



September 11, 2012

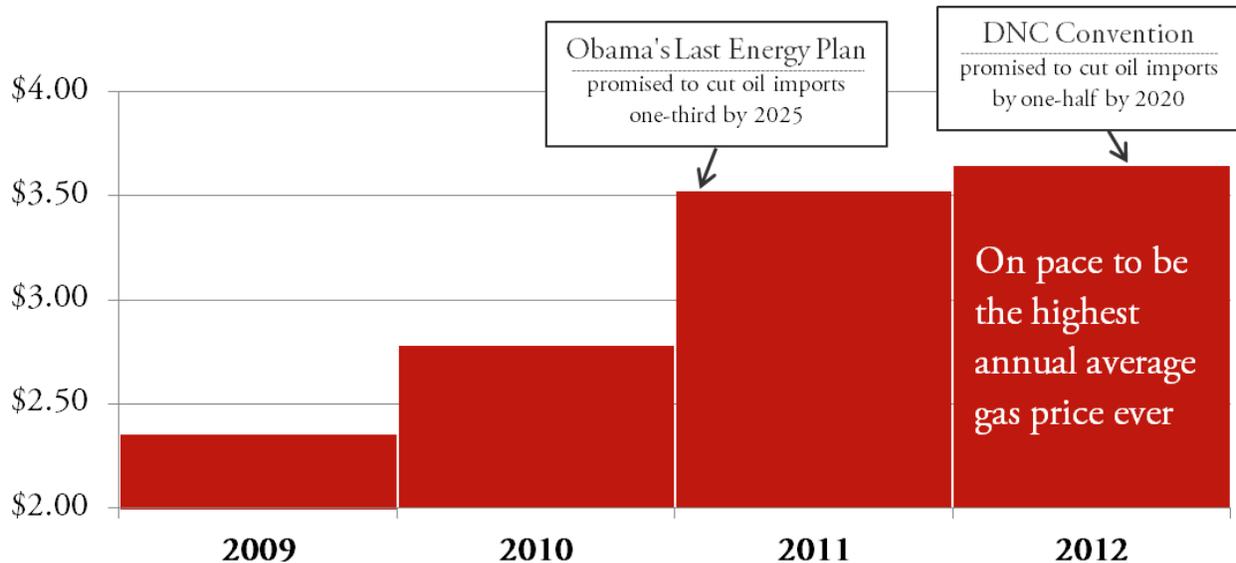
## Gas Prices Rise, Obama Recycles Political Tricks

An estimated 33 million Americans traveled over Labor Day weekend, including 28.2 million by car who paid the highest gas prices [ever](#) during this holiday. On Labor Day, one gallon of regular gasoline averaged \$3.80, a full 12 cents higher than the previous holiday record. Over August, drivers suffered through a 31 cent [surge](#) in the pain at the pump to \$3.83 per gallon, capping off a period in which gas prices increased [54](#) out of 60 days. From August to September, Americans endured three weeks of new [record](#) gas prices each day. Under President Obama's policies, we are on pace to establish 2012 as the year with the highest annual average gas price ever. While gas prices should decline as the summer driving and hurricane seasons end, they stubbornly [persist](#) above \$3.80. AAA [expects](#) gasoline to remain at or near record highs for this time of year through the end of 2012.

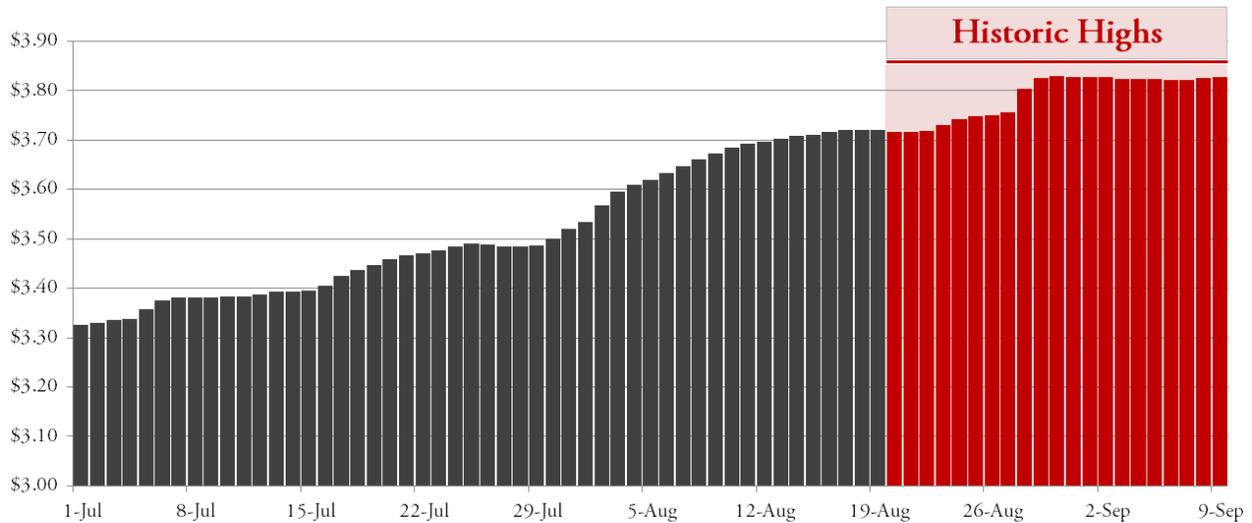
"I think that I would have preferred a gradual adjustment."

– [President Obama](#), June 10, 2008

Annual Average Gas Prices Under Obama



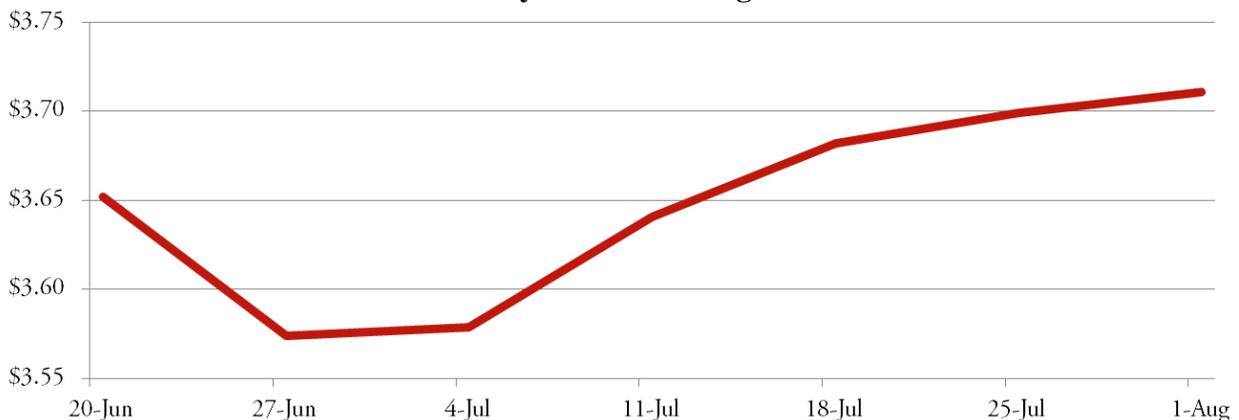
### Three Straight Weeks of Daily Record Gas Prices



### “Dusting Off Old Plans” for SPR Release

In response to rising gas prices, President Obama is “dusting off old plans” to [release](#) oil from the Strategic Petroleum Reserve (SPR) -- a pool created for use only in emergencies to safeguard the U.S. economy and national security against severe supply disruptions. The Senate Republican Policy Committee [found](#) earlier this year that this purely political move would cause more harm than good. Officials in Japan, South Korea, and France dismiss the need for an emergency oil release because global markets are sufficiently supplied. The executive director of the International Energy Agency agrees, though her organization [reportedly](#) dropped opposition to a release in response to heavy U.S. political pressure, not an emergency oil supply disruption.

### Gas Prices Actually Rose Following 2011 SPR Sale



Source: EIA

Do not be surprised if President Obama releases SPR oil sometime in September, raiding America’s rainy-day fund to appear like he is actually doing something -- and to distract from his policies that do absolutely nothing -- about rising gas prices. When faced with voter anger over similar prices in 2011, President Obama sold more than 30 million barrels of oil from the SPR.

Another political drawdown of 30 million barrels could cost American taxpayers \$1.5 billion, further reduce our government's ability to respond if we need our emergency supplies, and do nothing to lessen Americans' pain at the pump. President Obama is considering deploying even larger volumes of SPR oil in a coordinated release with other countries of a [mind-blowing](#) 180 million barrels of oil -- three times as much as last year's coordinated release. The SPR is for unanticipated emergencies and supply disruptions, not political [disasters](#).

## Higher Gas Prices Are Predictable and Avoidable

It is normal for pump prices to rise during the summer because people drive more and refiners are required to make more expensive gasoline blends to comply with clean air rules. But a [confluence](#) of events over the last few weeks is applying further upward pressure on gas prices:

- Unexpected refinery shutdowns in Illinois, Indiana, and California due to equipment problems and a fire;
- Ruptured pipelines serving Wisconsin and Illinois;
- Curbed flow of Iranian oil as Western sanctions began taking effect;
- Ongoing Iranian threats to deny safe passage of oil tankers through the Strait of Hormuz;
- Possibility that Syrian violence could ignite a wider conflict in the Middle East;
- Oil production outages in South Sudan and the North Sea, and an explosion that crippled petroleum production at the world's second largest refinery in Venezuela;
- Rising prices for [ethanol](#), a statutorily required ingredient of gasoline, due to severe drought in the Midwest;
- National Oceanic and Atmospheric Administration warnings that this hurricane season could be especially active, generating uncertainty about near-term Gulf of Mexico oil production.

We cannot control unforeseen equipment failures, volatile geopolitical tensions, or unanticipated weather events. But policymakers can implement policies that help insulate us from such threats, such as increasing domestic oil production, approving the Keystone XL pipeline, and enacting reasonable regulations that will not be overly burdensome for refineries.

- The less the U.S. depends on Middle East oil, the less exposed we will be to conflict in places like Iran and Syria, and to production outages in other parts of the world.
- The less refinery capacity we lose to needless regulation, the less exposed we will be when unexpected equipment problems temporarily take refinery capacity offline.
- The more pipelines we approve and build, the better our capacity will be to move fuel to parts of the country that need it.
- The more access we have to American oil resources and American refining capacity, the more stable and affordable gas prices are likely to be.

## Failing to Lead on Energy

For almost four years, President Obama and Senate Democrats have had ample opportunity to work with Republicans to pursue American energy independence from the Middle East and

create a regulatory environment in which American refiners can survive. At every turn they have pushed policies that at best will do *nothing* to lower gas prices, and at worst *exacerbate* them:

- **Raising [taxes](#) on oil and gas producers** -- The Congressional Research Service [found](#) higher taxes would increase gas prices and “likely increase foreign dependence”;
- **Blocking construction of the Keystone XL pipeline** -- President Obama rejected the pipeline in January and actively lobbied against it in March before misleadingly trying to take credit for expediting the construction of its Oklahoma to Gulf Coast portion, though he had no actual approval or disapproval authority over it;
- **Re-activating an old task force to study speculation** -- At least five studies since 2009 by independent government agencies like the Commodity Futures Trading Commission and Federal Reserve have found that supply and demand factors, not speculation, drive oil prices;
- **Prohibiting access to America’s [onshore](#) and [offshore](#) energy resources** -- The moratorium caused oil exploration on the federal lands President Obama controls to [plummet](#) by 14 percent from 2010 to 2011. When President George W. Bush and Speaker Nancy Pelosi [lifted](#) moratoriums on domestic oil and gas drilling in 2008, the price of crude oil dropped;
- **Increasing regulations on refiners and their petroleum products** -- The Obama Administration’s contemplated “Tier 3” rule alone could [increase](#) the cost of manufacturing gasoline by nine cents per gallon. Ramped-up environmental compliance costs already are [leading to](#) refinery closures, reduced gasoline manufacturing, and higher prices at the pump. When the imminent closure of a refinery in Philadelphia recently threatened to send gasoline prices higher before the November election, the White House went to great lengths to [persuade](#) a private equity firm to orchestrate a buy-out, even agreeing to loosen certain environmental restrictions to make the refinery viable as a business proposition. Ironically, this deal stands as a tacit admission by President Obama that overregulation *can* destroy businesses, and that private equity, not the government, can save them;
- **Gambling billions of taxpayer dollars on “[green](#)” energy bets** -- The projects have virtually [nothing](#) to do with the price of gasoline and have brought us some spectacular failures, like the \$535 million taxpayers lost to solar company Solyndra;
- **Imposing new fuel economy requirements on cars** -- The cost of new emissions equipment could more than [wipe out](#) any fuel savings, *even with gasoline selling at \$6 per gallon.*

Pursuing American energy independence from Middle East oil and enacting smart regulations that enable American refiners to stay in business are two commonsense ways policymakers can mitigate the risk of harmful gas price spikes before challenges to oil supplies or refinery capacity occur. These policies can also create millions of jobs and billions of dollars in economic activity across the United States. President Obama and Senate Democrats should stop restricting domestic oil production, over-regulating refiners, rejecting the Keystone XL pipeline, and pushing other policies that leave Americans unnecessarily vulnerable to unforeseen developments, like Middle East volatility or hurricanes. Instead, they should join Republicans in creating policies that lower gas prices, streamline refinery regulations, help restore our economy, and put Americans back to work.