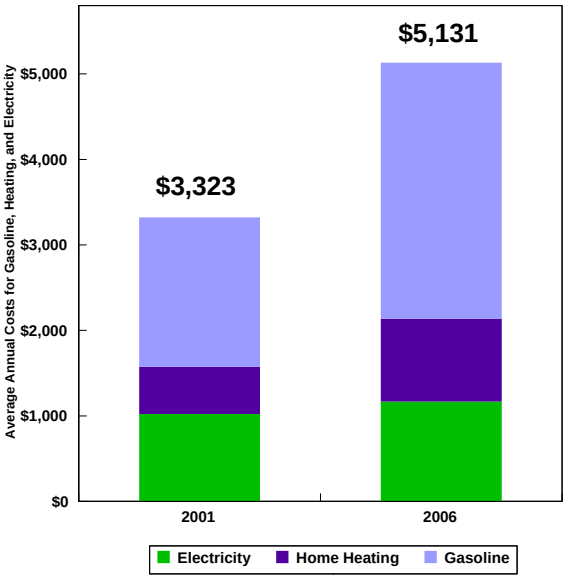
Five years ago, on May 16, 2001, President Bush and Vice President Cheney unveiled the Administration's new energy plan. Five years later, over 95% of the recommendations in the energy plan have been implemented. Yet today, Americans face steadily increasing energy costs, while the nation's dependence on foreign oil has reached record levels.

At the request of Rep. Henry A. Waxman, this report analyzes what has happened to energy prices and dependence on foreign oil in the five years since the Administration unveiled the plan developed by Vice President Cheney's energy task force. It finds:

**Energy prices have risen rapidly.** Over the last five years, crude oil prices have increased by 143%; gasoline prices have increased by 71%; natural gas prices have increased by 46%; and prices for other fuels have increased at a rate significantly higher than the inflation rate.




**American families are spending record amounts for energy.** Five years ago, the average American family spent $3,300 on gasoline, home heating, and electricity. This year, the average American family will spend over $5,100 on gasoline, home heating, and electricity. This is an increase of nearly $2,000 per family. The indirect costs of higher energy prices in the form of higher prices for consumer goods and services are likely to cost families another $1,400 per year.




**The nation's dependence on foreign oil has increased.** During the 2000 presidential campaign, Texas Governor George Bush criticized the Clinton Administration for allowing U.S. imports on foreign oil to reach 56% of U.S. oil consumption. Five years after President Bush announced his energy plan, U.S. imports of foreign oil have risen to 65% of U.S. consumption.

While the last five years have seen sharp increases in energy prices and increased U.S. dependence on foreign oil, there is one group that has benefited considerably: the energy industry. Oil companies reported record profits of over $100 billion in 2005.

## BACKGROUND

In 2000, Texas Governor George W. Bush made energy policy an important plank of his campaign for President. He released a "Comprehensive National Energy Policy."[1] He asserted America was "paying a steep price" under the Clinton Administration's energy policy.[2] And he stated:

> Let me put this plainly: oil consumption is increasing. Our production is dropping. Our imports of foreign oil are skyrocketing. And this Administration has failed to act.[3]

On January 29, 2001, just nine days after his inauguration, President Bush announced that Vice President Cheney would chair a task force to develop a new national energy policy.[4]

Over the next three and a half months, the Vice President's energy task force developed an energy policy largely in secret. According to the Government Accountability Office, the task force met with "petroleum, coal, nuclear, natural gas, and electricity industry representatives and lobbyists."[5] The task force did not have any substantive meeting with environmental or energy conservation advocates.

On May 16, 2001, President Bush and Vice President Cheney released the national energy policy assembled by the Vice President's task force.[6] In announcing the energy plan, the President indicated that it would reduce gasoline prices at the pump.[7] He also asserted:

> If we fail to act on this plan, energy prices will continue to rise. … If we fail to act, our country will become more reliant on foreign crude oil, putting our national energy security into the hands of foreign nations,

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1 Governor George W. Bush, *A Comprehensive National Energy Policy* (Sept. 29, 2000).

2 *Id.*

3 *Id*

4 White House, *Remarks by the President at Energy Policy Meeting* (Jan. 29, 2001)(online at http://www.whitehouse.gov/news/releases/20010129-1.html).

5 U.S. General Accounting Office, *Energy Task Force: Process Used to Develop the National Energy Policy* (Aug. 2003) (GAO/03-894).

6 White House, *Remarks by the President on National Energy Policy in Photo Opportunity with Cabinet Members* (May 16, 2001) (online at http://www.whitehouse.gov/news/releases/2001/05/20010516-7.html).

7 *Id.*

> some of whom do not share our interests.[8]

The Administration's energy policy included 105 recommendations.[9] While some of the recommendations required legislative action by Congress, many could be implemented by the Administration through regulatory or other action. In December 2004, Energy Secretary Samuel Bodman stated: "nearly 75 percent of the recommendations put forward in [the] energy plan have been implemented."[10] By March 2005, Secretary Bodman stated: "we have implemented 95 percent of those recommendations."[11]

After several years of attempts, Congress passed energy legislation in July 2005, and President Bush signed it into law on August 8, 2005.[12] This legislation implemented the recommendations of the Vice President's energy task force that required new legislation. In signing the Energy Policy Act of 2005 into law, the President claimed:

> the Energy Policy Act of 2005 is going to help every American who drives to work, every family that pays a power bill, and every small business owner hoping to expand.[13]

Republican congressional leaders made similar promises. Dennis Hastert, the Speaker of the House, claimed that the bill would, "addres[s] the burden that higher gasoline prices place on American consumers," "alleviate" high natural gas prices, and guarantee the American people "an affordable, reliable, efficient, and environmentally sound supply of energy."[14]

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8 White House, *Remarks by the President to Capital City Partnership* (May 17, 2001) (online at http://www.whitehouse.gov/news/releases/2001/05/20010517-2.html).

9 Congressional Research Service, *Bush Energy Policy: Overview of Major Proposals and Legislative Action*, 2 (Aug. 22, 2001) (online at http://www.fas.org/spp/civil/crs/RL31096.pdf).

10 White House, *President Nominates Sam Bodman as Secretary of Energy* (Dec. 10, 2004) (online at http://www.whitehouse.gov/news/releases/2004/12/20041210-3.html).

11 White House, *Ask the White House Interactive Forum with Samuel Bodman* (Mar. 9, 2005)(online at http://www.whitehouse.gov/ask/20050309.html).

12 Energy Policy Act of 2005, Public Law No. 109-58 (Aug. 8, 2005).

13 White House, *President Signs Energy Policy Act* (Aug. 8, 2005)(online at http://www.whitehouse.gov/news/releases/2005/08/20050808-6.html).

14 *Statement of Speaker of the House Dennis Hastert*, Congressional Record at H6960 (Jul. 28, 2005).

## PURPOSE AND METHODOLOGY

At the request of Rep. Henry A. Waxman, this report is a retrospective look at the Administration's energy policy five years after its announcement. It examines what has happened to energy prices and dependence on foreign oil since the Bush Administration's energy policy was announced on May 16, 2001.

The report relies primarily on data and analysis published by the Energy Information Administration (EIA). EIA is an independent agency of the U.S. Department of Energy whose purpose is to provide "policy-independent data, forecasts, and analyses to promote sound policy making, efficient markets, and public understanding regarding energy and its interaction with the economy and the environment."[15] Where relevant, other publicly available data is also examined.

## FINDINGS

### Energy Prices Have Risen Rapidly

On January 20, 2001, when President Bush was sworn into office, the price of gasoline was $1.44 per gallon. Four months later, when the Administration completed the development of its energy policy, the price of gasoline was $1.75 per gallon. Gasoline prices continued to increase as implementation of the Administration's policy proceeded. On December 31, 2004, when Secretary Bodman announced that 75% of the plan had been implemented, gasoline was selling for $1.80 per gallon. On March 9, 2005, when Secretary Bodman announced that 95% of the energy plan had been implemented, gasoline prices had increased to $2.08 per gallon.

This week, on the fifth anniversary of the Bush Administration's energy policy, the price of gasoline is $2.99 per gallon, a near record. This is 71% higher than gasoline prices five years ago. The increase in gasoline prices over the last five years has been over six times higher than the core inflation rate, which increased by 10.6% over this same period.[16]

The prices of other major forms of energy have also increased much faster than the inflation rate over the last five years. The price of crude oil has increased by 143% since May 2001 (from $28.63 per barrel to almost $70.00 per barrel

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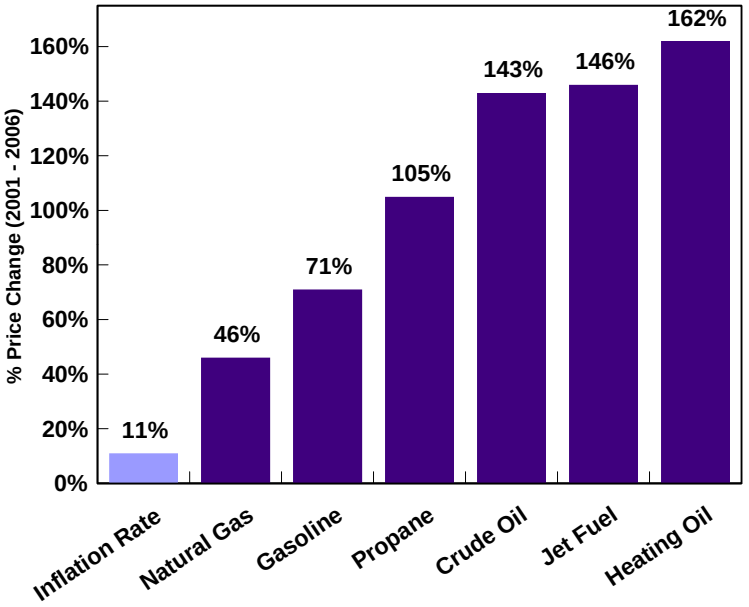
[15] EIA website, *About Us* (online at http://www.eia.doe.gov/ neic/aboutEIA/aboutus.html).

[16] Bureau of Labor Statistics, *Consumer Price Index, All Urban Consumers, All Items Less Food and Electricity* (May 2006).

today).[17] The price of heating oil has increased by 162%.[18] The price of jet fuel has increased by 146%.[19] The cost of propane is 105% higher than five years ago,[20] while the cost of natural gas is 46% higher.[21] Figure 1.

**Figure 1: Energy Prices Have Skyrocketed**




While average electricity prices have not risen as rapidly as costs for other sources of energy, price increases for electricity have also outstripped inflation over the last five years. In 2001, the average cost of residential electricity was 8.62 cents per kilowatt hour. The Energy Information Administration is now estimating that in 2006, electricity costs will be 9.85 cents per kilowatt hour, an

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17 EIA, *Historical Crude Oil Spot Price Data* (online at http://tonto.eia.doe.gov/oog/info/twip/twipmnvwall.xls#'2-TWIP Main Spot'!A1)

18 The price of home heating oil has increased from $0.76 per gallon in May 2001 to $1.98 per gallon today. EIA, *New York No. 2 Heating Oil Spot Price FOB (Price Per Gallon)* (May 2006).

19 The price of jet fuel has increased from $0.86 per gallon in May 2001 to $2.11 per gallon in May 2006. EIA, *Kerosene-Type Jet Fuel, New York Harbor Spot Price FOB (Price Per Gallon)* (May 2006).

20 The price of propane has increased from $0.51 per gallon in May 2001 to $1.05 per gallon in May 2006. EIA, *Propane, Mont Belvieu, Texas Spot Price FOB (Price Per Gallon)* (May 2006).

21 The price of natural gas has increased from $4.52 per thousand cubic feet in May 2001 to $6.59 per thousand cubic feet in April 2006, the latest average price data available. EIA, *Natural Gas Weekly Update* (May 11, 2006); 2001 data from Energy Information Administration, *Natural Gas Navigator, U.S. Natural Gas Wellhead Price (Dollars Per Thousand Cubic Feet)* (2006).

increase of 14% over the last five years.[22] This is 35% higher than the core inflation rate over the same period.

## American Families Are Spending Record Amounts for Energy

The increase in energy prices has substantial cost implications for American families. The average American household uses an estimated 1,143 gallons of gasoline annually.[23] For these households, annual gasoline costs have increased from approximately $1,749 in 2001 to an estimated $2,995 in 2006, an increase of over $1,250 annually.[24] Families with children use even more gasoline, and they have been hit even harder by price increases. The average American family uses 1,429 gallons of gasoline, and it has seen annual costs increase from $2,186 in 2001 to an estimated $3,744 in 2006, an increase of over $1,500 annually.[25]

Increases in home heating costs have also hit families hard. Americans use a variety of fuels for home heating. Prices for three of the most common sources of home heating — heating oil, natural gas, and propane — have all increased substantially over the last five years. These increased costs mean families will pay hundreds of dollars extra to heat their homes this year. Overall, the average American household will spend an estimated $969 to heat their homes this year, $418 more than they spent five years ago.[26]

Increased electricity prices add additional cost increases. The average household will use approximately 11,852 kilowatt hours of electricity this year, which will

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22 EIA, *Short-Term Energy Outlook, Table 4, U.S. Energy Prices, Base Case* (May 2006); EIA, *Average Retail Price of Electricity to Ultimate Customer by End-Use Sector, 1993-2004* (2006).

23 EIA, *U.S. Per Household Vehicle-Miles Traveled, Vehicle Fuel Consumption, and Expenditures, 2001* (Nov. 2005).

24 The average gasoline price was $1.53 per gallon in 2001, and the estimated average price in 2006 is $2.62 per gallon. EIA, *Annual Energy Outlook, Table 5.24, Retail Motor Gasoline and On-Highway Diesel Fuel Prices, Selected Years, 1949-2004* (2005); EIA, *Short-Term Energy Outlook, Table 4, U.S. Energy Prices, Base Case* (May 2006).

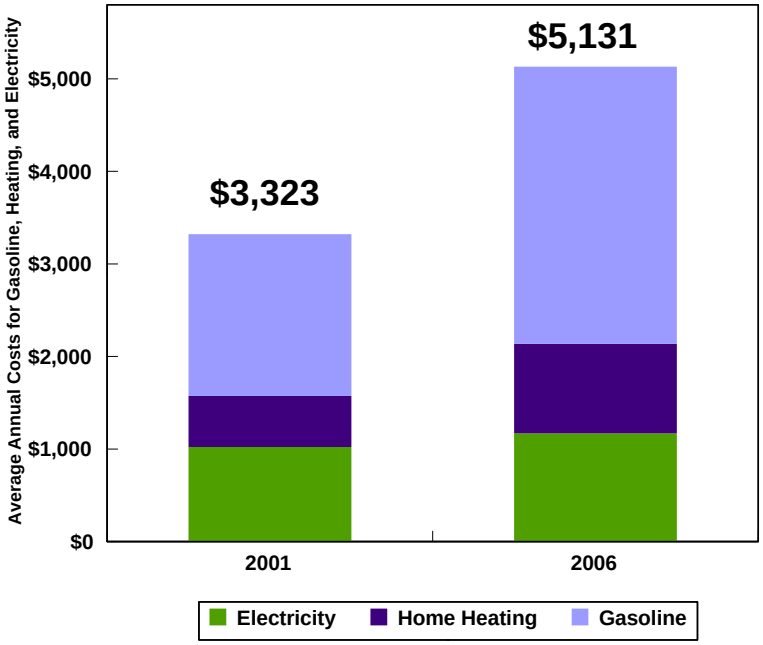
25 EIA, *Short-Term Energy Outlook, Table WF01, Selected U.S. Average Consumer Prices and Expenditures for Heating Fuels During the Winter* (May 2006).

26 *Id.*

cost approximately $1,167.[27] This is $145 more than the same amount of electricity would have cost in 2001.[28]

The aggregate impact of these price increases is large. In 2001, the average family had gasoline, home heating, and electricity expenses of $3,323. This year, these costs will rise to an estimated $5,131, an increase of close to $2,000. Figure 2.

**Figure 2: Energy Costs for American Families Have Increased by Thousands of Dollars**




For American families, the direct impacts of high energy prices are the increased costs they pay to fuel their cars and purchase heat and electricity for their homes. But the American economy will also face billions of dollars in extra costs because of high fuel prices, most of which will be passed through to families in the form of higher consumer prices.

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[27] EIA data show that total residential electricity use by the 114 million U.S. households will be 1,351 billion kilowatt hours, or 11,852 kilowatt hours per household. EIA, *Short-Term Energy Outlook, Table 10a U.S Electricity Supply and Demand Base Case* (May 2006). Average residential electricity prices in 2006 are expected to be 9.85 cents per kilowatt hour. EIA, *Short-Term Energy Outlook, Table 4, U.S. Energy Prices, Base Case* (May 2006).

[28] Average residential electricity prices in 2001 were 8.63 cents per kilowatt hour. EIA, *Average Retail Price of Electricity to Ultimate Customer by End-Use Sector, 1993 - 2004*. (2006)

For example, high energy costs will:

- **Increase gasoline and diesel costs for businesses by $80 billion.** Short- and long-haul trucking, buses, and other large and small businesses use 65 billion gallons of gasoline and diesel fuel annually.[29] Due to increases in the cost of gasoline and diesel fuel, these businesses will pay an estimated $80 billion more for fuel in 2006 compared to what they would have paid in 2001.[30]

- **Increase jet fuel costs for the aviation industry by $22 billion.** The airline industry uses over 21 billion gallons of jet fuel each year.[31] Due to increases in the cost of jet fuel, the aviation industry will pay an estimated $22 billion more for fuel in 2006 compared to what the industry would have paid in 2001.[32]

- **Increase natural gas costs for commercial and industrial users by $45 billion.** Commercial and industrial firms use 11 trillion cubic feet of natural gas annually, more than double the use of residential users.[33] Due to increases in the cost of natural gas, these businesses will pay an estimated $45 billion more for natural gas in 2006 compared to what they would have paid in 2001.[34]

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29 EIA, *Petroleum Product Supply Based Estimates* (May 2006).

30 Approximately 46 million gallons of this fuel use will be for diesel fuel. Diesel fuel cost $1.40 per gallon in 2001, and is expected to cost $2.70 per gallon in 2006, accounting for $60 billion in increased costs. EIA, *Short-Term Energy Outlook, Table 4, U.S. Energy Prices, Base Case* (May 2006). EIA, *U.S. No. 2 Diesel Retail Sales by All Sellers, Cents Per Gallon* (2006). The remaining 19 million gallons of fuel is gasoline, which cost $1.53 per gallon in 2001 and is expected to cost $2.62 in 2006. This accounts for $20 billion in increased costs.

31 EIA projects that air transportation in the United States will use 1.39 million barrels per day of oil in 2006 or 21.3 billion gallons on an annual basis. EIA, *Annual Energy Outlook 2006, Year-by-Year Reference Case Tables* (2003-2030)(Jan. 2006)(online at http://www.eia.doe.gov/oiaf/aeo/excel/aeotab_7.xls).

32 In 2001, jet fuel cost an average of $0.74 per gallon. EIA, *supra* note 19. In 2006, EIA projects that jet fuel will cost an average of $1.75 per gallon. EIA, *Annual Energy Outlook 2006 With Projections to 2030, Table 12, Petroleum Prices* (Dec. 2005).

33 Commercial users will use approximately 3 trillion cubic feet, and industrial users approximately 8 trillion cubic feet. EIA, *Short-Term Energy Outlook, Table 8b, Natural Gas Supply and Demand: Base Case* (May 2006).

34 In 2001, commercial users paid $8.43 per thousand cubic feet, and industrial users paid $5.24 per thousand cubic feet. EIA, *Natural Gas Prices* (2006).In 2006, commercial users of natural gas are expected to pay $12.72 per thousand cubic feet, and industrial users are expected to pay $9.46 per thousand cubic feet. *EIA, Short-Term Energy Outlook, Table 8c, Natural Gas Prices: Base Case (May 2006).*

- **Increase electricity costs for commercial and industrial users by $19 billion.** Commercial and industrial firms use 2.3 trillion kilowatt hours of electricity annually.[35] Due to increases in the cost of electricity, these businesses will pay an estimated $19 billion more in 2006 compared to what they would have paid in 2001.[36]

The total increased costs for these corporate, industrial, and commercial energy users will be approximately $165 billion. Assuming these added costs are passed through to consumers, the average American household will pay an additional $1,400 per year for consumer goods and services.[37]

## U.S. Dependence on Foreign Oil Has Increased

During the 2000 presidential campaign, President Bush criticized the Clinton Administration for allowing U.S. dependence on foreign oil to increase, stating: "U.S. dependence on foreign oil has jumped to 56 percent — the highest percentage ever."[38]

But in the five years since President Bush took office, U.S. dependence on foreign oil has gone up, not down. In 2005, the most recent year for which complete data is available, petroleum imports climbed to 13.5 million barrels per day, representing 65% of U.S. oil consumption.[39] By May 2006, imports reached 14.2 million barrels per day.[40] Figure 3.

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35 Commercial users will use approximately 1.3 trillion kilowatt hours, and industrial users approximately 1 trillion kilowatt hours. EIA, *Short-Term Energy Outlook, Table 10a, U.S. Electricity Supply and Demand: Base Case* (May 2006).

36 In 2006, commercial users of electricity are expected to pay 8.8 cents per kilowatt hour, and industrial users are expected to pay 5.8 cents per kilowatt hours. EIA, *Short-Term Energy Outlook, Table 10c, U.S. Regional Electricity Prices: Base Case* (May 2006). In 2001, commercial users paid 7.95 cents per kilowatt hours, and industrial users paid 4.98 cents per kilowatt hour. EIA, *Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, 1993- 2004* (2006).

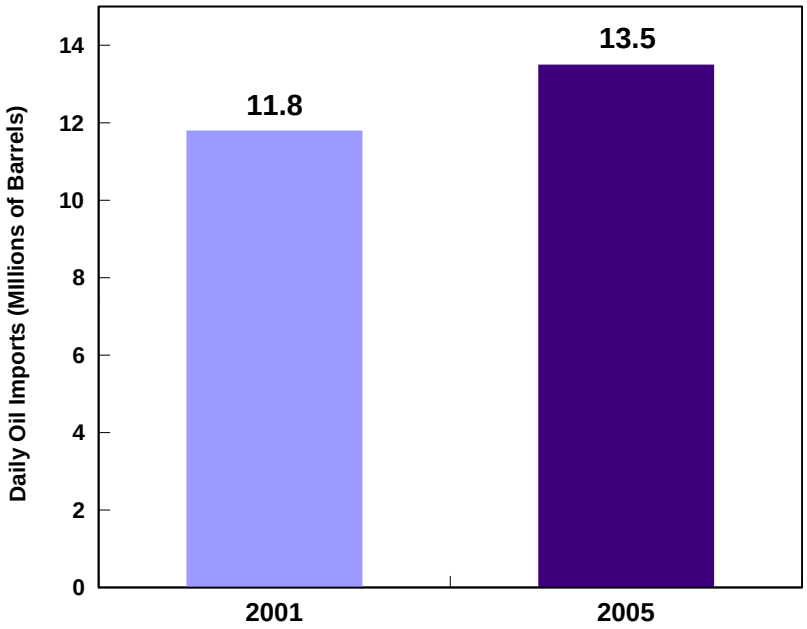
37 There are an estimated 114 million U.S. households. EIA, *Short Term Energy Outlook* (May 2006).

38 Governor George W. Bush, *supra* note 1.

39 EIA, *U.S. Imports of Crude Oil and Petroleum Products* (online at http://tonto.eia.doe.gov/dnav/pet/pet_move_imp_dc_NUS-Z00_mbblpd_a.htm); EIA, *Product Supplied* (online at http://tonto.eia.doe.gov/dnav/pet/pet_cons_psup_dc_nus_mbblpd_a.htm).

40 EIA, *Weekly Imports & Exports* (online at http://tonto.eia.doe.gov/dnav/pet/pet_move_wkly_dc_NUS-Z00_mbblpd_w.htm).

**Figure 3: U.S. Dependence on Foreign Oil Has Increased Under President Bush**




The combination of increased dependence on foreign oil and increased prices for crude oil has significantly increased the cost to the U.S. economy of this dependence on foreign sources of oil. In 2001, foreign oil imports cost the U.S. economy $88.5 billion. In 2005, U.S. oil imports cost $207.9 billion, an increase of 135%.[41] This month, the United States is spending over $700 million per day to import oil from foreign sources.[42]

Under the Administration's policies, U.S. dependence on foreign oil is projected to increase in the future. According to EIA, the United States is expected to

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41 The United States imported 9.3 million barrels of crude oil per day in 2001 and 10 million barrels per day in 2005. EIA, *U.S. Imports of Crude Oil and Petroleum Products* (online at http://tonto.eia.doe.gov/dnav/pet/pet_move_imp_dc_NUS-Z00_mbblpd_a.htm). The average spot price for crude oil was $25.98 per barrel in 2001and $56.64 per barrel in 2005. EIA, *Spot Prices for Crude Oil and Petroleum Prices* (online at http://tonto.eia.doe.gov/ dnav/pet/pet_pri_spt_s1_a.htm).

42 In May 2006, the U.S. is importing 10 million barrels of crude oil per day. EIA, *Weekly Imports & Exports* (online at http://tonto.eia.doe.gov/ dnav/pet/pet_move_wkly_dc_NUS-Z00_mbblpd_w.htm). The spot price for crude oil exceeds $70 per barrel. EIA, *This Week in Petroleum* (May 10, 2006) (online at http://tonto.eia.doe.gov/oog/info/twip/twip.asp).

import 17.24 million barrels per day by 2030.[43] This represents a 51% increase in projected petroleum imports from 2000 to 2030.

## Energy Industry Profits Are High

Over the last five years, American families have felt the impact of higher energy prices, while the U.S. economy has grown increasingly dependent on foreign oil. One group of companies has prospered, however: the energy industry, particularly oil and gas companies.

In 2001, the six largest oil companies (ExxonMobil, BP, Royal Dutch/Shell, ChevronTexaco, ConocoPhillips, and Marathon) reported $70 billion in profits. In 2005, these six companies reported record profits of over $110 billion dollars, with ExxonMobil, the largest oil company in the world, reporting profits of $36 billion in 2005. Oil company profits are likely to be even higher in 2006.[44] Chevron, for example, reported its first quarter profits were up 49% from 2005.[45]

## CONCLUSION

President Bush and Vice President Cheney released the Administration's energy policy on May 16, 2001. This review of the Administration's energy policy finds that since the announcement of that policy five years ago, energy prices have risen rapidly, the energy costs borne by American families have increased by thousands of dollars annually, and U.S. dependence on foreign oil has grown.

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[43] EIA, *Annual Energy Outlook 2006, Year-by-Year Reference Case Tables (2003-2030)* (Jan. 2006)(online at http://www.eia.doe.gov/oiaf/aeo/excel/aeotab_11.xls).

[44] Profit reports of ExxonMobil, BP, Royal Dutch/Shell, ChevronTexaco, ConocoPhillips, and Marathon compiled by House Government Reform Minority Staff.

[45] Chevron, *Chevron Reports First Quarter Net Income of $4 Billion* (Apr. 28, 2006) (online at http://www.chevron.com/news/press/2006/2006-04-28_1.asp).