



THE SELECT COMMITTEE ON
ENERGY INDEPENDENCE AND GLOBAL WARMING

Opening Statement for Edward J. Markey (D-MA)

“Oil Shock – Potential for Crisis”

Select Committee on Energy Independence and Global Warming

November 7, 2007

This hearing is called to order.

45 percent of the world’s oil is located in Iraq, Iran and Saudi Arabia – and almost two-thirds of known oil reserves are in the Middle East. Events in that part of the world have a dramatic impact on oil prices and on our national security. In the late 1970s, the Oil Embargo, Iranian Revolution and Iran/Iraq war sent the price of oil skyrocketing. Yesterday, oil surged to a new record of \$97 a barrel amid government predictions of tightening domestic inventories, bombings in Afghanistan and an attack on a Yemeni pipeline that took 155,000 barrels a day off the markets. And with Al Qaeda threatening to attack Saudi Arabian oil, with our continuing struggles in Iraq, and with yesterday’s announcement that Iran now has 3,000 operating centrifuges for enriching uranium, each day carries with it the possibility of major oil supply disruptions leading to economic recession and political or military unrest.

The United States currently imports more than 60% of its oil. Oil has gone up more than \$70 a barrel in the past 6 years, from \$26 a barrel in 2001. Each MINUTE, the United States sends \$500,000 abroad to pay for foreign oil imports – that’s \$30 million per hour and \$5 billion per week! This analysis only considers oil prices through August. With the record prices of late, these figures will surely grow by year’s end. Much of these funds end up in the pockets of Arab princes and potentates - who then funnel the money to Al Qaeda, Hezbollah, Hamas and other terrorist groups.

With that kind of money at stake, it is no coincidence that we have 165,000 young men and women in Iraq right now, and it is no surprise that much of our foreign policy capital also happens to be spent in the Middle East. Our energy policy has compromised our economic freedom, and the American people want action because they know that the price has become much too high.

Last week, a group of energy and military experts converged in Washington to conduct an energy security war-game. But the truth is the scenario that unfolded didn't really seem at all fictitious. Like today, the scenario began when oil prices had gone up to trade consistently in the \$95 per barrel range. Like yesterday's attack on a Yemeni pipeline, the first event leading to crisis involved an attack on the Baku pipeline. And, also like today, Iran's nuclear ambitions and U.S. efforts to contain them prove to be a complicated endeavor that requires us to maximize all our diplomatic, military and economic leverage.

The problem is – with oil, we have ALMOST NO leverage:

- The United States is home to less than 3% of the world's oil reserves – but is itself the world's largest consumer and importer of oil. 60% of the oil we use each day comes from overseas.
- Global oil production levels are at about 85 million barrels per day, with excess production capacity at only about 1.65 million barrels per day. Hurricane Katrina alone removed as much as 1.4 million barrels per day from supplies – almost as much as the current excess capacity.
- The Strategic Petroleum Reserve has just over a month's worth of oil in it – enough to address the supply disruption caused by a Hurricane or other temporary event. But if instead of a Hurricane we have a hostile nation deliberately trying to starve us of our needed oil, the Strategic Petroleum Reserve simply won't be enough.

The reality is, there are no good short-term options. To help us deal with our oil addiction, we need to take long-term measures. And luckily, Congress is poised to act on an Energy bill that will put more weapons in our energy independence arsenal.

The single biggest step we can take to curb our oil dependence and remove OPEC's leverage is to raise the fuel economy standards of our automotive fleet. When CAFE was passed in the mid-1970s in response to the first oil crisis, imported oil fell as a percentage of total consumption in the U.S. from 47 percent in 1977 to 27 percent in 1985.

Enhancing energy independence can also be achieved through the use of biofuels such as ethanol made from corn, cellulosic material, or crop wastes – moving our fuels out of the deserts of the Middle East and into the farmland of the Mid-west.

The Energy bill passed by the Senate includes an increase in fuel economy to 35 miles per gallon by 2020. These provisions will save us 1.2 million barrels per day

by 2020 and 2.9 million barrels per day by 2030 (2.5 million barrels per day from cars and light trucks, and an assumption of 0.4 million barrels per day from larger trucks).

The Senate bill also contains a boost in the use of renewable fuels like ethanol to 36 billion gallons by 2022 – saving us 1.6 million barrels of oil a day. By 2030, the fuel economy and biofuels provisions of the Senate Energy bill will save us 4.5 million barrels of oil per day, which is more than twice the amount of oil America currently imports from the Persian Gulf.

In addition, the Senate bill requires the President to adopt a nationwide oil savings plan that will achieve a total savings of 10 million barrels of oil per day by 2031 – over 4 times as much as we now import from the Middle East. We will have to continue to push further efficiency and biofuels improvements forward, as well as technologies such as plug-in hybrids or electric vehicles, in order to reach this goal.

Congress is poised to act – but incredibly, the legislation is facing a veto threat by President Bush because he opposes the repeal of the tax subsidies currently enjoyed by the very same oil companies who are about to charge \$100 per barrel! The President says he wants to end our addiction to oil, but apparently now is not a convenient time for him and his oil interests to start moving America along the path towards oil sobriety. I remain hopeful, however, that Congress will prevail and that The President will sign the bill we send him.

I look forward to learning more about Oil Shockwave from our witnesses, as well as on their views about what Congress can do to address our energy security challenges. And now I would like to recognize the Ranking Member of the Committee, the gentleman from Wisconsin, Mr. Sensenbrenner.