UNITED STATES SENATE COMMITTEE ON

ENERGY AND NATURAL RESOURCES

SENATOR LISA MURKOWSKI, *Chairman*

Opening Statement
Oversight Hearing on Global Oil Prices
Chairman Lisa Murkowski
July 24, 2018

Good morning, everyone. The committee will come to order.

We're here this morning for a couple reasons. If and hopefully when a quorum is present, we will proceed with a business meeting to report four nominees for the Department of Energy. Recognizing that we do not yet have 12 members present, I will go ahead with agenda item two: our hearing to examine the factors affecting global oil prices.

This year has been marked by greater volatility, which has shown up in the prices being paid at the pump by nearly every American family and business. Prices are notably higher than a year ago, so the questions we're here to ask include: why is that? Will it remain this way? And, what, if anything, can we do about that – of course that's what everybody really wants to know, where are we going with this?

When I look at the global markets, I see a number of factors that are pushing oil prices up, but also a few significant factors that are restraining them.

On one hand, global oil prices are the direct result of strong economic growth. In some ways, this is almost a trade-off. Prices were a lot lower when our economy was a lot weaker, but I don't think any of us would trade our remarkable pace of job creation and low unemployment to go back to those days.

Another factor leading to higher prices is that global oil demand is rising, not falling. This is Economics 101. And the driver on this front is not the U.S., but much of the rest of the world, led by emerging economies such as China and India.

At the same time, we're dealing with the fallout from OPEC's strategy of artificially restricting supply from its members. There is no question that has reduced inventories and pushed prices higher. We're also seeing the effects of supply disruptions across the globe, from Libya to Venezuela to Canada.

On the other side of the ledger, there's somewhat of a silver lining. Prices are higher, but it is not as bad as it could have been. And that's largely because of significant increases in U.S. production.

America's shale revolution has brought tremendous benefits to our country and the global economy. As we produce more, we are creating jobs, generating revenues, and bringing a degree of stability and confidence to global markets. We've also made smart policy decisions, like lifting the ban on U.S. crude oil exports that are allowing us to become a major power on the global stage.

It's complicated enough to understand where we are today – but again, I think most folks are interested in figuring out what really lies headed.

Will markets loosen up, as production in the U.S. and countries like Saudi Arabia continues to rise?

Are we accounting for strong growth in global demand?

Where are the geopolitical hotspots, where substantial supply could disappear from the market at a moment's notice?

And then we've got the wildcards that are out there:

What will happen if we fail to build needed infrastructure in the U.S., to ensure that energy can be transported from where it is produced to where it is consumed?

What will happen if the U.S. releases oil from the Strategic Petroleum Reserve, not in response to an emergency, but to manage tight market conditions?

What will tariffs mean for the viability of domestic energy projects, and our ability to access markets in countries like China?

What will happen as global spare capacity shrinks, and we no longer have a cushion of production that can be brought online quickly?

What are the looming impacts of regulations like the International Maritime Organization's low-sulfur diesel standards?

And then, front and center in the news right now, what will happen with Iran?

I believe our best course is to continue with our efforts to produce more oil here at home – particularly in places like Alaska, where we have the will and capacity to do so. That's why I believe it was the right move to begin to open the Coastal Plain of ANWR to responsible development, and why I support the new Five Year Program for Offshore Development. I think there's no substitute for U.S. production, for as long as we need it, even as we seek to diversify away from oil.

Here to help us understand all of this is a truly distinguished panel of witnesses from as far away as the International Energy Agency in Paris. We have one witness – Mr. McNally – who literally wrote the book on crude volatility. We have another – Mr. Bordoff – who has come full circle since he testified here in 2016 about the impacts of low oil prices. We also welcome Mr. Auers and Mr. Braziel, who will share their perspectives on the North American market.

Senator Cantwell?

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