Testimony to:

House Committee on Oversight and Accountability
Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs

By:

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Thank you, Chairman Fallon, Ranking Member Bush and members of the subcommittee for the invitation to give testimony during this hearing on the Biden Administration's use of the Strategic Petroleum Reserve in 2022. My name is Demond Drummer and I consult with the Institute on Race, Power and Political Economy at The New School in New York City. The Institute advances research to understand and ultimately undo the unjust identity-group-based social stratification that harms individuals and communities. To that end, the Institute engages with researchers and practitioners, including community leaders, business leaders, policymakers, philanthropists and journalists, across the nation and around the world.

I will use my time to show that, in light of the global energy price shocks resulting from the conflict in Ukraine, the Administration's decision to tap the Strategic Petroleum Reserve was the right decision in the short term to provide much needed relief for the American people. This is especially true for the nearly one out of every three people in America who live in or near poverty and pay a disproportionate share of their limited household income to meet their energy and transportation needs.

To be sure, the Strategic Petroleum Reserve is not designed to offer a long term solution to the problem of energy security. If our shared goal is to achieve true energy security – not just for the country, but for millions of households all across America – the path forward is clear: strategic and substantial public investments to accelerate our transition to a clean energy economy.

During the height of the oil price spikes last year, energy costs alone accounted for approximately half of all inflation. One year ago, the price of fuel oil surged 70% and the price of

gasoline was up 48% and natural gas 21.6%.[1] Today, overall energy costs are up 8.7% compared to last year. While gasoline prices are up only 1.5%, fuel oil is up 27.7% and natural gas is up 26.7%.[2] The evidence is clear, whether for powering and heating their homes or fueling their cars, the economic costs of fossil fuel energy are unsustainable for American households, especially those who are paid the least.

Energy is a non-discretionary household expense. Households below the federal poverty line spend 18 percent of their income on energy, nearly 10 times the energy burden of higher income households.[3] Households at 200 percent of the federal poverty line spend 6 percent of their income on energy, three times the energy burden of higher income households.[4] This is despite the fact lower income households consume less energy on average.[5] Further, households in the bottom two income quintiles pay anywhere from 15% to 25% of their income on transportation costs.[6] A high energy burden is not only a symptom of poverty, but in siphoning resources from other critical needs, it prolongs and exacerbates poverty.[7]

A leading factor contributing to household energy burden in the U.S. is overreliance on fossil fuels for power generation. Natural gas alone accounts for 40 percent of power generation in the U.S, and half of all homes in the U.S. use natural gas for heating and cooking.[8] Because it is traded as a global commodity, the price of natural gas in the U.S. fluctuates dramatically according to global demand. Although the U.S. produces enough natural gas to cover domestic consumption, the U.S. is a net exporter of natural gas.[9] Thus, the cost of natural gas in the U.S. is set by commodities traders and domestic producers selling to the highest bidder.

The evidence is clear: America cannot drill our way to energy security. The geopolitical turmoil of the last year highlights the myriad economic risks of U.S. reliance on fossil fuels. The Russian invasion of Ukraine sent global fossil fuel commodities prices skyrocketing. The price of oil in the

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[1] "Consumer prices up 8.5 percent for year ended March 2022." Bureau of Labor Statistics, April 18, 22, available at https://www.bls.gov/opub/ted/2022/consumer-prices-up-8-5-percent-for-year-ended-march-2022.htm

[2] "Consumer Price Index News Release." Bureau of Labor Statistics, February 14, 2023, available at https://www.bls.gov/news.release/archives/cpi_02142023.htm

[3] Low-Income Energy Affordability Data (LEAD) Tool, United States Department of Energy, available at https://www.energy.gov/eere/slsc/maps/lead-tool

[4] ibid

[5] Gazze, Ludovika et al. "10 Facts About Electricity Costs for Low-Income Families." The University of Chicago and Elevate Energy, December 2010, available at https://www.elevatenp.org/wp-content/uploads/Electricity_Use_10_Facts_2019-12-17-1.pdf

[6] Freemark, Yonah."What Rising Gas and Rent Prices Mean for Families with Low Incomes." The Urban Institute, March 17, 2022, available at https://www.urban.org/urban-wire/what-rising-gas-and-rent-prices-mean-families-low-incomes

[7] Bohr, Jeremiah; McCreery, Anna C. "Do Energy Burdens Contribute to Economic Poverty in the United States? A Panel Analysis."*Social Forces*, Volume 99, Issue 1, September 2020, Pages 155–177, https://doi.org/10.1093/sf/soz131

[8] "Electricity Explained:Electricity in the United States." U.S. Energy Information Administration, available at https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php

[9] Ibid

U.S. rose at the fastest rate ever, with daily price levels not seen since 2008.[10] In light of the globalized market for fossil fuel energy commodities, the U.S. has very limited ability to insulate American households from the economic fallout of geopolitical conflicts.

Over their entire life cycle — from extraction to emissions — fossil fuels poison people and our environment. The burden of these impacts, however, are not equally shared; it is disproportionately borne by the poor and people of color. Crucially, study after study have shown that race, more than any other factor, is determinative of proximity to fossil fuel infrastructure and pollution sites, along with all of the attendant health consequences.[11] In the final analysis, economically insecure households — who are disproportionately Black, Indigenous and people of color — are disproportionately burdened by the volatility of fossil fuel commodities markets, bear the brunt of the negative environmental and health impacts of the fossil fuel industry, and are more vulnerable to the impacts of extreme weather events due to climate change.[12, 13]

It is critical to align monetary, fiscal, and regulatory policy to accelerate adoption of low-cost renewable energy and promote the development of high-wage sustainable industries. Wind and solar energy are by far the most cost effective sources of power generation on the planet.[14] However, in 2021, renewables accounted for only 20 percent of electrical power generation and only 12 percent of total energy consumption.[15, 16] Beyond power generation, enacting an equitable and sustainable industrial policy that prioritizes people and the places where they live is the most effective way to insulate American households from fossil fuel price shocks while addressing the existential consequences of climate change. This requires leveraging the full suite of economic policy tools — monetary, fiscal, and regulatory — to direct public and private investments toward developing America's productive capacity to deliver the goods and services that will power an equitable and sustainable future.

Thank you again for the opportunity to testify before you. It has been an honor.

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[10] Bogage, Jacob. "U.S. gas prices are rising at fastest pace ever as Russia intensifies invasion of Ukraine, AAA says." Washington Post, March 4, 2022, available at https://www.washingtonpost.com/business/2022/03/04/ukraine-russia-gas-prices/

[11] "Fumes Across the Fence-Line: The Health Impacts of Air Pollution from oil & Gas Facilities on African American Communities." NAACP, November 2017, available at https://naacp.org/resources/fumes-across-fence-line-health-impacts-air-pollution-oil-gas-facilities-african-american

[12] Tessum, Christopher W et al. "PM2.5 polluters disproportionately and systemically affect people of color in the United States." Science Advances, April 28, 2021, available at https://www.science.org/doi/10.1126/sciadv.abf4491

[13] Fourth National Climate Assessment, Volume II: Impacts, Risks, and Adaptation in the United State, available athttps://nca2018.globalchange.gov/

[14] "Renewable Power Generation Costs in 2020." International Renewable Energy Agency, available at https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Jun/IRENA_Power_Generation_Costs_2020.pdf

[15] "Electricity Explained:Electricity in the United States." U.S. Energy Information Administration, available at https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php

[16] "Electricity Explained: What is renewable energy?". U.S. Energy Information Administration, available at https://www.eia.gov/energyexplained/renewable-sources/