

OPENING STATEMENT OF CHAIRMAN FRED THOMPSON
OVERSIGHT HEARING ON RISING OIL PRICES,
EXECUTIVE BRANCH POLICY, AND U.S. SECURITY IMPLICATIONS
(March 24, 2000)

Today, the Committee is holding an oversight hearing on rising oil prices, Executive Branch policy, and U.S. security implications. As we all know, oil is an essential component of our economic vitality and lifestyle. Petroleum products fuel 97% of our transportation needs. Oil is the primary energy source for many industries and a key feedstock for others. High oil prices affect everything from travel, shipping, autos, chemicals, consumer products, technology, and home heating.

It wasn't long ago that we enjoyed historically low oil prices. Little more than a year ago, oil was about \$10 a barrel. Gasoline was less than \$1 a gallon. In March 1999, OPEC decided to decrease oil production to drive up oil prices, even as world oil consumption was rising. Since then, oil prices have tripled to about \$30 a barrel. During this winter, home heating oil prices doubled in the Northeast. As Secretary Richardson put it, the Administration was "caught napping" by that price jump. Economists are predicting that gasoline prices will continue to rise in the near term, and some think that gasoline could cost about \$2 a gallon this summer.

Oil also has important implications for our national security. Because oil is the lifeblood of our economy, it must be reliable, affordable, and predictable. Relying completely on others to supply it can present dangerous consequences to our prosperity and way of life—both vital interests that the country must be prepared to defend. The United States is becoming increasingly reliant on foreign oil. This is cause for alarm given that some of the world's leading oil producers are politically unstable, face difficult internal issues, or live in "tough neighborhoods." We now depend on foreign sources for over half of our oil needs, and we are heading to 60% within five years. It seems that few people view our reliance on foreign oil as a problem until prices are raised. Here in Washington, it's tempting to enjoy the political windfall of low oil prices. So long as prices are low, policymakers are prone to ignore the link between oil imports and national security. But it seems to me that there's a danger to not having a proactive energy policy. The recent oil price shocks may be a sign that the chickens will come home to roost.

We have a fine lineup of witnesses today. I look forward to hearing their views.