

Thompson: Solutions for the fuel crisis

Contributed by Congressman Mike Thompson
Thursday, 03 July 2008

American families don't have to turn on the TV or read a newspaper to know we're in a fuel crisis. It's impacting our lives far beyond the strain of \$5 gallons of gas. Our food costs more because it costs more to produce and transport it. Everyday products, such as things made of plastic or nylon, cost more because they are made with petroleum. And when families cut back on spending, nearly every industry in the country suffers. It's clear this is a problem that extends far beyond the pump.

We need two solutions and we need them fast: a short-term solution that lowers the price of oil and a long-term solution that reduces our dependence on oil. However, we must be very wary of solutions that are nothing more than choreographed political stunts designed to win elections rather than bring Americans relief. If we're not careful, we'll end up with more of the same — no energy policy.

Also, we need to beware of quick-fix proposals being sold by some people who think all we need to do is drill. If drilling operations were expanded into new areas such as the Arctic National Wildlife Refuge in Alaska or off our California coast, any oil found would not reach consumers for eight to ten years. And according to the statistical agency of the U.S. Department of Energy, the impact on gas prices would be negligible, less than a nickel a gallon. Moreover, given the thirst of new oil consumers in China and India, there's no guarantee Americans would see the additional oil.

Right now, oil companies aren't utilizing the vast majority of the nearly 90 million acres of federal land they've already leased. Nearly 70 million acres have not been touched, despite estimates that they contain 80 percent of oil and gas reserves on federal lands. As energy prices continue to climb, these companies are leaving recoverable oil and gas in the ground so they will appreciate in value.

Oil companies are also not making enough of an investment to build the infrastructure needed to increase the domestic oil supply. Last year, the five largest integrated oil companies used their record-breaking profits to buy back \$50 billion in stock rather than investing in infrastructure improvements that would reduce supply disruptions that cause prices to rise.

We also have to deal with oil speculation, which experts estimate is inflating prices by anywhere from \$20 to \$60 per barrel of oil.

We need both long and short-term energy plans that will put downward pressure on gas prices, start us on a course toward clean renewable energy and sever the strangle-hold that foreign oil-producing countries have on us.

We need to turn down the volume of rhetoric and roll up our sleeves to address this problem. In the short run, we need to:

- Release oil from the Strategic Petroleum Reserve (SPR) into the market. Currently, the SPR is at 97-percent capacity. Drawing down the reserve to 90-percent of capacity would add 50 million barrels of oil to the market and would send a strong message to speculators. This would undoubtedly help ease the significant premium that speculation has added to the price of fuel.

- Crack down on unregulated oil speculation. We need to increase regulation over speculators to prevent market manipulation and ensure no one speculator is allowed to hold enough futures contracts to be able to manipulate prices. We can also increase the amount of money speculators are required to put down on futures and only allow speculators who can actually take delivery of the product in which they are investing. (When companies such as Morgan Stanley own huge quantities of oil, you know there's trouble.)

- Tell oil companies, "use it or lose it." Oil companies need to use or lose the land they have already leased for drilling.

And to ensure a sensible energy policy for the future, we should:

- Extend tax incentives for renewable energy technology, such as solar, wind, biomass and cellulosic biofuels;
- Put the development of other energy technologies on the table;
- Encourage the development of more fuel efficient cars and continuing tax credits for individuals who purchase hybrid cars;
- Incentivize the development of filling station infrastructure to support hydrogen fueled vehicles;
- Increase our investments in public transportation to allow for further conservation of fuel; and
- Invest in expanding current refining capacity and requiring diligent development of existing leases that have already been permitted by the federal government for oil drilling.

We have the ingenuity and resourcefulness to achieve these goals. The solutions we reach must be based on what's best for the next generation, not the next election.

The people of our great country need reasonably-priced energy to grow our food, drive to work, heat and cool our homes and live a productive life. But we must also remember the importance of a healthy environment, particularly in an area like ours that relies on tourism, agriculture, coastal resources and the fishing industry.

Congressman Mike Thompson (D-St. Helena) represents Lake County in the House of Representatives.

{mos_sb_discuss:4}