# CONGRESSMAN DON MANZULLO'S 12-POINT PLAN TO REDUCE SURGING GASOLINE PRICES IN AMERICA 7/25/08

"Gasoline prices are at record high levels primarily because of a huge increase in the worldwide demand for oil, and the foreign oil producers' unwillingness to increase production combined with an insufficient utilization of domestic resources. We need a comprehensive energy policy that balances conservation with new incentives for research and production of renewable and alternative fuels, as well as increased domestic extraction and refinement of oil and gasoline. In 1973, during the first oil crisis, America imported 35 percent of its oil and today we import 59 percent. We must end our dependence on costly foreign oil for our own national security so we no longer have to rely on outsiders who often don't have our best interests at heart."

***-- Congressman Don Manzullo (IL-16)***

## Immediate relief

1. Eliminate federal mandate for "boutique fuels" in Illinois during summer – In the Chicagoland area — including McHenry County — gas prices are about 20 cents higher than other northern Illinois counties from May 1 to October 1 because the U.S. Environmental Protection Agency (EPA) requires cleaner-burning Reformulated Gasoline to be sold during the peak driving season. These more expensive "boutique fuels" were first required in the 1990s to offset smog in areas with heavy pollution. However, the EPA never took into consideration that the Chicago area has always blended its basic gasoline with clean-burning ethanol and now is marketing super-clean-burning E-85 to Flex Fuel vehicles in northern Illinois. Illinois should receive an "ethanol credit" because it is already burning cleaner fuel and be relieved from the boutique fuel requirement. Furthermore, the other areas of northern Illinois not required to burn boutique fuels still see price increases during the summer because the process of making the boutique fuels also increases the cost of making basic gasoline. *HR 2493 would maintain the standards of the Clean Air Act while limiting the number of boutique fuels required in a given area, reducing the price of gasoline. On July 15, 2008, I signed Discharge Petition #110-13 to force a vote on HR 2493.* **Effect – Reduces gas price by 20 cents per gallon from May to October.**

2. Stop filling America's Strategic Petroleum Reserve – Our nation's Strategic Petroleum Reserve currently stands at an all-time-high of 701 million barrels of oil. This meets the reserve goals of the International Energy Agency. Although our nation's stated goal for the Strategic Petroleum Reserve is to reach 1 billion barrels, it is unnecessary at this time and would waste taxpayer resources by requiring the government to pay an extremely high price to fill the reserve right now. *HR 6022 was signed into law by the President on May 19, 2008 (P.L. 110-232).* **Effect – Halting purchases for the Strategic Petroleum Reserve would reduce gas prices by 5 to 10 cents per gallon.**

3. Reduce exorbitant taxes on gasoline in Illinois – Each gallon of gasoline in Illinois includes an 18.4-cent federal gas tax (federal tax on diesel is 24.4 cents), a 19-cent state gas tax, a 1.1-cent state environmental tax, a 6.25 percent sales tax (about 22-cents-per-gallon when gas is at $3.50), and various local taxes, totaling more than 60 cents per gallon in most areas of the state. Congress and the Illinois General Assembly should consider reducing this excessive amount of taxation at least temporarily during this crisis. Illinois is one of a handful of states in our nation that levies a sales tax on gasoline on top of a state motor fuel tax. **Effect – Could reduce gas price by up to 60 cents per gallon.**

4. Encourage motorists to conserve fuel – In addition to saving money, motorists can also reduce our nation's demand for foreign oil by practicing the following driving tips from the AAA Motor Club:
   - Start your car properly by not racing a cold engine to warm it up or allowing it to idle for an extended time.
   - Maintain a steady speed; quick starts and sudden stops waste fuel, are harder on vehicle components and increase the odds of a traffic crash.
   - Facilitate routine maintenance, such as tire, air filter, oil and fluid checks, and engine tune-ups, to ensure maximum fuel efficiency.
   - Use the air conditioner conservatively, using your vehicle's "economy" or "recirculation" setting, which reduces the amount of hot outside air that must be chilled.

   **Effect – Proper car maintenance and sensible driving could lower gasoline bills by up to 30 percent for motorists while reducing America's demand for expensive foreign oil.**

5. Provide tax incentives to encourage motorists to save fuel –
   - Support legislation that would increase or remove the cap limitations on the tax credit of up to $3,150 for consumers who purchase alternative powered motor vehicles. Currently, only the first 60,000 hybrid vehicles of a particular make and model sold after January 1, 2006 qualify for the tax credit. For many of the most popular hybrid vehicles, the tax credit has expired or will expire at the end of this year. *HR 76 would increase the number of hybrid vehicles eligible for this tax credit to 250,000. Title II, Subtitle A of HR 6566 extends this credit through 2014 and provides a $3,000 tax credit for electric plug-in vehicles.*
   - Support legislation to help offset the cost of idling reduction devices that allow truck drivers to control temperatures in their sleeping cabs while the ignition is "off." *HR 139 would allow a tax credit up to $1,000 for the purchase of the devices, which are estimated to save 960 million gallons of diesel fuel annually if adopted by all truck drivers.*

   **Effect – Providing tax incentives to encourage motorists to save fuel would lower gasoline bills for motorists while reducing America's demand for expansive foreign oil.**

## Long term relief

6. Avoid tax increases on oil and gas that will be passed on to motorists – On several occasions over the past year and a half, the Democratic-led Congress has brought various bill to the floor of the House that would significantly increase taxes and regulations on the oil and gasoline industry. Imposing these burdens will only cause the companies to pass along their extra costs and raise prices at the pumps. A "Windfall Profits Tax" that taxes profits above a certain level was tried in the 1980s and failed miserably because it prompted the oil and gas industry to halt exploration and production in the United States and move it overseas to avoid the cost increases; as a result, our reliance on costly foreign oil increased 13 percent during that time. While oil and gas companies have reported record profits, they have also made record investments of $1.25 trillion in long-term energy initiatives over the past 15 years. *S. 3044, which would have imposed a 25 percent windfall profits tax on major oil companies, failed in the Senate by a vote of 51 to 43 on June 10, 2008.* **Effect – Avoiding tax increases would keep gas prices down and encourage gas and oil companies to continue exploration and production in America, reducing our reliance on costly foreign oil.**

7. Scrutinize earnings and profits of oil companies; eliminate excessive energy speculation – With most major oil companies again reporting double digit profits this year, federal and state authorities should redouble their scrutiny of the oil and gas industry to ensure price gouging is not occurring. From 1973 to May 2007, the Federal Trade Commission (FTC) conducted approximately 190 oil industry investigations that resulted in at least 44 enforcement actions. Most notably, the FTC investigated gasoline pricing following Hurricane Katrina but found no evidence of manipulation. At the same time, we need to encourage oil companies to reinvest more of their profits into exploration and production of gasoline and R&D of alternative fuels in United States. We must also crack down on energy traders that have excessively speculated on the price of a barrel of oil. *Title XIII of the Food, Conservation, and Energy Act of 2008 (HR 6124), which became Public Law 110-246 on June 18, 2008, gives the Commodity Futures Trade Commission (CFTC) the authority to monitor energy trading behavior and prevent manipulation, particularly when these oil contracts are being used to establish a price reference for other contracts. On June 26, 2008, the House passed HR 6377 to give the CFTC further emergency powers to eliminate sudden or unreasonable changes in price that does not accurately reflect supply and demand for energy commodities. On July 24, 2008, the CFTC filed charges against three senior executives of Optiver Holding BV for manipulating the price of oil.* **Effect – Reinvesting oil profits into domestic production and alternatives research would help eliminate America's dependence on costly foreign oil. Eliminating excessive energy speculation will restrain rapid price increases.**

8. Hold OPEC countries accountable for failure to support reasonable oil prices – Major oil producing nations have the power to reduce oil prices by increasing supplies. Unfortunately, the OPEC cartel is taking advantage of the United States' dependence on its oil and refuses to turn on the spigot and produce more oil. The U.S. should take action to reduce, suspend, or terminate bilateral assistance and arms exports to major net oil exporters engaged in oil price fixing as part of a concerted diplomatic campaign with other major net oil importers to bring about the compete dismantlement of international oil price fixing arrangements. The U.S. should also prosecute the anti-competitive conduct committed by international cartels like OPEC by removing foreign-state immunity (HR 6074). *HR 6074 passed the House on May 20, 2008. Congressman Manzullo also sent a letter on May 20th to the Saudi Arabian Ambassador protesting their decision to not significantly increase production. On June 22, 2008, Saudi King Abdullah committed to further increase production to 9.7 million barrels a day – the highest level since 1981 – and to invest in oil projects to produce 12.5 million barrels per day by the end of 2009.* **Effect – Increasing foreign oil production would reduce the price of oil.**

9. Allow more domestic exploration and development of oil and gas – The United States has limited control over gasoline prices because it relies too heavily on expensive foreign oil. Our nation has vast oil resources not being extracted for various reasons. We need to do a better job of extracting the estimated 112 billion barrels of U.S. oil reserves, which could power 60 million cars for 60 years:
   - Using environmentally sound practices, we can produce an estimated 1.5 million barrels of oil a day on a tiny portion of the Arctic National Wildlife refuge (exploration would be limited to just 2,000 of the 19 million acres of the ANWR) in Alaska. The oil from the ANWR would increase America's onshore oil reserves by over 50 percent. *HR 3089 and Title I, Subtitle B of HR 6566 would allow oil from ANWR.*
   - During exploration in 2006, Chevron found a deep well offshore in the Gulf of Mexico capable of producing up to 15 billion barrels of oil. Cuba has issued exploration contracts to six foreign oil companies to drill offshore in areas near the Florida Keys that American companies are banned from developing. *HR 3089 and Title I, Subtitle A of HR 6566 would end the offshore drilling ban America has had in place for over 25 years to open up 14.3 billion of barrels of oil off the Atlantic and Pacific coasts for extraction. On June 10, 2008, I signed Discharge Petition #110-8 to force a vote on HR 3089. On July 14, 2008, the President lifted the executive ban on producing oil from the OCS.*
   - The U.S. Geologic Survey just released a new assessment of production estimates for the massive Bakken Oil Formation in Montana and the Dakotas. The government now estimates 4.3 billion barrels of oil can be extracted from those fields with existing technology. We should encourage environmentally sound exploration and development of these oil resources.
   - Experts estimate billions of barrels of oil exist in the United States underground in abandoned oil fields. Energy companies should explore ways to extract these resources in an environmentally sound manner as soon as possible.

- Oppose forcing oil and gas companies to prematurely give up leases on federal public lands until the area has been fully explored. *HR 6251 and HR 6515 failed to pass the House on June 26, 2008 and July 17, 2008 respectively because both bills had the potential to reduce U.S. domestic supply.*

**Effect – Allowing for more domestic extraction of oil would reduce our dependence on expensive foreign oil and bring down gas prices in America through increased supply.**

**10.** Encourage the continued development and production of alternative and renewable fuels – Although widespread use of alternative and renewable fuels is many years away, we must continue to research and develop the fuels of the next generation. We tried natural gas to power our vehicles but the rise in its price made it uneconomical except for larger vehicles such as delivery trucks and buses. Currently, corn-based ethanol helps to keep gas prices down by about 54 cents per gallon; however, it has matured enough as a technology to merit a gradual reduction of the direct benefits ethanol producers receive from the government (i.e., *the ethanol tax credit is reduced by 6¢ per gallon in Section 15331 of P.L. 110-246*). Congress must pass legislation that provides new incentives to develop other promising energy alternatives:

- *Coal to liquid technology that provides diesel fuel (HR 2208, HR 5656, and Title III, Subtitle A of HR 6566). On June 25, 2008, I signed Discharge Petition #110-10 to force a vote on HR 5656 to allow the U.S. government to purchase alternative fuels such as those derived from coal, oil shale, and tar sands.*
- *More environmentally sensitive extraction methods for oil shale (HR 2652 and HR 6566).*
- *Further refinement of biodiesel (HR 3781).*
- *Cellulose-based ethanol made from switchgrass and other non-corn sources (Title IX of P.L. 110-246).*

**Effect – Alternative and renewable fuels will reduce the demand for costly foreign oil and reduce gas prices in America.**

**11.** Encourage the continued development and production of alternative vehicles – We must accelerate the development of the Freedom Car initiative at the U.S. Department of Energy that is exploring the viability of plug-in hybrids, fuel cells, hydrogen-powered cars, and clean diesel vehicles. We can fuel the electric hybrids through the development of additional nuclear and other "clean" power plants in America and by conserving electricity in other ways (if all Americans installed energy-efficient light bulbs in their homes, we would save the equivalent of electricity produced by 20 nuclear power plants). *Title II, Subtitle B of HR 6566 creates a $500 million prize for an alternative car that gets 100 miles per gallon and an advanced battery manufacturing incentive program. Section 228 of HR 6566 provides accelerated tax depreciation to encourage the purchase of smart electric meters so that plug-in vehicles could draw power from the grid at the most optimal time (usually during the middle of the night).* **Effect – Alternative vehicles will save motorists money, conserve energy, lower greenhouse gas emissions, and reduce America's dependence on costly foreign oil.**

**12.** Provide incentives to encourage development of new refineries in United States – American oil refineries are operating at or near capacity. Legislation that Congressman Manzullo voted for in 2005 is making modest progress in increasing operating refining capacity, but more still needs to be done. New refineries are needed to speed up production and reduce the price of gasoline. EPA's regulatory framework for reviewing and processing refinery applications must be streamlined. *HR 3089 permits tax exempt bonds to be used for oil refinery construction. HR 2279 and Title II, Subtitle D of HR 6566 requires placing new oil refineries within 3 months on no fewer than three closed military bases. On June 18, 2008, I signed Discharge Petition #110-9 to force a vote on HR 2279.* **Effect – Development of new refineries in the United States would increase supplies of gasoline, lowering the demand and reducing the cost to motorists.**

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