**Statement of**
**Chris Smith**
**Deputy Assistant Secretary for Oil and Natural Gas**
**Office of Fossil Energy**
**U.S. Department of Energy**

**Before the**

**Subcommittee on Energy and Power**
**Committee on Energy and Commerce**
**U.S. House of Representatives**

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Chairman Whitfield, Ranking Member Rush, and Members of the subcommittee, thank you for the opportunity to discuss the Department of Energy's (DOE) perspective on two legislative proposals — the discussion drafts of the "Strategic Energy Production Act of 2012" and the "Gasoline Regulations Act of 2012."

We share the concern of the Members regarding the burden that the rising price of gasoline places on U.S. families and businesses. For decades, volatile energy prices have threatened economic security for millions of American households. That volatility has hit consumers hard straining budgets for millions of American families.

It is important to remember that the price we pay at the pump is closely tied to the global price of oil. The American people understand that there is no silver bullet for meeting our energy needs and bringing down the price of gasoline in the short-term. In the long-term, though, we can work to protect Americans from the ups and downs of the global market by pursuing a sustained, all-of-the-above approach to American energy. Through the President's all-of-the-above energy strategy, we are working to reduce oil imports, save families and businesses money at the pump, expand the choices available to American consumers, and position the U.S. as the global leader in clean energy alternatives.

As part of this comprehensive energy strategy, the United States is expanding oil production here at home, increasing the efficiency of the vehicles we drive, and investing in advanced technologies that will diversify our transportation sector.

The Obama Administration is committed to expanding the safe and responsible production of America's energy resources, which is one reason why U.S. oil production has increased each year the President has been in office. Domestic oil production is currently at an eight year high, and there are more oil rigs operating now in the United States than in the rest of the world combined.

At the same time, America's dependence on foreign oil has been going down over the last several years: in 2010, imported oil accounted for less than 50 percent of the oil consumed here for the first time in 13 years. Millions of additional acres have been opened over the past three years for oil and gas exploration. As part of the effort to expand responsible domestic production and consistent with the President's direction, the Administration's Proposed Outer Continental Shelf Oil and Gas Leasing Program makes more than 75 percent of undiscovered technically recoverable oil and gas resources estimated in Federal offshore areas available for exploration and development, and in January, the President announced a 38 million acre lease sale in the Gulf of Mexico scheduled for this summer. This sale alone could produce up to one billion additional barrels of oil over the life of the leases.

This increase in domestic oil production brings direct benefits to our economy: it supports jobs, it helps our balance of trade, and it spurs new economic development. But oil exploration alone will not solve our energy challenges. That is why the Administration is working to improve the efficiency of the vehicles we drive. The Administration has announced fuel economy standards that will nearly double the fuel economy of the vehicles we drive in 2025 compared to model year 2010 vehicles. Over the lifetimes of the new vehicles sold through model year 2025, American families are estimated to save approximately $1.7 trillion at the pump, and cut oil consumption by 12 billion barrels. The Administration is also investing in advanced vehicles and fuels, including targeted investments in electric drive and natural gas vehicles, advanced combustion engines, biofuels and fuel blends, and advanced and lighter materials for vehicles that will help reduce the amount of gas American families will need to buy.

The energy story isn't just about oil and transportation. We are also taking steps to ensure the prudent development of our Nation's natural gas resources. Domestic natural gas production is at an all-time high, and the lease sales in the Gulf of Mexico which the President recently announced could add an additional four trillion cubic feet of supply over the life of the leases. The increases in natural gas production primarily feed the domestic market, and, in contrast to gasoline, have resulted in significant reductions in the cost of natural gas in the U.S. over the last few years. This results in savings to most Americans through their electricity bills, even if they do not use natural gas at home. As with transportation, the Department is undertaking important research and development to improve the efficiency of our buildings and industries, the other large segments of domestic energy consumption.

The biggest shift in natural gas production has occurred onshore, where technical advances in shale gas development have dramatically increased our estimates of recoverable natural gas resources here in the United States. We are now sitting on nearly a hundred years of natural gas supply, which will provide American families and businesses with new choices and opportunities. At DOE we are working hand-in-hand with the Environmental Protection Agency (EPA) and the United States Geological Survey to sponsor research to ensure that this American resource is prudently produced in a safe and environmentally sustainable way. Domestic natural gas has potential as an alternative transportation fuel, especially for long-haul trucks, and at DOE we are investing in research into natural gas-powered vehicles to further reduce our dependence on imported oil.

The Department of Energy has serious concerns about the legislation being discussed today. These bills would do little or nothing to address the current situation. In fact, in the case of a severe energy supply disruption, the discussion draft of the "Strategic Energy Production Act of 2012" would complicate use of the Strategic Petroleum Reserve (SPR), potentially reducing its effectiveness in providing strategic and economic security for the Nation. The bill also would require a large investment of resources at DOE and would complicate routine management of the SPR.

The discussion draft of the "Strategic Energy Production Act of 2012" would amend the Energy Policy and Conservation Act of 1975 to require the Secretary of Energy to develop a plan to increase domestic oil and gas production in lands and waters that are under the jurisdictions of the Departments of Agriculture, Interior and Defense within 180 days of a release from the SPR. The plan must account for an increase in the amount of land leased for oil and gas exploration of the same percentage as the drawdown of the SPR, and must be done in consultation with those Departments.

This bill, if enacted, will make it more difficult for the SPR to achieve its mission to respond *promptly* to supply interruptions with emergency crude oil.  Enactment of this legislation may impede the use of the SPR to respond in a timely fashion to local and regional emergencies and encumber the ability of the United States to meet its obligations to the International Energy Agency.  It would also limit DOE's ability to manage the SPR on a day to day basis, in which releases occasionally are necessary for the routine maintenance and operation of the reserve.

Drawdowns of the SPR have been used to mitigate the impacts to the Nation of supply interruptions and the resulting price spikes, which could have been far more severe without emergency supplies from the SPR.  Most recently, the SPR was used to offset the loss of crude oil production from the U.S. Gulf Coast following Hurricane Katrina in 2005, Hurricane Gustav in 2008, and the impact of the Libyan uprising on global oil supplies in 2011.

Drawdowns are already complicated procedures, involving coordination with a variety of local, regional and international entities.  Imposing a requirement to coordinate future increases in leased federal lands as a consequence of releasing crude oil from the SPR will have a negative impact on the decision-making process to employ the SPR, which should be based solely on protecting the U.S. from the consequences of severe supply interruptions, and could lead to an inability to respond quickly to such threats. As the leasing of federal lands is only partly in the control of the U.S. Government, this bill would make releases from the SPR dependent in part on the actions of potential lessees.

This legislation would require an expansion of resources at DOE and other Departments. In order for the Secretary to create the plans required by the legislation, DOE would need to continuously evaluate and monitor the regulations and policies that apply to federal land leasing in each of the other three federal agencies. As the leasing arrangements vary among departments, this could be a burdensome undertaking, and may have the consequence of injecting DOE budget and resource considerations into the SPR release decision-making process.

The discussion draft of the "Gas Regulations Act of 2012" would establish a Transportation Fuels Regulatory Committee composed of representatives from executive branch agencies, and be chaired by the Secretary of Energy. Other participants would be the Department of Transportation; the Department of Commerce; the Department of Labor; the Department of the Treasury; the Energy Information Administration (EIA); the United States International Trade Commission; and the Environmental Protection Agency. The legislation would require the Committee to analyze and report on the cumulative impacts of selected EPA rules and actions on petroleum refineries and transportation fuels that may affect gasoline and diesel fuel prices. A draft analysis would be required within 90 days of the bill's passage, with a 60-day public comment period, and a 60-day response to public comment period. The legislation also specifies that EPA cannot finalize rules on Tier 3 vehicle emission performance standards, certain emission or performance standards applicable to petroleum refineries, or the national ambient air quality standards for ozone for at least six months after the Committee submits the final report. Finally, the EPA would be required to consider feasibility and cost in revising or supplementing the national primary or secondary ambient air quality standards for ozone under section 109 of the Clean Air Act.

This legislation would require a large investment of resources from DOE and the other federal agencies participating on the Committee, and would be exceedingly difficult — if not impossible — to accomplish in the timeframe mandated in the legislation. While the legislation states that the “Committee is not required to create data or to use data that is not readily accessible,” many of the requested analyses would in fact depend on data that does not exist or is not readily accessible. Also the legislation calls for DOE to chair the committee; however, much of the expertise in conducting such analyses of regulatory actions lies outside DOE. Such a review is largely redundant with the interagency consultation process regarding regulatory impact analyses already conducted for each of these regulations. Finally, it is inappropriate to include the Administrator of EIA on such a committee as it risks compromising EIA’s ability to provide statistical analysis independent from the policymaking process.

The Administration shares this Committee’s concern about the burden caused by high gasoline prices, and is working to reduce oil imports, save families and businesses money at the pump, expand the choices available to American consumers, and position the U.S. as the global leader in clean energy alternatives. However, we do not believe that the bills we are discussing today would help achieve the intended purpose. Creating more bureaucratic structures and complicating the government's decision-making processes are not the means of best responding to spikes in gasoline prices and reducing our dependence on imported oil. We remain committed to working with Congress on ways to constructively address our Nation's energy challenges.

Thank you again for having me here today, and I look forward to your questions.