

## **Chairman Senator Joe Manchin's Opening Statement**

**Thursday, November 16, 2021**

### **Full Committee Hearing On**

### **Domestic And International Energy Price Trends**

- Now I'll turn to hearing that bring us together today.
- The topic of this hearing is very timely with the rising energy prices that we're seeing right now across the country and around the globe.
- Prices are rapidly rising across gasoline, diesel, heating oil, natural gas, electricity and even coal.
- This is in stark contrast to prices that bottomed out during the pandemic as economies around the globe slowed.
- But, now as our economies are rebounding, we're seeing soaring gasoline prices and heating bills are expected to go up 10, 20, 30 or even 40% in the coming months according to the Energy Information Administration's winter outlook.
- This is impacting all of our constituents.
- In fact, the consumer price index for energy has increased by 30% over the last 12 months.
- Affordable, reliable, and dependable energy is part of what made us a superpower, and it's critical that we maintain that and keep these prices under control.
- Internationally, the worst crunch is in Europe and Asia.

- This fall, we've seen the demand for natural gas, coal and crude oil surge across global markets leading to high electricity prices in Europe and Asia.
- This has led to curbs on electricity use in China, protests in Spain, and bankruptcies of some small power companies and shuttering of power-intensive factories in the U.K.
- In China, it's been recently reported that coal production was rapidly expanded in an attempt to meet electricity needs, with a new slogan of "guarantee the supply".
- The energy supply crunch and high prices are of concern since global economies are increasingly dependent on our U.S. supplies, primarily natural gas, and we're not as insulated from global prices as we once were.
- We've seen our natural gas prices increase to over \$5 per million British Thermal Units (BTUs) – their highest level in seven years. That's a fraction of what they're paying in Europe but it's still a big increase for us.
- I understand that there are a number of factors contributing to the situation, but a primary cause is the demand generated from a rapidly recovering economy is outpacing primary energy production, especially with respect to natural gas.
- I hope we will have ample discussion on how long can we expect this imbalance to last and what policies are key to ensuring we do not see energy prices as high as Europe and Asia.
- The recent price trends show how global energy markets are becoming increasingly interconnected, correlating domestic prices with global demand to a higher degree than we've seen in the past.

- Fuels for dispatchable power in Europe and Asia have been in high demand, resulting in record exports of U.S. coal and natural gas.
- In particular, high natural gas prices of over \$30 per million BTU in Europe have made it a lucrative market for U.S. producers.
- Our LNG exports in October increased to about 9.8 billion cubic feet per day – about 9 percent of domestic production – and it's expected that exports are set to increase further this winter.
- U.S. coal exports to serve Asian markets, and in particular China, have followed a similar trend.
- U.S. coal exports in the 2<sup>nd</sup> quarter of this year jumped to 20.6 million tons, a more than 50% increase from the same timeframe last year.
- These record numbers are positive for American producers and for our economy but come with negative implication for the global climate and for consumers paying higher prices to stay warm this winter.
- Another huge concern is the 60% increase from last year that American consumers are paying at the pump for gasoline.
- Crude oil prices, which are the main driver of gasoline prices, have rebounded significantly following their collapse in the midst of the pandemic from negative \$36 per barrel in April of last year to over \$80.
- Oil producers ramped down their operations following the collapse in oil prices and production levels still aren't matching rebounding demand.

- Domestic refiners continue to be dependent on imported heavy crude oil, keeping our prices linked to organizations like OPEC who don't always have our best interest in mind.
- This raises reliability and geopolitical concerns and underscores the need for pipelines that can bring crude oil and related products to our domestic refiners from our allies like Canada.
- In closing, I think this Committee has responsibility to tackle these complex issues that will inform the solutions we produce to promote energy security and independence, ensure energy affordability and reliability for customers, while also achieving our decarbonization goals.
- I look forward to hearing from each of you on the outlook for energy markets and prices which we will use to inform our policy decisions going forward. And with that, I'll turn it over to Senator Barrasso for his opening statement.