

# Newsmaker: Hofmeister says U.S. exploration policies to blame for high prices

March 26, 2011

By Edward Felker – Energy Guardian

Former Shell Oil boss John Hofmeister tells EnergyGuardian that the United States deserves much of the blame for the current surge in oil and gasoline prices because it has been unwilling to tap its vast resources with new exploration.

“The U.S. is the primary cause of high global crude oil prices,” said Hofmeister, now the chief executive of Citizens for Affordable Energy. “If the Obama Administration has any interest in impacting higher world oil prices and avoiding a return to recession because of such prices, it would publicly commit to enabling the U.S. production of an additional three million barrels to 10 million barrels per day on a sustained basis.”

Hofmeister said the Obama administration also is misreading Americans’ appetite for reducing hydrocarbon-based fuels.

Here are his full answers to questions emailed from EnergyGuardian:

**EnergyGuardian:** What should the Obama administration be doing in the short term to react to higher world oil prices?

**Hofmeister:** It should do the unthinkable. This nation consumes 20 million barrels of oil per day, has more oil resources than it will ever need, but produces only 7 million barrels per day because of government restrictions and prohibitions (on its way to 6 million because of the Gulf of Mexico shut-in). The U.S. is the primary cause of high global crude oil prices. If the Obama Administration has any interest in impacting higher world oil prices and avoiding a return to recession because of such prices, it would publicly commit to enabling the U.S. production of an additional 3 million barrels to produce 10 million barrels per day on a sustained basis. The U.S. has the oil resources. Three million barrels per day additional

production would also create and sustain 3 million new jobs in the American economy, a sufficient economic tide to lift all ships.

**EnergyGuardian:** How should the business community react to EPA's scaled-back boiler pollution regulations and Interior's granting of its first deepwater drilling permit since Deepwater Horizon? Is the administration taking a more pro-business approach?

**Hofmeister:** The two examples mentioned in no way establish a trend. The drilling permit moratorium in the Gulf of Mexico continues to contribute to higher global crude oil prices. Only parsimonious legal wordsmithing suggests the drilling permit moratorium has ended. The thirty-three rigs whose permits were "arbitrarily and capriciously" withdrawn, as declared by Judge Feldman, despite meeting all of the requirements of the permits, essentially remain out of business. The permit that was recently approved replaces one that was lifted after a grand total of four days of drilling, hardly a threat to the GOM environment. The boiler pollution regulations issue has not gone away. Until the leadership of the current Administration realizes that existing productive infrastructure, designed and built for a different regulatory age, cannot turn on a dime and become something different overnight, business will live in fear that its costs are out of its control and continue to invest as little as necessary. It will not invest in new or re-invest in old because it doesn't know when or what is next from the regulators. Congress should demand a short, medium and long range plan from the EPA, debate its merits, and approve what makes sense. This would give business clarity and assurance of the way forward and stop political zealotry and righteousness from disrupting productive enterprises from what they do every day.

**EnergyGuardian:** Do opponents of EPA's greenhouse gas regulations have the support in Congress to either force passage of a bill or put enough pressure on the White House to slow implementation?

**Hofmeister:** Realistically there could be enough support in Congress to effectively slow implementation but there is insufficient support to force passage of a bill, in my opinion. Americans have chosen divided government as the best path forward to protect itself from the extremes of either party. Under these circumstances

Americans demonstrate their preference of “limited government” by making sure that they will not be steamrolled by political forces beyond their control.

**EnergyGuardian:** Can Democratic senators from the Midwest and West Virginia win election next year without taking steps to block EPA climate regulations?

**Hofmeister:** The issue of EPA enforcement has spread far wider than the Midwest and West Virginia. The Obama Administration has badly mis-read the public and its appetite for abolishing hydrocarbons and job creating extraction industries in the nation’s energy system. While new energy venture capitalists and environmental supporters of the Obama Administration’s efforts on energy and the environment may be disappointed, common sense and pragmatism, both of which inevitably dominate at the polls in this country, will determine who gets elected. Candidates associated with supporting appointed government officials who arbitrarily decide to enforce unwanted economy-wide regulatory changes on the country will have a great deal of difficulty remaining in office.

**EnergyGuardian:** Can wind, nuclear and ethanol expect to see tax credit and loan guarantee support in the anti-spending climate this year on Capitol Hill? Why or why not?

**Hofmeister:** In a country of special interest politics all bets are off as to whether subsidies, tax credits or other taxpayer support for energy initiatives in these areas are discontinued. Those who influence legislators will not rest while the issues are on the table until they are resolved. I see two scenarios as likely. While there may be considerable rhetoric on all sides of the issues it is possible some form of energy compromise will be reached to continue some level of taxpayer support for alternatives while also enabling the production of more traditional forms of energy to go forward. Alternatively, but perhaps more likely, there will be legislative stand-off because of the significant differences of outlook between the House of Representatives and the Senate/White House coalition. This would likely push energy issues towards campaign demagoguery and the elections of 2012 with little more than symbolic positioning, i.e. a bit of everything for everybody but not enough for anyone, until then.