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Obama Intentionally Distorts Facts on Gas Prices

Misleads the American People in Speech After Speech

President Obama continues to talk about his energy "blueprint." The following is an analysis of how his statements don't match up with the reality of his policies.

- **Claim #1**: America only has 2 percent of the world's oil reserves. Truth is proven and undiscovered oil resources total seven times that amount.
- **Claim #2**: An "all-of-the-above" energy strategy. Truth is the president's policies are hostile to low-cost domestic fuels, particularly gasoline and other products from oil.
- **Claim #3**: Using less gasoline will lower prices. Truth is the president ignores supply.
- **Claim #4**: The president takes credit for less U.S. dependence on imported oil. Truth is a large portion of less imported oil is the economic downturn.
- **Claim #5**: The president claims increasing oil supply is key part of his energy strategy. Truth is total U.S. oil production has decreased by 130,000 barrels per day.
- **Claim #6**: The president claims to be producing more oil than any time in the last eight years. Truth is production has increased in spite of the president. According to his own BLM director, production on federal lands has decreased 14 percent on federal onshore lands and 17 percent on federal offshore lands.
- **Claim #7**: The president claims to have increased the number of oil rigs in the U.S. Truth is the number of oil rigs are a result of policies prior to the president taking office.
- **Claim #8**: The president claims to have opened up more land for oil production. Truth is the amount of land open is now less than when the president took office.
- **Claim #9**: The president claims a high number of new exploration permits in the Gulf of Mexico. Truth is the president double-counts these new permits.
- **Claim #10**: The president claims to approve new oil pipelines. Truth is the president is the one who blocked the Keystone XL pipeline, and lobbied against it.
- **Claim #11**: The president blames speculation for oil prices. Truth is no federal study has found speculation as a contributing factor and the president's own task force has not issued a report.
- **Claim #12**: The president claims new regulations on cars will reduce gasoline costs. Truth is that the new regulations will cost consumers even more for new cars at the point of purchase.
- **Claim #13**: The president wants to increase taxes on U.S. energy producers. Truth is the proposed tax increases will increase the cost of gasoline for U.S. consumers.

<u>Claim #1</u>: "As a country that has two percent of the world's oil reserves, but uses 20 percent of the world's oil -- I'm going to repeat that -- we've got two percent of the world oil reserves; we use 20 percent. What that means is, as much as we're doing to increase oil production, we're not going to be able to just drill our way out of the problem of high gas prices. Anybody who tells you otherwise either doesn't know what they're talking about or they aren't telling you the truth."

MISLEADING

- President Obama intentionally misrepresents America's energy potential when claiming we only have two percent of the world's oil reserves.
- Proven **reserves** is just one category for quantifying oil. It only includes oil that has already been proven to exist through exploration. It does not include America's undiscovered oil resource potential.
- Undiscovered **resources** is another category for quantifying oil. It provides a much truer estimate of America's oil potential. It includes oil projected to be available for future use (by examining geologic characteristics in unexplored areas) but not yet proven to exist through exploration.
- A 2011 Congressional Research Service report concludes the U.S. has 22.3 billion barrels of proven oil reserves and 140 billion barrels of undiscovered oil resources.
- When combined, the sum of America's proven oil reserves and undiscovered oil resources totals more than *seven times* as much energy resource potential as President Obama leads the American people to believe.
- This does not even include an estimated **1.38 trillion** barrels of unconventional oil shale resources that may become economically available in the future as technology progresses.
- If our shale gas resources are included, the United States has the most technically recoverable oil and natural gas resources in the world, more than Saudi Arabia.
- President Obama should stop intentionally misleading the American people that we do not possess enough oil to move global crude markets.
- He should tell the truth -- that America's oil potential, if realized, could substantially increase global supply, drive down gas prices, and expedite energy independence from the Middle East, Venezuela, and other unstable regions of the world.
- President Obama should lift his moratorium and "permitorium" on domestic oil exploration so energy producers can finally *prove* what the federal government and analysts already know -- that the U.S. has substantially more than two percent of the world's oil potential.

<u>Claim #2</u>: "Here is the truth. If we are going to control our energy future, then we've got to have an all-of-the-above strategy. We've got to develop every source of American energy -- not just oil and gas, but wind power and solar power, nuclear power, biofuels."

MISLEADING

- President Obama's "all-of-the-above" strategy to develop every domestic energy resource in actuality *excludes* America's abundant oil supplies.

- The president's statements, and those of his administration, are consistently hostile to future use of low-cost domestic fuels, particularly gasoline and other petroleum products derived from oil.
- Even *within* this very speech, President Obama contradicts his call for an all-of-the-above energy strategy by spearheading a frontal assault on oil:
  - He declares Americans must make a "choice" between oil and his vision of a "new energy future."
  - He proclaims: "And we should put every member of Congress on record: They can stand up for the oil companies or they can stand up for the American people and this new energy future … That's the choice we face. That's what's at stake right now."
  - He emphasizes that the "only solution" to America's energy challenge is to phase-out oil-based products: "We need to invest in the technology that will help us use less oil in our cars and our trucks, in our buildings, in our factories. That's the only solution to the challenge."
- The President's policies serve as further evidence that his energy strategy does not include oil:
  - He substantially restricts domestic oil exploration;
  - He constantly discourages consumption of oil-based products;
  - He aggressively subsidizes, incentivizes, and even *mandates* the production and consumption of less reliable, more expensive, alternative fuels.
- In fact, President Obama is implementing a some-of-the-above, not an all-of-the-above, energy strategy that specifically excludes America's abundant, reliable supply of oil.
- President Obama's administration – in collaboration with wealthy, elite campaign donors, some suggest – is picking winners and losers in the energy economy, irrespective of the costs to American consumers and taxpayers.
- In 2011, despite taxpayer and regulatory subsidies, alternative fuels accounted for just 5.7 percent of total energy consumption by light-duty vehicles. Wind and solar have very little to do with the price of gasoline, nor is there any significant overlap in transportation fuel since there are so few electric or hybrid vehicles in use. It is misleading to confuse electricity generation through wind and solar with oil production, which provides fuels for the vast majority of the transportation sector.

Claim #3: "Because as we start using less, that lowers the demand, prices come down. It's pretty straightforward. That's the only solution to this challenge."

MISLEADING

- President Obama's analysis that using less oil lowers demand for oil which drives down oil prices is not as straightforward as he wants us to believe.
- There are numerous factors that contribute to the price of oil. In addition to demand, supply and geopolitical events have an effect on the global price of oil.
- The continued expansion of domestic crude oil development is vital for mitigating the impact of volatile global oil costs. Expanding North American sources of crude, such as new supply from Bakken and Keystone, is critical to protecting consumers against volatile global crude markets.

<u>Claim #4</u>: "And that's the strategy that we've now been pursuing for the last three years. And I'm proud to say we've made progress. Since I took office, America's dependence on foreign oil has gone down every single year. In fact, in 2010, it went under 50 percent for the first time in 13 years."

MISLEADING

- U.S. dependence on foreign oil has been declining since 2005, the beginning of President George W. Bush's second term and four years *before* President Obama took control of the White House.
- According to the Energy Information Administration (EIA), the "downward trend in consumption started two years before the 2008 crisis and reflects factors such as changes in efficiency and consumer behavior as well as patterns of economic growth." EIA attributes the decline in imports of foreign imports in part to the "downturn in the underlying economy after the financial crisis of 2008."
- Importantly, while the U.S. has reduced oil imports by 10 percent in the past year, its oil imports from OPEC countries have remained fairly constant during the same period.
- Additionally, U.S. domestic oil production has been decreasing since 2010.

<u>Claim #5</u>: "You wouldn't know it from listening to some of these folks out here -- some of these folks -- but a key part of our energy strategy has been to increase safe, responsible oil production here at home."

FALSE

- President Obama's policies limit the production of domestic oil, keeping supplies tight -- and sustaining high gas prices -- in order to push Americans into alternative energy sources.
- Senator Landrieu held the administration's feet to the fire on their restrictive policies regarding domestic oil production, telling Interior Secretary Salazar at a recent hearing:
  - "When you speak you get people thinking that we're drilling everywhere, onshore and offshore, and the facts are not – don't justify that."
  - "You know that 98% of our offshore is limited to drilling, we can't even explore there. We're talking about what we're drilling within that two percent."
- President Obama's mineral leasing policies substantially restrict energy development on federal onshore and offshore lands, effectively excluding American oil resources. In fact, oil production decreased by 130,000 barrels per day in the U.S., and by 340,000 barrels per day in offshore areas alone, from 2010 to 2012.
  - The president's proposed offshore oil and gas leasing plan for 2012 to 2017 eliminates 50 percent of lease sales provided for in the previous plan, opens less than three percent of offshore areas to energy production, and imposes a moratorium on developing energy from 14 billion barrels of oil and 55 trillion cubic feet of natural gas in the Atlantic and Pacific oceans.
  - The president's six-month moratorium and continuing "permitorium" on offshore energy exploration in the Gulf of Mexico will lead to a 19 percent decrease in production in 2012 compared to 2010, according to the Energy Department. More than 85 percent of all offshore areas remain off limits, restricting

development of new energy resources that could lower gas prices and strengthen our energy security.
    - The president's onshore oil and gas leasing program significantly lowers the number of wells on federal lands, demonstrating the Obama Administration's unwillingness to fight high gas prices by introducing new supply.
- The federal government currently leases less than 2.2 percent of federal offshore areas and less than six percent of federal onshore areas for oil and natural gas production.
- In February, President Obama's administration announced plans to close off 75 percent of Western oil shale to development. Seventy percent of that total is on federal land.
- Onshore oil production in six Western states in 2010 saw private land production outpace federal land production by over 230 percent; the highest such ratio in recent history.
- One analyst estimates: "the president's policy of choking off oil production under federal leases will prevent another 1 million barrels of oil per day this year, and even more next year."

Claim #6: "Under my administration, America is producing more oil today than any time in the last eight years."

MISLEADING
- Domestic oil production is higher *in spite of*, not because of, President Obama.
- Increases in domestic oil production have taken place on state and private lands, not federal lands, where production is decreasing. For example, over the past decade, North Dakota oil production has increased by over 250 percent, while federal oil and natural gas production has fallen over 40 percent.
- Domestic oil production in Alaska and the Gulf of Mexico both have decreased by 15 percent since the president took office.
- At a hearing yesterday, the director of the Bureau of Land Management himself confirmed that oil production was down 14 percent from federal lands and 17 percent from federal offshore leases.
- It can take several years for a lease issuance to translate into oil production, so the groundwork for the current oil production gains was largely established at the end of previous administration.

Claim #7: "Under my administration, we've quadrupled the number of operating oil rigs to a record high. We've got more oil rigs operating now than we've ever seen."

MISLEADING
- The oil rig count in the U.S. was 1,293 at the beginning of March, the highest number in 25 years. But again, President Obama's policies are not responsible because production increases have taken place on state and private, not federal, lands – and are largely the result of policies enacted in his predecessor's administration.
- Offshore oil rigs in the U.S. have actually declined from 125 a year ago to 115 today.
- One analysis rated a similar statement by President Obama "Half True" after finding evidence that "undercuts the literal accuracy of his claims." In particular, Obama claims the number of oil rigs is at a record high. "That's true if Obama starts the clock at 1987, but it's possible that 1981 may have been the record," according to industry experts.

<u>Claim #8</u>: "We've opened up millions of new acres for oil and gas exploration."

MISLEADING

<u>Onshore</u>

- In fiscal years 2009, 2010, and 2011, President Obama leased 5,283,441 million *new* acres of onshore public lands.
- However, during this period the *total* number of acres of leased onshore public lands decreased from 45,364,991 acres to 38,463,410 acres.
- Even with the more than 5 million *new* acres his administration leased during his first three fiscal years in office, President Obama has presided over a 15 percent, or 6,901,581 acre, *reduction* in total leased onshore public land.
- Similarly, the total number of leases governing onshore public land oil and gas production in effect during this period fell by 8 percent, from 53,431 to 49,173, including the 5,566 *new* leases entered into by the Obama administration.
- The Bureau of Land Management (BLM) administers 248 million acres of the total 640 million acres owned by the federal government. In his first three years in office, President Obama only leased an additional 2 percent – and currently leases a total of 16 percent – of BLM lands.

<u>Offshore</u>

- Only 33 percent of the 131 million federal offshore acres available under the current five-year Outer Continental Shelf (OCS) leasing program, and only about 3.5 percent of the total 1.7 billion acres in the OCS, are available for oil and gas exploration and development.
- Only 2 percent of the OCS would be available for oil and gas exploration under the President's proposed 2012 – 2017 five-year offshore leasing plan.

<u>Claim #9</u>: "We've approved more than 400 drilling permits that follow new safety standards after we had that mess down in the Gulf."

MISLEADING

- President Obama's administration has approved a total of 185 *new* shallow- and deep-water permits since the implementation of new safety and environmental standards on June 8, 2010. A "new" well involves an operator drilling a new wellbore hole in the seafloor to a geologic target.
- When President Obama claims his administration has approved over 400 drilling permits, he intentionally misleads the American people by counting not just new well permits but well permits granted in five additional categories in connection with *already existing* wells.

<u>Claim #10</u>: "We're approving dozens of new pipelines. We just announced that we'll do whatever we can to speed up construction of a pipeline in Oklahoma that's going to relieve a bottleneck and get more oil to the Gulf -- to the refineries down there -- and that's going to help create jobs, encourage more production. So these are the facts on oil production. If somebody tells you we're not producing enough oil, they just don't know the facts."

MISLEADING

- President Obama audaciously tries to take credit for helping to expedite construction of a portion of the very oil pipeline between Oklahoma and Gulf Coast refineries – the Keystone XL pipeline – that he rejected in January and actively lobbied against last week just *one day* after making this statement.
- By denying a permit to build the full Keystone XL pipeline from Canada to the Gulf Coast, President Obama actually created the circumstances for only a portion of the pipeline to be constructed. Since this portion does not cross an international border, President Obama has no actual authority to approve or disapprove the pipeline. Thus, he is free to offer empty, oratorical support without having to make any real decisions or be accountable for any real action.
- When President Obama rejected the Keystone XL pipeline, he refused more than 700,000 barrels per day in additional Canadian crude oil which is insulated from potential supply disruptions threatened by geopolitical turmoil in the Middle East and the impulses of OPEC countries like Iran, Libya, and Venezuela.

Claim #11: "And so people have gotten uncertain. And when uncertainty increases, then sometimes you see speculation on Wall Street that drives up gas prices even more."

FALSE

- The federal government, state governments, and independent analysts have repeatedly concluded that oil speculators are not responsible for high gas prices.
- The Federal Trade Commission last year said it investigated complaints of market manipulation and "determined that none of the complaints involved conduct that violated" FTC rules.
- The Commodity Futures Trading Commission similarly stated their preliminary analysis "does not support the proposition that speculative activity has systematically driven changes in oil prices."
- According to The Economist, "if rising prices are being driven by speculators you should see a rise in oil inventories – exactly the opposite of what has happened."
- President Obama created his Oil and Gas Price Fraud Working Group last April to investigate possible speculation in the oil markets. He recently ordered it to get back to work even though his administration insists it never stopped investigating. One report found that the working group's investigation had gone dormant after it failed to prove that oil speculation drove up gas prices in 2011. In fact, it only met five times in the past year. Its reconstitution this year serves as yet another political solution in search of a problem. Take administration spokesman Jay Carney's word for it: "you don't know until you investigate what you might find. And whatever they found or didn't find a year ago is not dispositive towards what they might find or might not find as they investigate going forward."

Claim #12: "Now, because of these new standards for cars and trucks, they're going to -- all going to be able to go further and use less fuel every year. And that means pretty soon you'll be able to fill up your car every two weeks instead of every week -- and, over time,

that saves you, a typical family, about $8,000 a year... Eight thousand dollars - that's no joke."

FALSE

- The Washington Post gave President Obama one "Pinnochio" for claiming that the average American family would save about $8,000 "per year" instead of "over time," meaning the life of an average car, as he has suggested in past speeches.
- Maybe the president misspoke, but even the Washington Post, his traditional ally, expressed disappointment that "the White House has not tried to correct the transcript with some sort of explanatory note," but instead allows the perception that Americans would save $8,000 "per year" to linger.
- Given the typical car lasts 26 years, the average American driver will only save a little more than $300 on gas annually if the $8,000 is applied "over time."
- Whether "per year" or "over time," the *Washington Post* further criticizes the President for highlighting "the savings on gasoline, the happy part of the story," while leaving out "part of the total picture - the costs of compliance with the new rules."
  - The government itself estimates that new vehicle standards promulgated by the administration will cost consumers about $3,000, reduce fuel consumption by no more than $8,000, totaling $5,000 in savings over the life of a car - *or less than $200 per year.* That's a far cry from the $8,000 per year in the savings the president touted and refuses to officially correct.
  - The cost of a 2009 car increased by $4,700 because of newly required safety and emissions equipment, according to one study. The president's new vehicle standards will add another $3,000 to the cost of a car.
  - Another analysis concluded that the cost of new emissions equipment more than wipes out any fuel savings, *even with gasoline selling at $6 per gallon.*

Claim #13: "And in order to continue this progress, we're going to have to make a choice. We've got to decide where our priorities are as a country. And that's up to all of you. And I'll give you an example. Right now, $4 billion of your tax dollars goes straight to the oil industry every year -- $4 billion in subsidies that other companies don't get…. It doesn't make any sense. The American people have subsidized the oil industry long enough -- they don't need the subsidies. It's time to end that taxpayer giveaway to an industry that's never been more profitable, invest in clean energy that's never been more promising. So I called on Congress, eliminate these subsidies right away. There's no excuse to wait any longer."

FALSE

- Oil production by smaller independent and larger integrated traditional American energy companies is not subsidized. They do not receive any direct government spending like the failed energy bets President Obama placed on now-bankrupt companies like Solyndra.
- There are tax deductions and credits for all manufacturers in the U.S., including energy producers. These are broad tax provisions designed to create U.S. jobs, promote more investment, and lower consumer costs.
- President Obama's plan is to tax American energy even more. But taxing American energy will not create more of it and will not lower prices.

- President Obama's FY 2013 budget proposes to raise taxes by $90 billion on American energy producers by 2022. He wants to eliminate or modify numerous tax deductions and credits, which he calls "subsidies."
- Higher energy taxes would mean higher prices at the pump, less U.S. energy production, less job creation, and more imports from unfriendly countries overseas. Higher taxes will eventually mean a shrinking American energy industry from which the federal government can obtain further tax, royalty, and other revenues.
- A Congressional Research Service study found that raising taxes on American energy will increase gas prices and "likely increase foreign dependence."
- Another study found that raising taxes on oil and gas producers would cost 170,000 American jobs and lead to a 14 percent decrease in energy production.
- Yet another study found that tax increases similar to those proposed by Senate Democrats could cost $68 billion in lost wages nationwide and reduce U.S. economic output by $341 billion.
- Corporate income taxes from the oil and gas industry pay for about 10 percent of all non-defense discretionary federal spending. When you add in other taxes, royalties and fees, the industry sends $86 million per day to Washington.

"A lot of you may have to drive a distance to work. Higher gas prices are like a tax straight out of your paycheck."

THE FACTS

- Historically, consumers drive less and reduce their spending when faced with $4 per gallon gasoline.
- Last summer, when gas prices hovered 10 to 20 cents above current prices, a study revealed that "57 percent of consumers are feeling increased financial strain when gas prices increase, and more than four in ten say high gas prices make it difficult to meet monthly expenses." Of those consumers surveyed, 49 percent planned to reduce grocery spending if gas prices climbed another 50 cents.
- The chief economist for the Center for Automotive Research states: "Higher gas prices in general will depress sales no matter what, because people actually will be worse off. Even with a higher-mileage car, people will still think that gasoline is expensive."
- One report found that in February guest traffic and same-store sales in restaurants weakened because of rising gas prices.
- Small-business owners who have been flirting with investing in their companies again are once again abruptly scaling back expansion plans because of gas price anxiety.