FUELING UNAFFORDABILITY: HOW THE BIDEN ADMINISTRATION'S POLICIES CATALYZED GLOBAL ENERGY SCARCITY AND COMPOUNDED INFLATION

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C O N T E N T S

WITNESSES

Opening statements and the prepared statements for the witnesses are available in the U.S. House of Representatives Repository at: docs.house.gov.

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No additional documents were entered into the record for this hearing.

FUELING UNAFFORDABILITY: HOW THE BIDEN ADMINISTRATION'S POLICIES CATALYZED GLOBAL ENERGY SCARCITY AND COMPOUNDED INFLATION

Wednesday, March 29, 2023

HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY
SUBCOMMITTEE ON ECONOMIC GROWTH, ENERGY POLICY, AND REGULATORY AFFAIRS
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:48 p.m., in room 2154, Rayburn House Office Building, Hon. Pat Fallon [Chairman of the Subcommittee] presiding.

Present: Representatives Fallon, Donalds, Boebert, Edwards, Langworthy, Bush, Brown, and Stansbury.

Mr. FALLON. This hearing on the Subcommittee on Economic Growth, Energy Policy and Regulatory Affairs will come to order. I want to welcome everyone for coming.

Without objection, the Chair may declare a recess at any time.

I recognize myself for the purpose of making an opening statement.

In the 118th Congress, the Subcommittee on Economic Growth, Energy Policy and Regulatory Affairs has taken its mission seriously to conduct oversight over the Federal Government. This Subcommittee has already held two hearings examining the Biden Administration's misuse of government power. We have explored how this Administration continues to erode our country's energy security by depleting the Strategic Petroleum Reserve. And we have also looked into the Administration's abuse of the administrative state, burdening the Second Amendment rights of law-abiding gun owners. Today, we are going to turn to the Biden Administration's policies on inflation and energy prices.

Every American is suffering from inflation. I think we can all agree on that, and the rising energy prices, but Americans with low and fixed incomes are being the hardest hit. This focus stands in stark contrast to the last Congress where the Democrats' work in this hearing room focused on, believe it or not, investigating flea and tick collars and an NFL football team. In fact, we had two hearings on that because somebody had a bee in their bonnet about Daniel Snyder. So, I am proud to lead the third Committee hearing

and look forward to focusing more on important matters to the American people.

And, as I stated today, we are examining the inflation's effect on energy prices, and inflation—you know, the primary driver for inflation is going to be government spending. And if you inject trillions of dollars into the money supply with a finite amount of goods and services, those things are going to end up costing more. And what inflation is, at the end of the day, is an invisible, or not an invisible, very visible tax on us all, on everything that we need and everything that we buy.

Unfortunately, under the Biden Administration, the price of utilities and goods and services have jumped from month to month. You know, it is burdening household budgets and increasing economic uncertainty. The average American household's purchasing power has decreased by almost $5,000. And when President Trump left office, inflation sat at 1.4 percent, and under Joe Biden, inflation shot up to 9.1 percent last summer, which was a 40-year high. So, when inflation was at its highest levels, the Energy Index alone rose about 42 percent. So, it is no surprise that energy price volatility is directly tied to the rapid retirement of fossil fuel power plants, lags in domestic natural gas pipeline construction, and the over reliance on expensive green energy alternatives without any plan for a smooth transition from traditional energy sources.

Now, I think a lot of my Democratic colleagues are going to say the Putin price hike, it is all Vladimir Putin's fault that gas costs more. Well, let us look at some empirical data. On January 20, when Joe Biden took office, the average price of gasoline in this country was $2.39 and at its high was at $5.01. But, before Vladimir Putin got into those tanks and headed toward Kyiv, the price of gasoline was $3.61, and today it is $3.53, so it is actually ironically slightly lower after the invasion. And, cut it the way you will, it is 48 percent higher when you buy a gallon of gas today than it was when Joe Biden took office.

So, this began when President Biden did take office and he canceled the Keystone XL pipeline right away, and they are dragging their feet and they slow walked drilling permits on Federal lands and waters. So, unfortunately, at the end of the day, Americans with low and fixed incomes are, you know, most harshly are feeling the immediate impact of the skyrocketing energy prices. And as a result of higher prices, larger portions of take-home income must go to daily necessities, forcing Americans to choose between feeding their families and fueling their cars, receiving healthcare, or even heating their homes.

So, what this hearing is going to do, is we are going to examine the relationship between the Biden Administration's policies, energy production, and supply as price drivers, and, ultimately, the share of overall inflation attributable to rising energy prices. So, I want to thank all the witnesses for coming today, thank you very much for your participation, and we look forward to hearing your testimony.

And with that, I now recognize Ranking Member Bush for the purpose of making her opening statement.

Ms. BUSH. Thank you, Chairman Fallon. St. Louis and I are here today to highlight the urgent need for new investments in renew-

able, reliable energy. Instead, Republicans are wasting our time on the preposterous and offensive oil industry wish list that House Republicans are bringing to the Floor for a vote this week as the Polluters Over People Act.

At our last energy hearing, we considered the global nature of inflation and the price hike caused by the pandemic, Russia's violent invasion of Ukraine, and supply chains shortages. We also discussed how the United States has been harmed by a precarious reliance on unsafe and unstable energy sources such as coal, oil and gas. For me, and many of my colleagues, it is clearer than ever that our best path to energy security is to rapidly diminish our reliance on fossil fuels. Until we do, Black, Brown, and indigenous communities will continue to bear the heaviest burden of this energy crisis and our reliance on fossil fuels.

At the same time, to achieve energy security and independence, we need far more public investments in energy efficiency and renewable energy. Energy security means regular, everyday people can keep their lights on at night, and kids, especially Black and Brown kids, can play outside without getting asthma. It does not mean securing the profit margins of coal barons. In the Polluters Over People Act, House Republicans have put forward an alarmingly harmful energy policy that will serve as a giveaway to oil tycoons and eviscerate the voices of affected communities like mine. This bill is so extremist and unscientific that it could only have been written by the industry that will profit the most, Big Oil.

The bill will repeal some of the most effective provisions of President Biden's Inflation Reduction Act, including provisions to eliminate fees on methane emissions, and zero out programs to reduce home utility bills. The bill will make oil and gas leasing unbelievably cheap and allow companies to trample over communities in the blind pursuit of profit. Imagine throwing money at companies whose actions are driving the climate crisis, and then asking them to monitor themselves and calling it policy. The inhumanity is heartbreaking.

Almost as alarming as the provisions of this bill and the false premise of this hearing, many of the bill's provisions are the same as they were six years ago. Industry couldn't think of anything more favorable, and Republicans have made few updates to their energy policy in six years. I suppose if their work builds off of industry marketing documents, we would be better off if they weren't doing anything at all. But still, I would love the opportunity to work with my Republican colleagues to invest in energy security and lower prices for families. Sadly, they are more interested in economic security for corporations that security for people. congressional Democrats have a different idea. We intend to do what the government was set up to do: spend public dollars supporting people and not corporations. We will invest in community-based organizations and green jobs. We will build renewable energy infrastructure to scale. We will fight and we will win a green new deal for everyone. Thank you, and I yield back.

Mr. FALLON. Thank you. I am pleased to introduce our three witnesses today. Oliver McPherson-Smith is Director for energy, trade and environmental policy at the American Consumer Institute for Citizen Research. His work and research focuses on energy and re-

source-wealthy economies. Mandy, and Mandy help me with your last name.

Ms. GUNASEKARA. Gunasekara.

Mr. FALLON. That is not that scary.

Ms. GUNASEKARA. It isn't.

Mr. FALLON. All right. Could you say it one more time?

Ms. GUNASEKARA. Gunasekara.

Mr. FALLON. Gunasekara.

Ms. GUNASEKARA. Yes, or just Mandy. Mandy is easy.

Mr. FALLON. Awesome. That is a cool last name. Mandy Gunasekara, my good friend, serves as the Director of Center for Energy and Conservation of the Independent Women's Forum. Ms. Gunasekara—Ms. G. previously served as the Chief of Staff of the United States Environmental Protection Agency and the Principal Deputy Assistant Administrator for the EPA's Office of Air and Radiation.

And we have Mark Paul, who is an assistant professor of economics at the Edward J. Bloustein School of Planning and Public Policy at Rutgers University and a member of Rutgers Climate Institute. And I believe you used to teach at UMass, is that correct, or were you——

Mr. PAUL. I received my Ph.D. from UMass.

Mr. FALLON. UMass. OK. Excellent. Well, I attended the University of Massachusetts Amherst for one year and then transferred to Notre Dame, but I still love my Minutemen and our Lacrosse program. I look forward to hearing from each of you on this important topic.

Pursuant to Committee Rule 9(g), the witnesses will please stand and raise their right hands.

Do you solemnly swear or affirm that the testimony that you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

[A chorus of ayes.]

Mr. FALLON. Thank you. Please take your seats. Let the record show that the witnesses all answered in the affirmative, and we appreciate all of you being here today and look forward to your testimony. Again, I want to thank you.

Let me remind the witnesses that we have read your written statements, and they will appear in full in the hearing record. Please limit your oral statements to five minutes. As a reminder, please press the button on your microphone in front of you when you speak so the Members can hear you. And when you begin speaking, there is a light in front of you that will turn green. After four minutes it will turn yellow, and then when the red light comes on, that means wrap it up.

I recognize Dr. McPherson-Smith to please begin his opening statement.

STATEMENT OF OLIVER MCPHERSON-SMITH, DIRECTOR FOR ENERGY, TRADE, AND ENVIRONMENTAL POLICY, AMERICAN CONSUMER INSTITUTE FOR CITIZEN RESEARCH

Mr. MCPHERSON-SMITH. Thank you, Chairman Fallon, Ranking Member Bush, and other Members of the Subcommittee for inviting me here today.

The Nation's continued economic recovery from the coronavirus pandemic has provided a welcome return to family and commercial life for millions of Americans. However, this recovery has neither been seamless nor balanced. The crude oil market provides an indicative case study. U.S. crude oil production peaked shortly before the pandemic in November 2019, at a monthly average of around 13 million barrels per day. Now, while production has gradually recovered from its pandemic low of around 9.7 million barrels per day in May 2020, it nonetheless has remained below the pre-pandemic peak. However, the Nation's lagging oil production only tells half the story.

Consumers and businesses typically purchase refined petroleum products, not crude oil. America's capacity to refine its own petroleum products has undergone an even starker decline. This lower supply of crude oil and diminished capacity to refine it unfortunately coincided with an increase in demand attributable to the repeal of pandemic restrictions and the resumption of commercial, leisure, and industrial transportation. This mismatch between supply and demand is evident in the persistently higher gasoline prices of the past two years.

Oil production is determined by a variety of technical, economic, and political factors at the local, national, and international levels. Nonetheless, Federal policy has a tangible effect on shaping production. Since January 2021, the Federal executive branch of government has sought to inhibit and disincentivize the domestic production and refining of fossil fuels. These efforts include and are not limited to the cancellation of the Keystone XL pipeline, an ultimately unsuccessful moratorium on oil and gas leases on public land; the outlawing of oil and gas development within 2.8 million acres of the National Petroleum Reserve in Alaska; and the continued absence of an offshore oil and gas leasing schedule following the expiry of the 2017 to 2022 schedule.

Additionally, a range of proposed or impending policies at the Federal level serve to disincentivize investment in future productive capacity within much of the American energy industry. From the Securities and Exchange Commission's proposed environmental, social, and governance, or ESG, disclosure, to the Inflation Reduction Act's impending methane tax on oil and gas producers, these policies reduce investment in the short term and risk raising consumer prices in the long term.

Had the Biden Administration simply mirrored the Trump Administration's oil production growth rate, daily oil production would have reached almost 15 million barrels by December 2022. This represents a hypothetical shortfall of almost 3 million barrels each day by December 2022, a significantly larger amount than the average OPEC members' production of 2.23 million barrels per day in that same month.

In aggregate, this hypothetical scenario would have facilitated the additional production of more than 850 million barrels of oil since January 2021. This sits in stark contrast to the Biden Administration's recent sale of 180 million barrels from the SPR. The absence of this oil left the American economy and American families vulnerable to international oil market fluctuations, such as that associated with Russia's renewed and unjustified invasion of Ukraine.

The academic literature on the pass-through of energy prices into overall inflation is varied and vast. Energy is used by virtually every business in the United States. Consequently, elevated energy costs appear not only as individual components within the measurements of inflation but also within consumer prices of goods and services via higher business costs of lighting, heating, and transportation.

Finally, I would like to draw your attention to a potential remedy to the enduring consumer challenge of energy inflation, which is a Federal all-of-the-above energy policy. Facilitating greater energy production from all sources, whether they be fossil fuel, renewable, nuclear, or otherwise, enables consumer and community choice competition among companies, competition among technologies, innovation, and lower prices. I thank you again for the opportunity to testify today and look forward to your questions.

Mr. FALLON. Thank you. Ms. Gunasekara, you are recognized for your statement.

STATEMENT OF MANDY GUNASEKARA, DIRECTOR OF CENTER FOR ENERGY AND CONSERVATION, INDEPENDENT WOMEN'S FORUM

Ms. GUNASEKARA. Thank you. Chairman Fallon, Ranking Member Bush, Members of the Subcommittee, thank you for the opportunity to participate in today's hearing.

Rising energy costs and inflation have created immense financial burdens on the American people. One in six Americans is behind on their electricity bills. The cost for an average household has gone up by around $10,000 over the past two years. Everyday goods, like groceries and gas, are exorbitantly expensive. Beyond high costs, Americans have had to endure supply chain disruptions, creating shortages on baby formula, over-the-counter cold medicine for children, women's hygiene products, and many more. This constant drip of daily hardship is suppressing opportunity, and the reality is weighing heavily on the American psyche.

A poll came out yesterday revealing that 78 percent of parents fear their children will be worse off than them. Now, these outcomes are not the result of some uncontrollable forces outside the reach of our national leaders. It is actually the result of bad policies being implemented and pushed by the Biden Administration, and among the worst is the ongoing war against American energy. Our lives and our economy run on energy. Eighty percent of this energy that we use comes from coal, oil, and natural gas.

Since January 2021, President Biden and Democrats in Congress have taken over 125 actions aimed at shutting out the use and development of the very energy resources we need more of, not less. Suppressing domestic supply and setting America on a path toward energy scarcity has exacerbated inflation and made costs skyrocket. These cost increases are extremely pervasive and impact Americans in very different ways. I would like to highlight a few.

Low-income Americans are the hardest hit by high energy prices. They are being forced to choose between heating their homes or putting food on the table. One recent survey found that in the face of high energy costs, 36 percent of low-income households will go without food for a day, 41 will go without medical care or dental

care, 31 percent will not fill a prescription or take less to try and stretch the supply. These short-term consequences are unacceptable and truly heartbreaking, and in the long run, it can lead to more poverty and longer-term generational dependence.

For small businesses on Main Street, it is getting harder to keep afloat. They struggled through COVID only to be met with increased overhead in the form of higher electricity bills. Power disruptions caused by an increasingly unreliable grid brings productivity to an absolute halt in some instances. They have also been met with higher taxes, and they have had to deal with the woke investment trend of ESG, which inhibits access to credit or investors if they don't check the right boxes.

Also, middle-class moms, or as I like to call them, the CEOs of kitchen table economics, are forced to make tough decisions. Typically, they are not forced to choose between essentials like heating and eating, but they are forced to make tough decisions that impact the quality of life of which they have worked so hard to achieve. Moms are nervous about filling up their gas tanks and thinking about what they can cut from their planned dinner. Moms are worried that if their son or daughter makes the team that they have been working so hard to actually make, are they going to be able to afford the equipment or the uniform? They are foregoing trips to see family members, especially during holidays, where it has become so expensive, and they have canceled summer vacations. It is a sinking feeling for so many parents that have worked hard to live in a good, safe community, but have to cut back on how their children get to actively engage and enjoy that community because it is too great a financial burden to bear.

This is so frustrating because none of this is necessary. It is not required to improve the environment, it is not required to lower emissions, and it is not required to ensure we create a planet future generations can continue to enjoy. We know how to expand our energy productivity while protecting the environment. Just a few years ago, we were top energy exporters, and we continue to cut air pollution, cleanup water quality, and we lead the world in cutting greenhouse gas emissions. Best of all, our economy was experiencing massive growth.

There are numerous policy options available to fix the current situation. We need to be building a future of energy abundance. Congress can help by prioritizing solutions that strengthen our energy system with proven reliable technologies while encouraging continued innovation. We do not need to ban certain technologies or cancel U.S. coal, oil, or natural gas. With the right policies in place and a pragmatic mindset from our leaders, we can build strong energy systems that reliably deliver low-cost energy whenever it is needed.

Again, thank you for your time. It is an honor to be here, and I look forward to your questions.

Mr. FALLON. Thank you very much. The Chair recognizes Dr. Paul for his statement.

STATEMENT OF MARK PAUL, ASSISTANT PROFESSOR OF ECONOMICS, EDWARD J. BLOUSTEIN SCHOOL OF PLANNING AND PUBLIC POLICY, RUTGERS UNIVERSITY

Mr. PAUL. Chairman Fallon, Ranking Member Bush, and Members of the Subcommittee, thank you for inviting me to testify today. My research agenda concerns the economic and policy pathways to achieve decarbonization in the United States. My testimony today is based on my scholarship, and the views I present with you are my own.

Climate change is the greatest crisis humanity has faced. It poses an existential threat to the well-being of the American people and to the strength and stability of the American economy. If we continue with business as usual, the planet will be on track to warm by three degrees Celsius above pre-industrial levels by the end of the century. The effects of this level of warming would be catastrophic, causing severe damage to the physical and economic security of the Nation.

At the same time, recent price spikes in energy, fueled by Russia's invasion of Ukraine, geopolitical instability, and corporate price gouging have indeed highlighted the need to transition to a clean energy economy to protect consumers and achieve our shared goals of economic prosperity and energy independence.

My testimony will focus on three points. First, the economic costs of inaction are substantially larger than the cost of rapidly and equitably decarbonizing the economy. Second, the evidence is clear that an investment-led decarbonization effort, as is being undertaken following the passage of the Inflation Reduction Act, will create millions of good jobs, strengthen the economy, and lower energy costs for American families. And third, decarbonizing the economy will bolster domestic energy security and reduce inflationary pressures associated with historically volatile fossil fuel prices, thus promoting economic and national security goals. Indeed, high energy prices are not the result of the energy transition, but are fueled by a combination of international conflict, corporate profiteering, and supply chain disruptions.

I begin with the costs of business as usual. Climate change already presents a clear and present danger to American lives and livelihoods. In 2017, for example, extreme weather events linked to climate change were responsible for over $300 billion in damages, wiping out more than half of the Nation's economic growth that year. In a world that warms to 3C or more, recent studies estimate that that could reduce GDP by 10 percent permanently. To avoid these effects, peer-reviewed research finds that limiting warming necessary to such levels would require no new fossil fuel extraction and a managed wind down of existing extraction.

Turning to my second point, decarbonization should be understood as an economic opportunity for the United States. Empirical studies find that just in GDP terms, decarbonization would bring trillions in benefits, including creating upwards of 25 million new American jobs in the next 15 years. What is more, this transition would help the average American family save between $1,000 and $2,500 a year on energy bills. Decarbonizing the economy is also crucial to bolster domestic energy security and help insulate the United States from international conflicts that have repeatedly led

to energy instability. Putting the Nation on a path toward decarbonization must be understood as a path that prioritizes both national security and economic prosperity.

While the United States has long sought energy independence, increasing extraction of fossil fuels has not achieved these goals and simply cannot due to the international nature of fossil fuel commodity markets. The clean energy transition, on the other hand, will delink the U.S. economy from hostile authoritarian regimes and position the U.S. to support other nations in doing the same.

Finally, I would like to talk briefly about inflation. Energy played a key role in recent inflationary events. Most of the price increase in energy markets were first experienced across nations and, thus, not a unique phenomenon to the United States, and second, were largely attributable to the illegal Russian invasion in Ukraine.

Complementary research finds that a substantial portion of energy price increases faced by American consumers can be attributable to corporate profiteering, a key component of inflation today. Big Oil took advantage of the crisis to rake in record profits. These price increases disproportionately benefit low-income communities and communities of color, further adding to inflation, inequality, and macroeconomic instability. There is strong evidence that Biden's use of the SPR along with the passage of the Inflation Reduction Act has put downward pressure on energy prices, thus reducing inflationary pressures in the economy. The Treasury Department estimates that the SPR reduced the price of gas by $0.20 to $0.40 per gallon.

Thank you for the opportunity to speak with you today, and I look forward to your questions.

Mr. FALLON. I want to thank all the witnesses again for your testimony, and I think that we are all aware that inflation remains three times higher, you know, than the target rates here. So, I have a question for Dr.—and I apologize if I called you "mister" before—but Dr. McPherson-Smith. Has the United States reduced our carbon emissions or increased our carbon emissions over the last roughly 20 years?

Mr. MCPHERSON-SMITH. Consistently decreased.

Mr. FALLON. Is it in line with your research that it is about a 20 percent decrease over the last 20 years?

Mr. MCPHERSON-SMITH. Ballpark, yes.

Mr. FALLON. OK. And has China increased or decreased their carbon emissions over the last same period of time, 20 years or so?

Mr. MCPHERSON-SMITH. In an unparalleled fashion, increased.

Mr. FALLON. Increased. Over 100 percent, 200 percent maybe even.

Mr. MCPHERSON-SMITH. It is going up. I mean, it depends how far you want to go back, but year-on-year, we are looking ballpark figure, 10 percent.

Mr. FALLON. Why do you think our friends on the other side of the aisle don't ever talk about China's emissions or India's emissions and it is always the United States' emissions, even though we produce energy in the cleanest fashion in the world?

Mr. MCPHERSON-SMITH. Because virtue signaling doesn't win elections.

Mr. FALLON. And you know, we are all on the same planet. The United States isn't, you know, its own planet. We are just one of the countries. So, Mr. McPherson, Dr. McPherson-Smith, please explain how high energy prices lead to higher overall inflation.

Mr. MCPHERSON-SMITH. So, consumers use energy. They use it to gas up their car or they use it to power up their Tesla, but we also have to remember that businesses themselves use energy. So, unless you are living on a subsistence farm, for example, you are probably going to shop in a physical shop, or maybe you use Amazon, whatever. These companies transport their goods and services. They have to keep the lights on themselves, and so these costs flow through. It is known as flow-through within inflation.

Mr. FALLON. So, energy just touches everything, right? I mean, the cars, the fuel, the trucks, the stores, that people are driving to and from work. How did the impact of energy prices on inflation change from the Trump Administration to the Biden Administration?

Mr. MCPHERSON-SMITH. So we have seen inflation, energy inflation itself, up about 40 percent under the current Administration. That is from taking office in January 2021 up until about January of this year. That is down from the 60 percent we saw last summer.

Mr. FALLON. You think this—the difference was a result of deliberate policy choices?

Mr. MCPHERSON-SMITH. If it were an accident, it would be spectacular in size and scale.

Mr. FALLON. Ms. Gunasekara, what energy policies did the Biden Administration implement that catalyzed energy price inflation?

Ms. GUNASEKARA. Well, there is certainly a number. I think what really set the table was the canceling of the Keystone XL pipeline, but I think most offensively, it was shifting the role of the Federal agencies. Instead of looking at environmental problems, in particular, and fixing them by making them more efficient, using the might of the Federal Government, through its regulatory role, to squeeze certain industries out of existence or to squeeze their operations in a sense to where they become so expensive that it becomes difficult to extract and utilize the very resources that we need more of.

Mr. FALLON. And who is impacted by high energy prices and inflation the most?

Ms. GUNASEKARA. Well, certainly those that are the most vulnerable when it comes to economic standing in this country. The low- and fixed-income individuals are the ones that are impacted the worst. As I expressed, it truly forces them in a situation where they have to choose between heating their homes in the dead of winter or putting food on the table. And there are all sorts of other damaging decisions that they will ultimately make because of the impact of high energy prices.

Mr. FALLON. Yes, I mean, $5,000 is nothing to sneeze at as far as the purchasing power that is lost in real dollars. The Biden Administration has championed, I think it is clear, a radical climate change agenda at the expense of economic prosperity for all Americans and falsely advertised their efforts as a necessity for economic mobility. Do you believe that forcing low-income Americans to choose between gas in their tanks to get to work or putting food

on the table for their families sounds like environmental justice to you?

Ms. GUNASEKARA. No. I think that it is distracting the actual impact, which is an economic injustice. And I have got a board member that works under the Center, who has looked extensively into this, and what she often says is that high energy prices impede upward mobility, especially for low-and fixed-income households. So, to suggest that some version of climate justice is to make lives more expensive while ignoring the real economic impact that that has on the most vulnerable members of our society, again, I think that is a distraction, and it is not indicative of thoughtful policy we should be focused on if we truly want to help people live better lives.

Mr. FALLON. Thank you very much, and you did that exactly on the five-minute time. I appreciate that. I now recognize Ranking Member Bush for five minutes of questions.

Ms. BUSH. Thank you, and thank you to our witnesses for being here. Despite House Republicans' claims to the contrary, we understand that the United States is currently the world's largest oil and natural gas producer. The U.S. is also an enormous consumer. These embarrassing facts drive energy insecurity in this country, and it is important to understand how dangerous our reliance on fossil fuels—how that affects regular people.

In St. Louis, in my community, we experience energy insecurity in a myriad of ways. For me, when I was a young single mom of two, I became aware of the vast disparity in energy security. My electricity and heating bills were at times $1,800 a month for just one of them, which was double my rent. These high bills made my family struggle. When we want to talk about understanding economic justice or environmental justice, let us talk to people who actually experience it and have which some of those folks are sitting up here.

A high utility bill meant I had to choose between paying off my electric bill or buying food for my babies. One winter, while my kids were still babies, when the utility bill was so high, the company shut off our heat and wouldn't make a payment plan, and we went the entire winter without heat, and because I connected my home to heaters, we almost burned the house down. I will never forget that cold, I will never forget that energy insecurity, but thank goodness my kids will never remember.

Last year, St. Louis experienced two 1-in-1,000-year flooding events within three days. Our community was devastated, and we are still rebuilding homes and infrastructure. The event was made far more likely and severe by the burning of fossil fuels that is driving this climate crisis. In St. Louis, we know a lot about energy insecurity. We have seen power outages and electric wires underwater, as we have seen in other places. We have gotten asthma from dirty energy, which I have. We have become unhoused due to high energy bills, which I have.

So, Dr. Paul, which is more affordable, let me ask you, solar energy, oil, or gas?

Mr. PAUL. According to recent data, renewables are substantially cheaper than new fossil fuels. So, to give you some numbers here, utility-scale solar is one-third cheaper than new natural gas here

in the United States, and offshore wind is roughly 40 percent cheaper. To boot, solar, on average, utility-scale solar goes only one percent over budget. On average, wind goes four percent over budget. Fossil fuel projects, on the other hand, go on average 33 percent or more over budget. So, renewables are substantially cheaper.

Ms. BUSH. Thank you. So, what is more likely, Dr. Paul, to give my children asthma, a gas facility or a wind turbine?

Mr. PAUL. Unfortunately, there is strong evidence to suggest that fossil fuels are directly linked to asthma in the United States. Households, for instance, with gas stoves in their houses experience far higher rates of asthma for their children, double-digits higher. Wind turbines, on the other hand, are not associated with asthma or other public health concerns.

Ms. BUSH. Thank you. Dr. Paul, which is more likely to fluctuate, solar energy in a country where the sun rises every day or limited fossil fuel resources that are subject to global spikes from wars and pandemics?

Mr. PAUL. There is strong evidence to suggest that prices driven by a clean and renewable grid will be substantially more stable and will help delink the United States' economy from international conflicts, those that drive repeated price spikes for fossil fuels. So, both this most recent event with Russia, as well as the 1978–1979 crisis, which that inflationary crisis was also driven by political instability this time in the Middle East.

Ms. BUSH. Thank you. Finally, I want to talk about the scale of our need. To achieve energy security, we know we not only must never develop new fossil fuel infrastructure again, but we also must invest in public renewable energy. So, lastly, Dr. Paul, what scale of further public investments are needed to deliver energy security and stem the climate crisis?

Mr. PAUL. If we actually want to decarbonize the country as we have promised to do, by rejoining the Paris Climate Agreement, then we need to invest substantially more in deep decarbonization efforts. The Inflation Reduction Act is a key downpayment, but is just that, a downpayment. We need hundreds of billions of dollars more in public investments to direct the economy toward decarbonization and improve the health and affordability of our national economy.

Ms. BUSH. Thank you, and I yield back.

Mr. FALLON. Thank you. The Chair recognizes Congresswoman Boebert for her questions.

Mrs. BOEBERT. Thank you, Mr. Chairman. Today, we are here to conduct some oversight on the Biden Administration's policies that are regulating our communities into poverty. The Biden Administration's all-out war on domestic American energy has resulted in record high inflation, a crisis that has shifted the cost of Joe Biden's multitrillion dollar spending spree to the American taxpayers. While my colleagues on the other side of the aisle want to play the blame game, they seem to be pointing the finger at everyone but themselves.

It is really unfortunate to hear energy crisis stories, energy poverty stories where a mother has to choose between feeding her family or paying the electric bill. But, that is where more than 20 million Americans are right now because of Joe Biden's energy policies

that he enforced on Americans, January 20, 2021, where we were energy secure, and he completely surrendered that energy security. This week, House Republicans are pushing back against the left's anti-American, anti-energy policies to pass H.R. 1 to put us back on track toward energy independence and, in turn, reduce inflationary pressures and lower costs for families.

Dr. Paul, in your recently released paper, 'An Economist's Case for Restrictive Supply Side Policies', you advocate for nationalizing the United States' oil and gas industry. Do you still agree with that statement?

Mr. PAUL. Yes. In that research paper, we highlight 10 policies that would facilitate and manage decarbonization.

Mrs. BOEBERT. So, let me get this straight, Dr. Paul. So, you support a communist-style takeover of our oil and gas industry because that is exactly what this is, nationalizing our oil and gas industry.

Mr. PAUL. The majority of countries around the globe that have substantial fossil fuel reserves have public ownership of those reserves so that they can manage it——

Mrs. BOEBERT. This is a communist-style takeover, and we have even heard from my colleagues on the other side of the aisle that they never want to invest in fossil fuels and the infrastructure of it here in America again, which is quite alarming.

Dr. McPherson, prices for heating American homes rose by more than 27 percent in the past year. And in my home state of Colorado, we had a very cold winter, which means these increased costs hit even harder for the people that live in my district, in Colorado's 3d District. Do you think that the Biden Administration's proposal to place a ban on gas stoves nationwide will reduce energy prices for people in my district?

Mr. MCPHERSON-SMITH. No, it is going to force them to, unfortunately, have to purchase a new stove if that were to come to pass.

Mrs. BOEBERT. Yes, and we have seen this Administration make other extreme proposals for families concerned about energy costs, including Mayor Pete, who had the nerve to say that families concerned about high gas prices should just shell out $55,000 for an electric vehicle. So, we have some politician saying, you know, just go buy brand new electric appliances, others saying completely ditch your car and get an electric vehicle. Now, Dr. McPherson, do you think that simply buying new electric vehicles, as Mayor Pete recommended, is a realistic energy solution for American families living month-to-month and already struggling to pay their bills?

Mr. MCPHERSON-SMITH. There are hidden inflationary effects within electric vehicles, which in the right place, in the right context, for the right people, are excellent. But we have to remember, to fill up an electric vehicle, at the moment, it takes about 30 minutes or so to fill up a tank, so to speak. You can get about 170 miles out of that. But if you have got kids, for example, you got a family, you have got somewhere to be, you have got to be at work, that half an hour is going to add up.

Now, if you are trying to transport freight, for example, across the United States, half an hour every time to fill up is going to add up. Now, that is either going to be reflected in workers' wages because they are going to demand more because that time and their

time should be compensated, so that will be inflation, or workers won't be compensated for all that time that adds up. There are hidden inflationary effects that we need to think seriously about.

Mrs. BOEBERT. Thank you, Dr. McPherson. And we have seen states like California say that we want to ban electric vehicles by 2035, and then the next week saying, hey, please don't charge your electric vehicles because our grid cannot handle this. You know, with this, there is a lot of talk of decarbonization going on. I am pro-forest management, which would certainly help with reduce of carbon emissions that are emitted with the catastrophic wildfires. And I would encourage the witnesses to also just consider the fact that these solar panels require mining to be done in China-owned mines in the Congo for that cobalt where that child and slave labor is being used. Thank you, Mr. Chairman, I yield.

Mr. FALLON. The Chair recognizes Congresswoman Brown for five minutes.

Ms. BROWN. Thank you, Mr. Chairman. Now, I have to admit, I am a little confused as to why we are having the same hearing again. We held an almost identical hearing just three weeks ago. And at that hearing, we considered factors driving inflation and gas prices, among them a once-in-a-century pandemic and Russia's assault on Ukraine. Then, like now, we discussed the Biden's Administration's exceptional action to counter these twin crisis and bring solutions to the American people. At the hearing three weeks ago, we sadly heard the same misinformation about the Strategic Petroleum Reserve and the status of American energy independence from my friends on the other side. Now, I am happy to set the record straight once again.

The Biden Administration took bold and necessary action to secure America's energy needs in a time of international disruption. We had no rolling blackouts, our gas prices came down, and inflation is receding. This should be credited to the Administration, though my colleagues hold regular hearings to grasp at straws and make it appear otherwise. Not only did the Biden Administration and congressional Democrats mitigate impacts in the short term, but we set the country on a brighter path. Due to the Inflation Reduction Act, 99.6 percent of businesses in Ohio will be eligible for tax credit on solar power installation. That means money into pockets, all while addressing the climate emergency. The Inflation Reduction Act will also provide grants that allow the average new homeowner in Ohio to save 12 percent on their utility bills.

So, Dr. Paul, how have we addressed American energy needs and the climate crisis in recent legislation, like the American Rescue Plan and the Inflation Reduction Act?

Mr. PAUL. Thank you for those questions. I believe there are two things that the Biden Administration has done that have helped promote energy security and stability for households. One is helping put money in needy American households' pockets. By pursuing a economic agenda that prioritizes low-income workers across this Nation, we are helping lift wages so that the Biden Administration can ensure that people can afford their bills. Second, by pursuing a clean and renewable domestic energy sector, they are trying to make energy both more affordable and more reliable and actually reduce energy poverty.

The main challenge right now that we see associated between inflation and energy is the fact that fossil fuel firms are still profiting in record ways.

Ms. BROWN. Thank you for that. Now, Dr. Paul, how would Republican energy proposals, like expanding fossil fuel production, gutting environmental review regulations, and eliminating the Greenhouse Gas Reduction Fund, exacerbate the climate change in the near future?

Mr. PAUL. Unfortunately, Republican plans are intended to increase the extraction of fossil fuels. The IEA cites that if we are to meet our goals of limiting warming to 1.5 degrees Celsius, no new extraction can occur. Further, research published in the Journal of Science notes that if we are to meet our warming goals, we actually need to develop a plan for a managed wind down of already-existing extraction. So, there is simply no way we can meet our global warming goals and increase the extraction of fossil fuels. Further, since renewables are cheaper, we will be locking in expensive, dirty, polluting energy for current and future generations that will harm both the health and economic stability of the Nation.

Ms. BROWN. Thank you, again. So, I will close with this. Congressional Democrats and the Biden Administration continue to work tirelessly to address the energy needs of the American people, while responsibly addressing the climate emergency. It is my sincere hope that we can move toward bipartisan solutions better for the environment and our constituents. And with that, Mr. Chairman, I yield back the balance of my time.

Mr. FALLON. Thank you. The Chair recognizes Congressman Edwards for his five minutes.

Mr. EDWARDS. Thank you, Mr. Chair. Dr. McPherson, you referenced ESG scores in your opening comments. How could ESG metrics be making energy more expensive?

Mr. MCPHERSON-SMITH. Sure. So, now, there are a variety of different metrics out there, so we need to be somewhat specific. But, generally speaking, the SEC, by its own admission, is for the proposed disclosure, will have billions upon billions of dollars in compliance costs, first and foremost. So, there are additional costs to businesses across the board, which will trickle down to consumers. In addition to that, though, depending on how the ESG measure is structured, it would be very easy to rank lower companies that do produce greenhouse gas emissions. That would stymie investment, make it more expensive for them to borrow. Those higher borrowing costs for CapEx, or whatnot, would once again be passed through to consumers.

Mr. EDWARDS. And can you tell us how the Inflation Reduction Act provides billions to fund green energy initiatives, and are those initiatives currently bringing down the price of energy?

Mr. MCPHERSON-SMITH. So, the price of energy still remains far above what it was when President Biden took office by about 40 percent or so. If one were to argue that the IRA is reducing costs, we are yet to see it in a substantial way vis-a-vis when President Biden took office.

Mr. EDWARDS. And are there any hurdles that you see to sourcing the raw materials needed to implement the renewable energy initiatives outlined in the Inflation Reduction Act?

Mr. MCPHERSON-SMITH. The United States has a wealth of natural resources, and, in theory, we could mine these resources here at home. However, due to onerous restrictions, the NEPA process, capricious removals of land from leasing, all things we have seen under the Biden Administration, unfortunately it just takes far too long. So, on average, it is believed that it can take between five and seven years to permit a mine here in the United States. In Canada and Australia, they can do it in three to five years.

We do not need to repeal all of our environmental regulations. We need to protect the environment, but we also need to learn from comparable countries like Canada, like Australia, who can do it just so much quicker and in a responsible way.

Mr. EDWARDS. And Dr. McPherson, President Biden has just proposed a $6.8 trillion budget. If fully implemented, how would that budget effect inflation?

Mr. MCPHERSON-SMITH. It is a simple question of supply and demand when it comes to energy. We know over the past few years, the past two years, to be specific, about 25 percent of the inflation that we have seen is either related to direct energy costs or that pass-through that affects businesses that then affects consumers. Now, if the Biden Administration were to implement that budget, but maintain its current energy policies, that will increase demand for energy across the board, wherever it is from, but stymie supply. That is going to push prices higher.

Mr. EDWARDS. Not good news for folks back in my district. Last question, Dr. McPherson, President Biden said in 2021 that inflation was just temporary. Did that end up being true?

Mr. MCPHERSON-SMITH. I mean, maybe it is a question of semantics because it is still here.

Mr. EDWARDS. All right. Thank you, Mr. Chair. I yield.

Mr. FALLON. The Chair recognizes the gentlelady from New Mexico, Ms. Stansbury.

Ms. STANSBURY. Thank you, Mr. Chairman, and I want to greet everyone who is here with us today, and thank you, our witnesses, for coming to testify today.

I want to just take a few moments to really talk about what drives global oil and gas prices and how that impacts domestic production. So, Dr. McPherson-Smith, I really appreciate you being here and sharing your thoughts on the macro situation with respect to oil and gas, but let me just ask you very briefly, are you familiar with the Permian Basin?

Mr. MCPHERSON-SMITH. Yes.

Ms. STANSBURY. Yes. So, the Permian Basin is the largest unconventional oil and gas basin in the United States, which is actually in New Mexico, which is my home state as well as Texas. And have you ever been there?

Mr. MCPHERSON-SMITH. I have not.

Ms. STANSBURY. And are you aware of the astronomical growth in drilling that has happened in the Permian Basin over the last decade-and-a-half?

Mr. MCPHERSON-SMITH. Yes.

Ms. STANSBURY. You are. So, are you aware of how many wells were actually in operation in the basin in 2010 when this huge increase in production began. Take a stab.

Mr. MCPHERSON-SMITH. I will trust you to inform me of that.

Ms. STANSBURY. No idea, right? So, 350 wells were in production in 2010. How many wells do you think are in production as of last year?

Mr. MCPHERSON-SMITH. Again, I trust you to inform us.

Ms. STANSBURY. Well, I appreciate that. I know you are here to be an expert witness for us. As of 2021, there were 4,524 wells in the Permian Basin. That is a 1,292-percent increase in the number of wells in the Permian Basin. And Dr. McPherson, do you know why there was such an astronomical increase in production in the Permian Basin?

Mr. MCPHERSON-SMITH. It sounds like a lot of jobs were created, and there was a high demand for work, a high demand for oil.

Ms. STANSBURY. So, you don't know. So, the reason why there was such an astronomical increase in production is because of development of technologies that allowed for horizontal drilling and for increased production in formations like the Permian, which is why domestic energy production during that decade went through the roof and why the United States became one of the largest oil and gas producers in the world. Now, I would expect our expert witnesses who are here to testify on oil and gas markets to understand what is actually driving global markets and production. Dr. McPherson-Smith, do you know how many million barrels a day are being produced by the Permian right now?

Mr. MCPHERSON-SMITH. Again, I trust you to inform us because there are 12 million barrels being produced nationally.

Ms. STANSBURY. Right. 5.6 million of them are coming out of the Permian itself. It is one of the largest-producing basins. That is an all-time high in production in the United States and it was hit in the end of last year, and, in fact, it is going to hit an all-time high again this year. In fact, in the 4th quarter of this year, it is anticipated that the Permian is going to be producing over 6 million barrels of oil a day. This will be the largest increase in domestic oil production in the history of the United States.

OK. So, let us talk about facts and what is actually happening with domestic production. Now, there was a little bit of a dip in that decade-and-a-half of increased production, and that happened in the spring of 2020. And Dr. Paul, can you tell us what happened in the spring of 2020?

Mr. PAUL. There was a global pandemic and an unprecedented recession.

Ms. STANSBURY. Exactly. There was a global pandemic. There were lockdowns. People were in their houses. They weren't driving their cars. And so, as a response to the market, our oil and gas companies reduced their production because oil prices dropped so low that spring that it was no longer profitable for them to be operating their drill rigs, OK? And they had over-capitalized in places like the Permian where they had literally sunk billions of dollars into individual wells because these are massive operations. These are global multinational companies, right? A single well could have $2 billion in capital actually in the ground due to the horizontal drilling infrastructure. But it wasn't profitable at the time for them to have increased production because of that over-capitalization and the price of oil.

Now, the price of oil, of course, did recover, as we know, and, in fact, it not only recovered, but it spiked last year, and it spiked last year because of another global incident. Dr. Paul, can you tell us why did it spike last spring?

Mr. PAUL. Largely due to the Ukraine war led by Russia.

Ms. STANSBURY. Right. So, we had another global shortage. One of our major international oil producers, which is Russia, invaded Ukraine. There was another shortage. They worked with OPEC+, and then they collaborated to constrain global oil production, and so we ended up in a situation with sky-high prices and domestic companies that were not producing at their capacity. Now, what they have begun to do is they have begun to produce again, and we expect to see huge production in the next year as we are tackling the climate crisis. Thank you, Mr. Chairman. I yield back.

Mr. FALLON. Thank you. The Chair recognizes the gentleman from New York, Mr. Langworthy.

Mr. LANGWORTHY. Thank you so much, Mr. Chairman, and thank you very much for the witnesses for joining us here today.

In my home state of New York, our former Governor, Andrew Cuomo, our current Governor, Kathy Hochul, their administrations have halted our ability to safely extract natural gas. And, as you may or may not know, my district, New York's 23d District with New York's Southern Tier along the Pennsylvania line, has the Marcellus Shale in it, you know, arguably the Saudi Arabia of natural gas that straddles the New York and Pennsylvania line. And while New York state policy has crushed my district's ability to create jobs and opportunity and lower natural gas costs, the Pennsylvanian economy has been transformed in some formerly depressed areas of that state. Meanwhile, we suffer, and I want to take some time to look at the Biden Administration.

Ms. Gunasekara, we have heard talk of the Biden Administration looking toward mass electrification of the energy grid. Now, just last December, Western New York was hit with some of the worst blizzards the U.S. has ever seen, the deadliest storm I have ever lived through, and I am from Buffalo. The storm left thousands without power and nearly 50 dead. In your opinion, does mass electrification of the energy grid pose any risk to the American people?

Ms. GUNASEKARA. Yes, absolutely. I think putting too many eggs in any one energy basket is a irresponsible approach to the importance of energy policy.

Mr. LANGWORTHY. Yes, as I have warned our Governor that her mass electrification plans, you know, could have very easily added one, if not two, zeros to our death toll in that horrible storm. You know, we need to take moments like that to reevaluate this path that we are on. Dr. McPherson-Smith, would greater domestic production of natural gas reduce the price of energy across the Nation?

Mr. MCPHERSON-SMITH. Absolutely.

Mr. LANGWORTHY. Now, would the jobs created by domestic production of oil and natural gas benefit Americans and the economy as a whole?

Mr. MCPHERSON-SMITH. I believe so.

Mr. LANGWORTHY. And last, the Inflation Reduction Act, it provides billions to fund green energy initiatives, but are those initiatives actually bringing down the price of energy in your opinion?

Mr. MCPHERSON-SMITH. I mean, again, I believe it is perhaps too early to say. Again, inflation and energy inflation remains above what we encountered when President Biden first took office.

Mr. LANGWORTHY. I mean, my constituents, you know, have seen drastic increases in the cost of propane and home fuel oil, as well as, you know, their electric bills this year. It has been a very difficult winter for, you know, many, especially the lower-income or fixed-income seniors that live in my district. I am a supporter of an all-of-the-above energy approach. However, right now, I don't think that we are in the position to shut off, you know, fossil fuel exploration. You know, at this point, Dr. McPherson, you know, there have been a lot of things posed to you. If you would like to take any time to kind of elaborate on other points, I mean, I would welcome you to do so.

Mr. MCPHERSON-SMITH. Thank you. To pick up on the point you made about the importance of an all-of-the-above energy policy, it would be imprudent for us to rush too quickly into any solution. We know that energy policy needs to be nuanced. Energy policy cannot follow a one-size-fits-all approach for the diversity that we see across our country. I challenge anyone to point to a similarly developed and industrialized country that has such diversity climatically. If you think of, between Alaska and Hawaii, for example, they have different energy needs, and we need to tailor energy policy and support energy development to meet those individual needs.

Mr. LANGWORTHY. I think it is a sad moment in our country when our American President goes on bended knee to the Saudis and OPEC nations to beg for more oil when we have the opportunity to explore more energy right here at home, and H.R. 1 will get us on the right direction to do this. I mean, Americans don't want handouts from the government. They just want a fair shake, and they want the opportunity to make ends meet. And greater domestic production on all-of-the-above strategy, whether it is natural gas or oil or any of the other opportunities that we have to create fossil fuels here at home, will do just that. So, I thank you very much for your time and your testimony, and I yield back, Mr. Chairman.

Mr. FALLON. Thank you. I want to thank everybody again, and all the witnesses for their testimony today. In closing, I want to thank our panelists, again, you know, just very insightful.

With that and without objection, all Members will have five legislative days within which to submit materials and to submit additional written questions for the witnesses, which will be forwarded to the witnesses for their response.

Mr. FALLON. If there is no further business, without objection, the Subcommittee stands adjourned.

[Whereupon, at 3:49 p.m., the Subcommittee was adjourned.]