

NEED TO KNOW

**AMERICANS FOR
PROSPERITY**
FOUNDATION

HIGH GAS PRICES

America is a resource-rich nation and the third largest producer of oil in the world. In fact, the Congressional Research Service says the United States has the world's largest endowment of recoverable oil, natural gas, and coal (1).

So why is it that the price of gasoline has nearly doubled since January 2009, putting financial strain on American families (2)?

While many factors affect the retail price of gasoline, such as global demand and the debasing of the dollar, the federal government's policy decisions have also fueled this rapid increase in prices. Two specific examples are highlighted here. More can be found by visiting AFPP's "Running on Empty Tour" website (3).

"PERMITORIUM" IN THE GULF OF MEXICO

On April 20, 2010, the Deepwater Horizon oil rig exploded in the Gulf of Mexico, a terrible tragedy that resulted in the loss of 11 lives and the spilling millions of barrels of oil. In response, the Obama administration imposed a moratorium on drilling in the Gulf. Despite a court order invalidating the moratorium, the administration refused to allow production to continue until October 2010.

Even with the official moratorium now lifted, production has yet to recover. The leading cause of the administration's slow handling of new drilling permits, now dubbed the "permitorium," According to a recent study, in the six months since the moratorium was lifted permit approvals have been cut by 86 percent. Those permit applications that have been approved faced a 38 percent longer wait time. An enormous backlog of applications sits pending (4). Fed up with the delays; oil companies are bringing their business elsewhere. Since the Deepwater Horizon accident 10 oil rigs, over one-third of the total fleet, have left the Gulf of Mexico. An additional eight planned rigs have been detoured to other locations.

DECLINING PRODUCTION IN OIL-RICH ALASKA

Regulatory and permitting slowdowns have likewise plagued drilling on Alaska's Northern Slope. As delays mount, oil production has fallen dramatically. Now experts say the Alaska Pipeline, which transports oil from the North to refineries and shipping ports in Southern Alaska, is at risk. With oil coming into the pipeline at less than 30 percent of its peak capacity, experts are concerned that ice crystals could form inside within two years, forcing a shutdown to prevent damage. Per the pipeline's contract, if a shutdown occurs the entire pipeline must be disassembled, costing millions of barrels of domestically-produced oil annually (not to mention the thousands of jobs lost for workers employed by the pipeline).

WHAT'S REALLY GOING ON HERE?

The moratorium in the Gulf, the slowdown in drilling on Alaska's Northern Slope, and the resulting spike in oil prices are desired outcomes from the Obama administration's perspective. Administration officials are on record stating that the goal is to wean Americans off cheap and abundant petroleum-based energy sources (oil, coal and natural

QUICK FACTS

- Since October 2010, regulatory approvals of drilling permits in the Gulf of Mexico have slowed by 86%.
- The price of gasoline has almost doubled since January 2009.

NOTABLE & QUOTABLE

"The actions and policies of President Obama and his Administration to block, prevent, delay, hinder, revoke, tax, and drive up the cost of American-made energy is simply mindboggling."

- **Congressman Doc Hastings**,
Chairman, House Committee
on Natural Resources

gas) and move towards heavy use of “renewable” resources like wind, solar, and biofuels – energy technologies that are not yet economically viable and significantly more expensive to use. Energy Secretary Steven Chu himself said, “Somehow we have to figure out how to boost the price of gasoline to the levels in Europe” (5).

Europe currently pays \$8-\$10 per gallon of gasoline (6).

The effects are easy to predict: when domestic oil is constrained, prices go up, foreign oil imports increase, or both. This devastates the economy. When the cost to fill up a gas tank doubles, that leaves less money for consumers to spend on other things, driving down sales for other businesses. Moreover, gas prices affect the bottom-line of every American business, big and small. As companies’ costs go up, they are forced to hike prices for their products, leading to higher prices for all goods and services consumed by American families.

Environmental concerns are important to consider, but even as the administration aggressively interferes in the nation’s energy markets to pursue a “green” agenda, they seem to be ignoring the effects on American families and businesses – the pain felt by everyone when energy prices skyrocket.

Consumers acting in the free market should decide the future of American energy, not federal bureaucrats. Washington needs to stop stalling production of the nation’s vast oil resources. Credible attempts to accelerate permitting and decrease regulatory red-tape will lead to a significant price drop, easing the pain felt at the pump and putting hard earned dollars back into every American wallet.

The spike in oil prices fits nicely with the Obama administration’s “green” agenda, but they seem to be ignoring the effects on American families and businesses: the pain felt by everyone when energy prices skyrocket.

Endnotes:

1. Gene Whitney & Carl E Behrens, US Fossil Fuel Resources: Terminology, Reporting, and Summary (November 30, 2010) (online at http://epw.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=04212e22-c1b3-41f2-b0ba-0da5eae952).
2. Calculated using historical gas prices (“Weekly U.S. Regular Conventional Retail Gasoline Prices”) on January 19, 2009 (\$1.83/gallon) and April 11, 2014 (\$3.67/gallon). Historical gas prices are available online via the Energy Information Administration (online at http://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_w.htm) (accessed April 11, 2014).
3. Please visit www.runningonemptytour.com to read more.
4. IHS Global Insight & IHS-CERA, Restarting ‘the Engine’ (July 21, 2011) (online at http://www.ihs.com/images/IHS_Report_Restarting_the_Engine_21July11.pdf).
5. Neil King, Jr. and Stephen Power, Times Tough for Energy Overhaul, Wall Street Journal (December 12, 2008) (online at <http://online.wsj.com/article/SB122904040307499791.html>).
6. Europe’s Energy Portal (online at <http://www.energy.eu/>) (accessed August 25, 2011)

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