

Statement of

# The Honorable Patrick Leahy

United States Senator  
Vermont  
May 21, 2008

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Chairman, Senate Judiciary Committee  
Hearing on "Exploring the Skyrocketing Price of Oil"  
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The price of a gallon of gas at the pump today in Vermont reached a record \$3.77. Nationwide, the average price has more than doubled since President Bush took office.

The President once boasted that with his pals in the oil industry, he would be able to keep prices low and consumers would benefit. Instead, it is his pals in the oil industry who have benefited. American consumers, and the American economy, have suffered immensely.

Today's witnesses represent the major, vertically integrated oil companies that, collectively, made more than \$36 billion in profits in just the first quarter of this year-- \$36 billion in the first three months of the year.

I want these witnesses to hear about Warren Hill, whose family settled in Greensboro, Vermont, more than 200 years ago. Warren runs a logging and trucking company that he dreams of passing on to his son. But the increase in fuel prices has led him to question whether his business, which has been successful for over 30 years, can survive.

I say to our panel today: Mr. Hill wants to know how you can justify exorbitant profits on the backs of middle class, hard-working families. He deserves answers. Every member of this Committee, and of this Congress, has constituents with similar stories and similar questions.

We hear from the oil industry that the price of gas at the pump is directly related to the price of crude oil. One of our witnesses today has said that normal supply and demand indicates that the price should be somewhere around \$50-\$55 a barrel. As he said: "There is a disconnect." I would like to know, and I am sure American families and small businesses would like to know why prices are so disconnected from what normal supply and demand would indicate. Why has the price of oil increased 400 percent since President Bush took office? Why has it nearly doubled in the last year? Prices should not skyrocket like this in a properly functioning, competitive market.

Certainly the cost of oil to these companies has not doubled or quadrupled. Certainly our witnesses today would not contend that it is service station operators who are gouging consumers for windfall profits.

I expect that none of our witnesses would dispute that a protracted war in Iraq has caused the price of oil to rise. I expect that none of our witnesses would dispute that Bush administration economic policies, which have crippled the value of the dollar, have contributed to the rising price of oil.

I want to hear directly from these oil companies about causes of the rising price of oil on which Congress can act. This Committee unanimously approved Senator Kohl's NOPEC legislation, which would put an end to artificial limits on supply by ensuring that the U.S. Government has the authority to prosecute OPEC members for collusive behavior. Seventy members of the Senate have voted for this legislation, as have 345 Members of the House. Yet this President threatened to veto it.

I would like to know what these oil executives think about applying principles of competition from our antitrust laws to the commercial activity of the oil producing states. The members of OPEC meet regularly to agree on limits on the amount of oil they will produce. That is wrong, and it hurts Americans. If such a meeting took place in almost any other context, the participants would likely be arrested for an illegal conspiracy in restraint of trade.

Do they agree that we need to crack down on speculation and manipulation in the oil commodities market? Numerous experts have testified before this Committee and others that oil prices are moving higher as a result of speculators. Investors are betting up the price of oil, and consumers are paying the bill. Increasingly, this speculation takes place in over-the-counter trading, which avoids the oversight of the Commodity Futures Trading Commission, thanks to the Enron loophole.

That is an unjustified loophole, which Senator Feinstein and I, among others, have been actively trying to close. Keeping the CFTC blind to speculation and manipulation in the oil futures market is inexcusable. Last week, Congress passed the Farm Bill that would close this loophole. The President threatened to veto the legislation. I would like to know what these oil executives think about that.

Finally, last week we were able to pass legislation calling for the Government to stop artificially inflating demand by diverting fuel to the strategic petroleum reserve. The President opposed it. Filing the SPR may have made sense when oil was \$25 a barrel. At \$125 a barrel, it is simply hurting consumers.

This Committee and the Congress need answers so that we can act in a way the administration will not - for the benefit of consumers, for American families and small businesses. We need to get prices under control and back to competitive levels, and we need to do it now. Warren Hill and his family in Vermont, and all Americans, deserve a government that will stand up for them. Small businesses should not be forced to close their doors because oil prices are skyrocketing out of control.

I thank the witnesses for being here today and look forward to hearing from them.

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Closing Remarks Of Sen. Patrick Leahy (D-Vt.),

Chairman, Senate Judiciary Committee,

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I thank the witnesses for being here today. And some of you, to your credit, were more forthcoming than others in answering the questions on both sides of the aisle. Of course, the bottom line is very simple: People we represent are hurting. Your companies, the foreign oil interests, are profiting. And we need to get this somehow into balance.

I think the price of oil has to reflect market fundamentals. If oil returns to \$35 to \$65 a barrel, as some of you have said, then we could bring gas prices back to competitive levels. We look at the past profits of oil companies and what they're making on previously discovered oil; oil that was very profitable for them at \$55 to \$65 a barrel is obviously making them windfall profits at \$130 a barrel.

And I think for any of the oil companies to come here, and, as your ads suggest and in some of the testimony today, to play the victim is extraordinary. The American people are the victims.

Billions of dollars are paid by Americans to oil companies every year to put gasoline in their cars, to heat their homes, to run their businesses. And skyrocketing oil prices hurt these consumers, but it's also hurting our nation's economy and, thus, its security.

And despite your opposition, the administration should support the NOPEC bill, as the majority of Republicans and Democrats in the Congress have.

When OPEC countries commercially set the limit of output of oil, this government, on behalf of all Americans, ought to be able to go after them as it could any other cartel. The president vetoed the bill to close the Enron loophole. I hope that that will be overridden.

The \$36 billion that your companies reported in the first three months of this year were drawn directly from the exorbitant amounts of money Americans are paying at the pump. It's wrong. As we heard from other senators here today, it just doesn't seem fair.

I thank Senator Durbin. For some of you who were not able to remember how much you make, I'm glad that Senator Durbin reminded you.

But I thank you for your testimony. You've been here on Capitol Hill a lot. It is probably not the thing you enjoy the most. I thank you for being here.

We stand in recess.

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