Questions & Answers on Gas Prices and Energy

Q. What has the new Democratic-led Congress done on behalf of consumers who are paying record prices at the pump?

A. To bring much-needed relief from record prices, the New Direction Congress is moving expeditiously on anti-price gouging legislation to protect Americans and businesses from gas profiteers. Democrats will impose a tough new federal law to crack down on those that are cheating America's families and restore free competition into the market.

We are also working to apply U.S. antitrust laws to OPEC oil producers engaged in price manipulation. We don't have to continue to stand by and watch OPEC – which represents 65 percent of the oil traded internationally -- dictate the price of our gasoline without any recourse. It is time to put our antitrust laws to work against the OPEC cartel, like we would against any other international cartel that is fleecing American consumers.

And to ensure that Americans are not vulnerable to price spikes from the whims of the oil cartels overseas, the new Congress is committed to taking action to reduce our dependence on foreign oil. By focusing on rapidly expanding the production of clean, alternative energy and reducing our use of oil, our country can both reduce global warming and make America more energy independent. Already, the House has passed legislation to repeal $14 billion in taxpayer subsidies given to Big Oil companies—earning record profits—and invest in clean alternative energy technologies and energy efficiency. And by July 4th we will have developed a wide-ranging energy independence package to do just that.

Q. The major problem with gas prices is the lack of refining capacity in the U.S. resulting from stringent environmental regulations. Democrats do nothing to address that fundamental problem, do they?

A. Democrats support several initiatives to improve refining capacity to bring down gas prices and provide relief for consumers. For example, Democrats offered a proposal to establish a Strategic Refinery Reserve (SRR) patterned after the Strategic Petroleum Reserve (SPR), to ensure there is new refining capacity that operates at all times and can be increased during emergency supply disruptions.

Further, the Democratic-led Congress is investigating the oil industry and the refining issue. This is needed as internal memos from oil companies make it clear that oil companies decided that they needed to reduce refinery capacity to drive up their profits -- requesting permits for only one new refinery over the last 30 years. In the past 10 years, at least 30 refineries have closed, U.S. refineries are running near capacity all the time, and prices have risen faster than crude oil prices. The average profit margin on refining has climbed 50 percent over last year to $30 per barrel – which was already at historic highs levels. [Business Week, 5/3/07] That is the most they have reaped per barrel since Hurricane Katrina in 2005. The major producers of gasoline in the U.S. earned about $10 billion from their refining operations domestically and abroad in the first quarter, up 50% from a year earlier. [WSJ, 5/18/07]

Q. Why are price gouging provisions needed?

A.. The Federal Trade Commission has pointed out that it cannot punish price-gouging, since it is not illegal under federal law – however, the Bush Administration has said it does not want statutory authority to fight price gouging. [Boston Globe, 9/11/05, CQ Today, 9/7/05]

After Hurricane Katrina, we heard gas station owners complaining that the big oil companies forced them to raise prices. The General Accounting Office found that retail prices had climbed faster than the price of crude oil – going against the historical trend. According to Dr. Don Nichols, economist at the University of Wisconsin Madison, gas prices have risen disproportionately compared to the increase in the price per barrel of oil – affirming that skyrocketing prices of late cannot be solely – or even mostly – attributed to Hurricane Katrina. These measures are urgently needed to deter all those who would seek to profit from this enormous tragedy by price gouging consumers in the price of gasoline.

Q. Isn't the Democratic plan against price gouging just new license to impose price caps?

A. No. Congress got rid of price controls years ago, and we are not going back. Oil and gas companies are making record profits, with consumers paying the price. The Democratic plan simply outlaws price gouging by energy companies when they sell gasoline or petroleum products at a price "unconscionably high." This is simply an effort to promote free and fair competition.

Q. Doesn't the Democrats' energy agenda contain a windfall profits tax on oil and gas companies?

A. No. The windfall profits tax was eliminated in 1986. And while some have suggested restoring this, our agenda does not include it.

Q. Why have Democrats opposed drilling in the Arctic National Wildlife Refuge and all other efforts to increase domestic production of oil when it would help reduce the price at the pump?

A. Opening the Arctic Refuge would have no significant effect on our dependence on foreign oil or the price of gas at the pump. Experts have concluded that opening up the Arctic for drilling would produce a six month supply of oil –10 years from now – nothing that will help consumers today.

Democrats support finding new ways to increase domestic production -- so long as it does not harm our public lands or beaches. We are also committed to reducing our dependence on foreign oil by focusing on rapidly expanding the production of clean, alternative energy, such as biofuels. We know that American ingenuity will be critical to freeing us from our addiction to foreign and bringing down the price at the pump.