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Please stay off of the gas

By H. Sterling Burnett

Rolling into the busy summer driving season, Congress just can't seem to resist the urge to scapegoat oil companies. Just before Memorial Day weekend, Congress held another in what has become a seemingly interminable number of hearings into 'big oil's' role in high gasoline prices and threatening to punish the industry for making a profit. Though many Americans seem to feel low gasoline prices are an American birthright, congressional solutions are likely to make our problems worse.

Before legislating in haste, leaving drivers to repent for years to come, Congress should take a page from the Bible. I recommend Matthew 7:3 'Why do you look at the speck that is in your brother's eye, but do not notice the log that is in your own eye?' Congress bears far more blame than private oil companies for high gas prices. While oil companies' overall profits are large, at about .09 cents per every dollar of revenue, their profit margins are much lower than many industries, including banking, pharmaceuticals, computers and many household goods.

The oil industry has been repeatedly investigated, by multiple agencies at the request of both Democratic and Republican Congresses and Democratic and Republican administrations, and it has never been found to be guilty of colluding or price fixing. This is no surprise, since even the world's largest private oil company owns less than 3 percent of the oil it delivers to the market each day.

World oil prices are not set by big oil companies in the U.S., but rather by supply and demand conditions in the market, as often manipulated by state-run oil companies -- who own most of world's oil -- in the Organization of Petroleum Exporting Countries and Russia.

Even in the face of congressional hostility and forced nationalization of foreign owned oil and gas deposits, the industry has done its best to increase oil reserves -- tripling the oil and gas wells operating in the U.S. since 2000.

By contrast, rather than helping consumers, Congress' actions have reduced available

gasoline and made us depend more on foreign oil. For instance, in the 1980s Congress instituted a 'Windfall Profits Tax' (WPT) on the oil industry. The results were predictable to any student taking high school economics but evidently not to Capitol Hill -- A 1990 Congressional Research Service report found that between 1980 and 1987 'The WPT reduced domestic oil production between 3 and 6 percent and increased oil imports between 8 and 16 percent.' In addition, Congress requires refiners to produce 19 different blends of gasoline. With three grades -- regular, midgrade and premium -- that means blending 57 different types of gasoline. Think of refineries like a pie, the more you divide it up, the smaller the slices and the less of any one type of gasoline available. Refiners have to make a different set of pies every summer and winter, which means taking units off-line to clean them out before the new mix can be blended. Thus, we get price spikes in the late spring and fall every year.

The most significant action of Congress to keep gas prices high is to place the Arctic National Wildlife Refuge

(ANWR) and the U.S. Outer Continental Shelf (OCS) off-limits to new exploration and production. When oil prices were \$25 per barrel with old recovery technology, it was estimated ANWR had as much as 16 billion barrels and the OCS had more than 85 billion barrels of economically recoverable oil. With today's higher prices and vastly improved production technology, it is almost certain we can get even more oil from

these locations -- and all without harming the environment.

Congressional grandstanding, berating oil companies while the cameras roll and threatening to break them up if they don't do something to reduce prices, will do nothing to help drivers. By contrast, Congress could take concrete steps to help consumers at the pump, perhaps not by tomorrow, but in the future.

Removing roadblocks to new oil production, reducing restraints on refining capacity, and improving the investment climate by forgoing punitive, unproductive taxes on oil company profits would be a legacy for which Americans now and in the future could honor and thank Congress.

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