Opening Statement of Chairman Ron Wyden
Gasoline Price Hearing
7.16.2013

As of today this committee has reported 50 pieces of legislation, half of the total number of bills that have been reported to the floor of the Senate. I would just take note of the fact this doesn't happen by osmosis. This stems from the fact that there has been a lot of cooperation, a lot of good will on this committee. A number of these bills that have come out of this committee will resolve issues that have been pending for literally decades. I am going to recognize Sen. Murkowski for her statement in a moment, but I want to recognize that this would not have happened without her leadership. I'm especially appreciative, Sen. Barrasso as well, note Sen. Baldwin, she's going to enjoy her time on this committee and I just wanted to begin by expressing my thanks to my colleagues on both sides of the aisle.

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Today, the Committee is going to look at the changes taking place in the U.S. petroleum market and their impact not only on the oil industry, but more importantly on the prices that our people pay at the pump.

At the beginning of the Congress, this Committee held its first hearing on the dramatic changes taking place in the U.S. natural gas market due largely to the development of natural gas from shale formations Unlike the immediate benefits that American consumers and businesses have seen from low natural gas prices, at the gasoline pump, it has been pretty much business as usual. While the U.S. economy may be benefiting from declining oil imports, prices at the pump have remained consistently high.

For years, a number of people in the oil industry has told the American people that U.S. gasoline prices are at the mercy of world oil prices. And that was basically the case because of our dependence on imported oil. New oil supplies from America have turned that dynamic on its head. Some regions of the country, like the Midwest, that have access to the lowest priced crude oil have some of the highest refining margins in the nation. This Committee is going to explore why so many consumers have not benefitted from these new lower cost sources of crude oil.

In addition to the changing natural gas market, our country is going through a dramatic shift in oil and gasoline production. Instead of relying on more and more imports, the U.S. oil industry is now increasingly focused, in the Energy Information Administration's (EIA's) words, on absorbing the significant increases in U.S. oil production, including through export of both crude oil and petroleum products. Whether it's oil from the Permian Basin in Texas or the Bakken Formation in North Dakota, there are new supplies of oil that were simply not part of the energy equation five years ago.

Since 2007, when Congress passed the last major energy bill, our country has gone from importing upwards of 60% of its crude oil, to now importing roughly 40%. That is the lowest percentage since 1991. (The largest source of those imports –28% --is now Canada.) According to the Energy Information Administration that trend is going to continue. The Energy Information Administration is projecting that the U.S. will increase crude oil production from a low in 2008 of 5 million barrels a day to 8.2 million barrels a day by the end of next year – a 64% increase.

Another trend that EIA says is going to continue is the decline in expected U.S. gasoline demand as cars and trucks become more efficient due to higher vehicle mileage standards. Ethanol use, required by the Renewable Fuel Standard (or "RFS") is also displacing about 10% of the gasoline in every gallon sold in the U.S. The RFS mandate will require even higher blends, if left unchanged, further diminishing the demand for oil.

The U.S. has also gone from being a net importer of petroleum products to a net exporter of petroleum products for the first time since 1949. U.S. refiners are now exporting over 2.8 million barrels of gasoline and diesel fuel and other petroleum products a day, thanks in part to access to new, cheaper crude oil supplies and abundant, low-cost natural gas to fuel their refineries.

The U.S. refining industry clearly has a major competitive advantage over other overseas suppliers especially to markets in North, South, and Central America. But, many of our people want to know why prices here are so high here at home when there is so much extra gas and diesel fuel that it can actually be exported. Our people want to know why the flood of new domestic crude oil isn't lowering prices at the pump. Instead, refiners in the middle of country with the greatest access to the cheapest crudes have had the highest margins with the difference between the cost of the oil they buy and the gasoline and diesel fuel they sell often exceeding $40 or $50 dollars a barrel. In many cases, these refining margins are at record or near-record levels – some over a $1 a gallon. What's been good for refiners hasn't necessarily been so good for consumers.

Another important development in the U.S. oil and gas industry are the structural changes that have taken place.   The largest refiner in the U.S. is no longer a major integrated oil company – it's an independent refiner -- Valero – who will be testifying here this morning. Refiners often don't own their own distribution terminals. Oil companies no longer own their own service stations. The number of oil refineries in the country has also declined although total refining capacity is up, making the country more dependent on a smaller number of larger, more complex refineries. An outage at one of these refineries – whether planned or accidental – is now a major factor in the price at the pump.   Last October, a minor electric power outage at a major refinery in California raised wholesale gasoline prices over 80 cents a gallon in a matter of hours. In the upper Midwest last month, prices shot up almost a substantial amount in a week as a result of refinery outages.

I want to thank Sen. Franken for highlighting this issue and for his work with me to strengthen our ability to track refinery outages and reduce their impact on prices to consumers. I want to highlight again this has been a bipartisan concern. Sen. Hoeven has been a sponsor of legislation that involves both Sen. Klobuchar and Sen. Franken. Sen. Donnelly, has also done good work on this. They're all from the Midwest and they're all seeking to work on an important issue in a bipartisan way.

Today's hearing begins the Committee's examination of all of these changes in the oil industry and what they mean for consumers.   Oil supply is up, demand is down, but prices at the pump are stubbornly high and sometimes are as volatile as the gasoline itself. Some refiners have enjoyed record margins, but there's been a lot less joy for consumers at the pump.

Our witnesses today represent a cross-section of the market. They include a producer, a refiner, representatives of marketers and consumers, and two independent industry analysts who don't have an official dog in the fight – one from the government and one from the private sector.