

The Facts about Oil Refineries

October 6, 2005

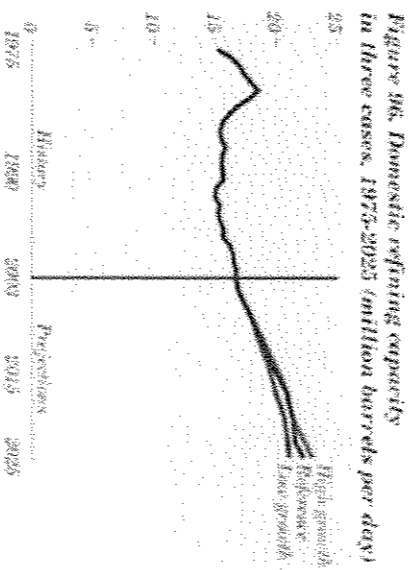
Dear Colleague:

A fair amount of misinformation regarding the nation's refining industry has been circulated around the halls of Congress. In part, this may be because no authoritative and complete record has been developed by any House Committee. As the House considers refinery legislation this week, we thought you might appreciate some facts regarding this important industry.

As you may know, there have been no new refineries built in the United States since 1976. According to the U.S. Department of Energy's Energy Information Administration (EIA):

Falling demand for petroleum and deregulation of the domestic refining industry in the 1980s led to 13 years of decline in U.S. refinery capacity. That trend was reversed in 1996, and 1.4 million barrels per day of distillation capacity was added between 1996 and 2003.¹

As the EIA chart below indicates, domestic refinery capacity has consistently increased since 1996, and it is projected to continue to increase for the foreseeable future.²



Over the past decades, the oil refining industry has consolidated under the ownership of fewer and fewer corporations. According to the Government Accountability Office (GAO), over 2,600 mergers have occurred in the oil industry since the 1990s.³ As it consolidated, the industry decided to close smaller refineries, while expanding refining capacity at other existing refineries. Overall, refining capacity has grown, but not as quickly as demand which has resulted in greater dependence on imported refined product. In this tighter market, refinery profits have sharply increased. In the last year alone, refinery prices have increased 255%.⁴ With these profits come higher gasoline prices. Consumers are now paying 64% more than they were just a year ago and more than twice as much for gasoline than when President Bush took office.⁵

In fact, at a recent Hill briefing the petroleum industry admitted that the primary reason for their lack of investment in domestic refineries is simply economic. They choose to invest

¹ Energy Information Administration, Annual Energy Outlook (Jan. 2005) (online at <http://www.eia.doe.gov/oiiaf/aeo/gas.html>).

² *Id.*

³ Testimony Jim Wells, Director, Natural Resources and Environment, Government Accountability Office, Before the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs, Committee on Government Reform, U.S. House of Representatives (July 7, 2004).

⁴ *Gas Profit Guzzlers*, Washington Post (Sept. 25, 2005).

⁵ *Id.* Energy Information Administration, Retail Historical Gasoline Prices (Sept. 26, 2005).

their money in ways that make them the most money. Unfortunately, with gasoline at \$3 per gallon, that reasoning doesn't sell very well here in Congress or with our constituents at home.

Now the big oil companies are trying to find a political scapegoat, and they have chosen to blame public health and environmental protections. They claim that burdensome public health and environmental laws have stopped new refineries from being built or expanded. However, here are the facts:

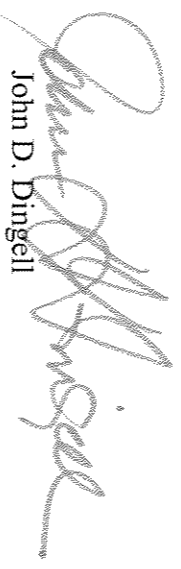
- **The one application for a new refinery since 1976 was approved in less than one year.** The only application for a refinery that has been submitted to the EPA in the last 29 years was for a refinery in Yuma, Arizona. According to the Arizona Department of Environmental Quality, the project developers received a permit in 1992, but did not start construction on the refinery and allowed the permit to lapse. After changing the site location, they applied for a new permit in 2004, which was granted in less than a year.
- **Permit applications for refinery expansions are readily approved.** During the Clinton Administration, U.S. EPA readily approved refinery permits for refinery expansions. For example, in 1999 and 2000, EPA received 12 applications for expansion of existing facilities. Most of the permit applications were resolved within 12 months, and about half of them were acted upon within 5 months.⁶ No evidence has been presented that the current Administration's performance on issuing permits has markedly deteriorated from the performance of the Clinton Administration.

We hope you find this information useful as the oil companies and their allies in Congress argue that we must weaken public health protections.


Sincerely,



Henry A. Waxman
Member of Congress



John D. Dingell
Member of Congress



Edward J. Markey
Member of Congress



Frank Pallone, Jr.
Member of Congress



Diana DeGette
Member of Congress



Lois Capps
Member of Congress



Thomas H. Allen
Member of Congress



Hilda L. Solis
Member of Congress

⁶ Hearing before the Committee on Government Reform, "Potential Energy Crisis in the Winter of 2000," 106th Congress, (Sept. 20-21, 2000) (online at http://fwwebgate.access.gpo.gov/cgi-bin/userfp.cgi?IPaddress=162.140.64.21&filename=74099.wais&directory=/disk2/wais/data/106_house_hearings).