Rhetoric vs. Reality, Part I: Does President Obama Really Support an 'All-of-the-Above' Energy Strategy?

Witnesses:
Kathleen Sgamma
tVice President of Government and Public Affairs, Western Energy Alliance
Charles Drevna
President, American Fuel and Petrochemical Manufacturers
Mark Perry
Scholar, American Enterprise Institute
Michael Krancer
Secretary, Pennsylvania Department of Environmental Protection
Peter Glaser
Partner, Troutman Sanders LLP
Daniel Weiss
Senior Fellow and Director of Climate Strategy, Center for American Progress Action Fund

Committee Members Present:
Darrell Issa (R-CA), Chair
Elijah Cummings (D-MD), Ranking Member
Mike Kelly (R-PA)
Tim Walberg (R-MI)
John Tierney (D-MA)
James Lankford (R-OK)
Danny Davis (D-IL)
Blake Farenthold (R-TX)
Peter Welch (D-VT)
Tim Walberg (R-MI)
Dennis Ross (R-FL)

On May 31, 2012, the House Committee on Oversight and Government Reform held a two-part hearing entitled “Rhetoric vs. Reality.” The morning session was titled “Does President Obama Really Support an “All-of-the-Above” Energy Strategy?” The strategy is Obama’s approach to energy security. It focuses on increasing domestic oil production, natural gas production, biofuel use, the use of wind, solar, and nuclear energy, and the development of clean coal.

Chairman Darrell Issa (R-CA) began his opening statement by quoting President Obama’s 2012 State of the Union address in which Obama said “This country needs an all-out, all-of-the-above strategy that develops every available source of American energy.” Issa pointed out how oil, natural gas, and coal energy sources have been limited in production by actions from the administration. Issa mentioned that the proposed nuclear waste geologic repository at Yucca Mountain in Nevada has been “shut down (…) effectively dooming nuclear.” He said all the actions are based off of “(…) distortion of the actual facts.” Issa focused on statements made by the President about domestic oil reserves and production and he cited the Institute for Energy Research that says the U.S. has 1.4 trillion barrels of recoverable oil. Issa said this amount is enough to meet demand for the next 200 years. Issa stated that “96 percent of U.S. oil production increases in 2007 have occurred on non-federal lands.” He mentioned the proposed Keystone XL pipeline and that the President “stood in the way” and claimed an executive order that “does nothing new, advances nothing, and expedites nothing new.” Issa finished his statement by saying “we have to have an all-of-the-above and all-of-the-below mentality” to be able to provide affordable energy for the American people.

Ranking Member Elijah Cummings began his opening statement by answering the title of the hearing, saying that the President does support an “all-of-the-above” plan. Cummings said that total domestic oil production has increased by 14 percent since the last year of the Bush Administration and every year since the beginning of Obama’s presidency, total crude oil production has increased. Over 2 billion barrels of oil were produced in the U.S. in 2011. Cummings listed on-shore and off-shore statistics. Natural gas has increased in production and is at its highest level in 30 years. Cummings discussed nuclear power and how the
President has requested an additional $770 million in the FY 2013 budget for nuclear programs. Cummings noted a reduction of oil consumption by 2.2 million barrels a day due to fuel economy standards. He said the “arguments that the administration has been refusing to approve drilling permits in the Gulf [are] a complete myth.” He said that the administration has issued more than 400 deepwater drilling permits after enacting safety rules after the 2010 BP Deepwater Horizon Oil Spill.

Michael Krancer began his testimony by saying that he has no intention to remove health and safety protection. Krancer said that the States are doing a great job of regulating extraction and used Pennsylvania’s natural gas extraction as an example. He clarified that natural gas production increased regardless of the federal government, once again using Pennsylvania as an example. Krancer focused on Pennsylvania’s diverse energy sources, including coal, nuclear, natural gas, oil, wind, and solar. He said he sees a federal government that seems to be picking “winners and losers” and does not have an “all-of-the-above” method. He used hydraulic fracturing in Pennsylvania as an example saying that the federal government has a “hostile attitude” towards the practice. He accused the federal government of not being interested in the subject until just recently. Krancer discussed the Environmental Protection Agency’s (EPA) involvement in Dimock, Pennsylvania and how the government is now “looking for an exit strategy” after they found no contamination of drinking water as a result of hydraulic fracturing. When it comes to air regulations, Krancer said he sees opposition from the government towards coal. He went on to mention that air regulations would kill coal burning in Pennsylvania and the proposed coal combustion residuals rule would be “devastating” and that there is no scientific or legal justification. Krancer agreed with Issa saying that the federal government is not dealing with the nuclear waste disposal issue.

Kathleen Sgamma began her testimony by saying that western producers are upset about the administration taking credit for increased production. She says that oil and gas companies have increased the production mainly on private lands. Sgamma talked about a recent Western Energy Alliance study of 20 projects on public lands, with about 3100 wells, which are in the evaluation stage of the National Environmental Policy Act (NEPA, P.L. 91-190). The wells would create $27.5 billion in economic impact. NEPA analysis must be conducted by the Bureau of Land Management (BLM) where small well projects take over four years and “large projects take over seven years” to complete the analysis. She mentioned other instances that she considered obstacles, including the Secretary of the Interior Ken Salazar, who cancelled leases in Utah and “added three new layers of analysis to the leasing process.” Sgamma said it takes 298 days to process drilling permits, and Secretary Salazar “promised to reduce the time to 60 days.” Sgamma mentioned BLM’s planned hydraulic fracturing regulations which the Western Energy Alliance estimates could potentially add another 100 days on to permitting times. She finished her testimony by stating “now we are just waiting for reality to catch up.”

Mark Perry began his testimony by saying “all-of-the-above” is really only “some-of-the-above.” He supported this statement by saying domestic production of fossil fuels on federal lands fell to a nine year low in fiscal year (FY) 2011, while crude oil fell by 14 percent, and natural gas fell by more than nine percent. He stated that the President’s proposed FY 2013 budget focuses higher taxes on oil and natural gas companies. He continued his argument by citing the administration’s rejection of a cross-state permit that would have allowed the construction of the Keystone XL Pipeline, temporary blocking of off-shore lease sales, and “closing a majority of the outer continental shelf to new energy production for the next five years.” Perry said that the proposed FY 2013 budget allot for the “politically favored, green energy sector” by “tax subsidies, tax credits (…) and grants.” The U.S. Department of Energy (DOE) estimated that fossil fuels use in energy will decline from 83 percent of total U.S. consumption in 2010 to 77 percent in 2035. DOE estimates that in 2035 the use of renewable energy in U.S. consumption will be less than 11 percent. Perry closed his testimony saying the “scientific and economic realities suggest that the fuels of the future will mostly be the same as the fuels of the past.”

Daniel Weiss began his testimony by clarifying the assumption that producing more oil would reduce gasoline prices. Weiss quoted the Associated Press which said that there is “no statistical correlation between how much oil comes out of U.S. wells and the price at the pump.” He stated that to most Americans an “all-of-the-above” strategy means three things: developing the energy resources of today while using them efficiently, investing in new cleaner technologies of tomorrow, and reducing public health threats from pollution from burning of fossil fuels. Weiss reviewed the President’s record when it comes to the “all-of-the-above” strategies. He said that U.S. oil production is the highest it has been since 1998. The U.S. imported only 45 percent of its oil in 2011, which is the lowest since 1997. He mentioned the approval of licenses for two nuclear reactors, something that has not happened in 30 years. Weiss said that the U.S. spent more on clean energy investments in 2011 than China. The non-hydro renewable electricity generation is expected to double from 2008 to 2012. Weiss then mentioned EPA’s Cross-State Air Pollution Rule (CSAPR) and Mercury and Air Toxic Standards (MATS) and how they will reduce pollution from power plants. Weiss said it appeared the President passes the “all-of-the-above” test and moved on to reviewing the House of Representatives. He stated the House “ignored oil use reductions, slashed investments for new clean energy technologies, and would eviscerate public health protection from hazardous pollutants.”

Charles Drevna opened his testimony by agreeing with Krancer that there is no intention of removing health and safety protection. Drevna continued by saying that market reacts to a stimulus and if the U.S. could display how serious about its energy it is, it could help moderate prices throughout the world. The oil and natural gas sectors pay more than $31 billion in taxes, which makes it the largest taxpayer. Drevna called the U.S. an “energy giant” and all its domestic needs could be met by 2025 without taxpayer money. He said government actions are threatening the future. Drevna recommended “the administration should allow the oil and gas industry to fully develop domestic resources and immediately approve the Keystone XL Pipeline, consider the cumulative impact of regulations before imposing them and eliminate costly, contradictory, or ineffective regulations.”
Peter Glaser opened his testimony by stating coal is not included in the “all-of-the-above” policy. He pointed out EPA’s policies directed towards coal mines, and mentioned MATS rule. Glaser attributed EPA’s policies to the “misplaced conclusion” that these policies are needed to protect the public. He further stated that the EPA’s “anti-coal regulations will actually harm public health and welfare.” Glaser said the reliability of the electric grid is affected by EPA policies. EPA has never produced a study on the effect of their regulations on the grid and ignored recommendations from the Federal Energy Regulatory Commission to do so. Glaser said America must use its competitive advantage, and “coal is one of our competitive strengths.” He argued that coal has more heating value, lower cost, is easier to stockpile, and has been the “bedrock of the American electrical system for a very long time.”

After all witnesses finished their testimony, Issa showed a map of the Keystone XL Pipeline and asked Drevna that if by not having the pipeline, the U.S. would be burning more carbon to deliver oil. Drevna agreed said “the most inefficient way to transport oil is either by rail or by truck.” Issa asked Weiss if producing more natural gas would reduce gas prices at the pump. Weiss said he could not answer that because oil and natural gas are priced differently on the market. Issa asked Krancer if natural gas of Pennsylvania and Ohio is a highly substitutable fuel to which Krancer agreed.

Cummings addressed Weiss about $8000 in savings to drivers due to car efficiency standards and asked him to clear up the time frame for which that was applicable. Weiss said that amount is for the lifetime of the vehicle. Cummings listed statistics from the Energy Information Administration comparing oil production during the Bush Administration to the production during the Obama Administration. Weiss said U.S. is definitely producing more now than under the previous administration.

Mike Kelly (R-PA) asked what advice Krancer would give to federal regulators right now to which Krancer replied, “Back off.” He said the states “are doing a good job regulating hydraulic fracturing, in their states where it takes place.” Kelly mentioned the length of time it takes to acquire a permit and how it is keeping “this country from reaching the energy independence that we’ve been seeking since the early seventies.” Krancer blamed “federal overlay” for causing delay.

John Tierney (D-MA) re-iterated some statistics of increased crude oil and natural gas production and said “this debate or trying to make the President look bad is a little silly.” Tierney pointed out that the Congressional Research Service says in the FY 2013 budget, $39 billion in taxpayer subsidies would go to oil companies. He said subsidies are for emerging technologies, which oil is not. Renewables are only getting a “fraction” of what the “mature, extremely profitable, industry is getting.” Tierney asked Weiss for any public policy rationale behind this. Weiss listed several statistics including the top five oil companies having $60 billion in cash reserves, and said they do not need the tax break that is given to them.

James Lankford (R-OK) said it is a “pet project to try to diminish fossil fuels and traditional energy and go after them.” Lankford addressed Perry and asked what would happen if the U.S. became energy independent. Perry used North Dakota as an example and listed off several statistics that showed the positive economic stimulus. Lankford then asked Sgamma about the status of permits on private and public lands. Sgamma said two large projects have been approved and 20 projects that have been proposed. Lankford asked Sgamma what she estimates the production on federal lands to be in 10 years. Sgamma said she predicts less production in the future. Lankford then asked if anyone on the panel could point out one specific action done by the administration that increased production. Sgamma said she could only see obstacles.

Danny Davis (D-IL) wanted to know how natural gas production has done under the Obama Administration in comparison to the previous administration. In 2008 about 25.6 trillion cubic feet were produced. In 2009 about 26 trillion cubic feet were produced and production has been increasing ever since then reaching 29 trillion cubic feet in 2011. Davis asked Weiss if there are any significant differences in policies in regards to natural gas production between the two administrations. Weiss noted one, the Clean Air Act (42 U.S.C. 7401). He then asked Drevna, who replied production increase has been due to innovation by entrepreneurs on state, private and federal lands. Davis closed by agreeing with Cummings that the President does not get any credit for increases in production.

Blake Farenthold (R-TX) re-stated the time it takes a company to acquire a permit and asked Sgamma how it can be shortened. Sgamma replied, by “just having the government do its job.” Farenthold then told Glaser about a county in Texas that was trying to build a coal-fired power plant, but were told by the EPA they may be in non-compliance even though they were upwind of Houston. Glaser re-stated the rules in place make it difficult to build a coal plant.

Peter Welch (D-VT) asked Krancer if he thought the regulatory oversight is better accomplished at the state level and Krancer agreed. Welch then asked if Glaser acknowledges there is mercury release from coal plants. Glaser said there are “minute amounts.” Welch then asked if the panel agrees that there needs to be some sort of regulation “to look out for air and water quality.” Glaser said reasonable regulation is a good thing. Sgamma agreed but included that new regulation is not well thought out.

Tim Walberg (R-MI) re-visited the inability of coal-fired electric generation plants with the newest technologies to comply with Utility Maximum Achievable Controllable Technology (MACT) rule. Glaser agreed. Walberg said there is a “catch-22 that says commence construction and cease construction.” Glaser agreed and said “projects are effectively being strangled.”
Witness testimonies and a webcast of the hearing can be found on the committee web site.