



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

December 09, 2014

TO: Members, Subcommittee on Energy and Power

FROM: Committee Staff

RE: Hearing on “The Energy Policy and Conservation Act of 1975: Are We Positioning America for Success in an Era of Energy Abundance?”

On Thursday, December 11, 2014, at 9:30 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing entitled “The Energy Policy and Conservation Act of 1975: Are We Positioning America for Success in an Era of Energy Abundance?” This hearing will examine current law and its impact on domestic energy supplies and availability.

I. WITNESSES

- Adam Sieminski, Administrator, U.S. Energy Information Administration;
- Lou Pugliaresi, President, Energy Policy Research Foundation, Inc.;
- Charles K. Ebinger, Senior Fellow, The Brookings Institution; and,
- Deborah Gordon, Director, Carnegie Endowment for International Peace

II. BACKGROUND

Technological advancements in unconventional oil and gas extraction techniques, namely the coupling of hydraulic fracturing and directional drilling, have led to a surge in domestic oil and gas production from shale formations across the country. Crude oil and lease condensate production in the United States exceeded 8.8 million barrels per day in September, a production volume not observed since April 1986, according to data collected by the U.S. Energy Information Administration (EIA).¹ This growth in domestic production has contributed to a significant decline in petroleum imports. The share of total U.S. liquid fuels consumption met by net imports fell from 60% in 2005 to an average of 33% in 2013, and EIA expects the net import share to decline to 21% in 2015, which would be the lowest level since 1969.² The recent and anticipated increases in domestic crude production have sparked discussion about how rising crude oil volumes will be absorbed. To date, increased production has displaced some imported crude oil, which has fallen from 8.9 million barrels per day in 2011 to 7.5 million barrels per day in August 2014.³ While the U.S. remains a net importer of crude oil, exports of finished

¹ U.S. Energy Information Administration, [Crude Oil Production](#), (Accessed December 1, 2014).

² U.S. Energy Information Administration, [Short-Term Energy Outlook](#), (November 12, 2014).

³ U.S. Energy Information Administration, [Today in Energy](#), (November 21, 2014).

petroleum products, such as gasoline and diesel fuel, have risen in recent years, growing from about 1 million barrels per day in 2005 to nearly 2.7 million barrels per day in 2013.⁴

Today's energy outlook contrasts sharply with that of the early 1970's, when the U.S. was faced with growing demand for oil, dwindling domestic reserves, and increasing reliance on imports. The 1973 Arab Oil Embargo exposed this vulnerability and strained the U.S. economy, leading to the implementation of new governmental policies designed to control the price and supply of domestic oil. The Energy Policy and Conservation Act of 1975 (EPCA) was the most comprehensive response, with provisions intended to increase domestic production and reduce energy demand. Some programs originating from EPCA, such as the Strategic Petroleum Reserve and Corporate Average Fuel Economy Standards, remain today, while several others expired or were repealed in later years.

Crude oil price controls are an example of EPCA provisions that were subsequently repealed. EPCA expanded a system of controls that artificially depressed the price of domestic crude oil in an attempt to reduce gasoline prices for U.S. consumers. However, merely lowering domestic crude oil prices did not result in lower prices for refined products, such as gasoline. Instead, the prices for refined products reflected the more expensive imported oil that was not subject to price controls. Attempts were made to intervene by issuing import subsidies, but over the long run, the oil price controls program dampened incentives to produce oil domestically and increased America's reliance on foreign sources. In 1981, President Reagan eliminated the price controls program through Executive Order 12287,⁵ stating:

For more than 9 years, restrictive price controls have held U.S. oil production below its potential, artificially boosted energy consumption, aggravated our balance of payments problems, and stifled technological breakthroughs. Price controls have also made us more energy-dependent on the OPEC nations, a development that has jeopardized our economic security and undermined price stability at home.⁶

Other policies originating from EPCA, such as crude oil export restrictions, raise similar questions regarding their effect on the market and impact on consumers. Rising oil production, combined with declining demand and decreased reliance on imports, has had a profound effect on global oil markets and U.S. energy security. America's updated energy outlook necessitates the reexamination of laws conceived in an era of energy scarcity.

III. ISSUES

The following issues are expected to be examined at the hearing:

- U.S. energy outlook;
- Economic and strategic implications of rising energy production; and,

⁴ U.S. Energy Information Administration. [U.S. Exports of Finished Petroleum Products](#), (Accessed December 1, 2014).

⁵ Executive Order No. 12287, 46 Fed. Reg. 9909 (January 30, 1981).

⁶ Weekly Compilation of Presidential Documents, vol. 17, no.4 (January 28, 1981).

- Impact of crude oil export restrictions.

IV. STAFF CONTACT

If you have any questions regarding the hearing, please contact Committee staff Tom Hassenboehler or Brandon Mooney at (202) 225-2927.