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NEWS RELEASE

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The Energy Scapegoat
by: Senator Larry Craig

In ancient times, the Hebrews performed a ritual during which they loaded real and symbolic burdens on a goat that was sent into the desert; this "escape goat" took away the sins of the people, giving everyone a fresh start. Today, the "scapegoat" bears the blame for the faults of others.

This week the Democrats attributed our skyrocketing energy costs to oil speculators and attempted to send this new scapegoat into the desert, hoping to escape any blame for high gas and oil prices.

While there is evidence of some market manipulation in the oil markets, respected economists from both sides of the political spectrum agree that speculation is not responsible for the large run-up in oil prices we've seen this year. Instead, looking beyond the scapegoat reveals an energy market where supply is stable but demand is growing: a perfect recipe for increasing prices.

Oil futures contracts, like the contracts for agricultural commodities that we are familiar with in Idaho, do not increase demand or reduce supply. Therefore, they can't exert much pressure on the actual price of crude. Our dilemma today is the result of increasing demand in developing countries like China and India; worldwide demand calls for one million barrels of oil per day more than is being produced.

It's exactly what I and others warned about years ago, when we tried to expand oil production in the United States and were stopped by the party that is now in power. Because of their refusal to let America tap its domestic resources, the same amount of oil now must be spread among more consumers. It is easy to figure out what has happened: those who value it the most are bidding up the price, and consumers like you are left with the bill.

That's the bad news. And it is up to Congress to figure out what to do about it. We can either be part of the solution by taking reasonable steps to increase supply and reduce demand, or we can pretend there is no supply and demand problem and find a scapegoat to blame instead.

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The good news is that those of us who don't believe the scapegoat will carry all our problems away are trying to solve the problem. I applauded President Bush when he proposed opening the Outer Continental Shelf to oil exploration. There are more than 30 billion barrels of oil there, and drilling would not only increase supply but also decrease our dependence on foreign nations for our energy needs. I have proposed legislation that would end the ban on drilling the Eastern Gulf of Mexico but preserve a 50-mile buffer zone from the Florida coast; we know there is oil in this area, and it is close enough to existing transportation and refining infrastructure to have a relatively quick impact on supply. There's more oil out there, and our national energy policy absolutely must take this into account.

It's not that I oppose a debate on an oil speculation bill. This year has been rough for many financial markets, and I think it's reasonable to take a closer look at oil trading to ensure there is no malfeasance. However, any debate about the causes of high oil prices has to include solutions to the supply problem. And so far, the Majority party has blocked all talk of increasing supply – proving that while scapegoating might not solve the problem, neither is our Senate's leadership.