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Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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Opening Statement
Rep. Elijah E. Cummings, Ranking Member

Committee on Oversight and Government Reform
Hearing on "Pain at the Pump:
Policies that Suppress Domestic Production of Oil and Gas"

May 24, 2011

I just want to take a moment to remember why we are here today. We are not here because of a conspiracy theory that the Administration is deliberately increasing gas prices. And we are not here because of a so-called "permitorium," or a de facto moratorium on drilling permits, that does not really exist.

We are here because on April 20, 2010, a massive oil explosion in the Gulf of Mexico killed 11 people and launched the worst environmental disaster in the history of our country. We all watched as the oil spewed into the water for days. For the entire summer, there was nothing we could do but wait, and pray.

Finally, after 87 days, it stopped. But not before releasing 200 million gallons of oil. Not before reaching 780 miles along the Gulf. Not before devastating the Gulf's commercial and recreational fishing industries. And not before decimating the Gulf's travel and tourism industries, which represent nearly half of the Gulf's economy, generate over $100 billion annually, and are responsible for more than a million jobs.

That is why we are here. And we can never forget it. So I thank you, Administrator Jackson and Deputy Secretary Hayes, for testifying today about the Administration's efforts to prevent this kind of disaster from ever happening again.

We are also here because of recent increases in the price of gas, which has now surpassed $4 per gallon. These increases make it harder for average Americans to get to work and for small businesses to function.

Chairman Issa issued a report today that essentially blames the Obama Administration for everything, including higher gas prices. In fact, former Alaska Governor Sarah Palin has been espousing this exact same theory for several months now. The problem is that this theory has been debunked—even by conservatives and industry experts. For example:

- Michael Canes, the former chief economist for the oil industry's American Petroleum Institute, said this: "It's not credible to blame the Obama Administration's drilling policies for today's high prices."

- Ken Green, a resident scholar with the conservative American Enterprise Institute, said this: "The world price is the world price. Even if we were producing 100 percent of our oil, … [w]e probably couldn't produce enough to affect the world price of oil."

- And Chris Lafakis, an economist at Moody's Analytics, said this: "There is absolutely no merit to this viewpoint whatsoever."

In other words, when you actually talk to experts who know the industry and know the facts, these arguments are exposed as blatant attempts to score political points with no basis in fact.

I also released a report yesterday, and this report analyzed what industry, government, and academic experts actually believe is causing higher gas prices: excessive speculation by entities that have no consumption interest in the underlying commodities and that profit by doing nothing more than forecasting price trends.

The report's chief conclusion is that, in order to make the most significant impact on lowering gas prices, our primary focus should be on countering the growing impact of energy speculation, rather than simply promoting the oil industry's priorities of increasing domestic drilling.

As the report finds, addressing excessive speculation offers the single most significant opportunity to reduce gas prices for American consumers. Experts, including oil industry officials and investment firms, estimate that excessive oil speculation could be inflating prices by up to 30%, but increasing domestic drilling would impact prices by only about 1%, and then only after a decade or more.

In my opinion, this Committee could have a much more significant and immediate impact on the price of gas if it stopped focusing solely on oil industry interests and started focusing on real efforts to help American consumers.

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