Opening Statement of U.S. Senator Ken Salazar
Committee on Energy and Natural Resources
Federal Programs to Reduce Gasoline Consumption
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SD-366 Dirksen Senate Office Building

Mr. Chairman and Ranking Member Domenici, thank you for holding this hearing to discuss existing and potential federal programs to reduce gasoline consumption.

The energy crisis that we currently face is dominating the minds of many citizens. Driving up to a filling station and seeing four dollar per gallon gasoline and nearly five dollar per gallon diesel is not something that anyone can get used to. I am hearing stories from all corners about folks trying to limit their gasoline consumption. The pain of high gas prices is only the most visible symptom of a much deeper and more systemic set of problems. Today's hearing, in my mind, is about what we can do to both help consumers – especially our most vulnerable citizens – in the immediate term and what we can do to shatter our dependence on petroleum-based fuels for transportation as quickly as possible.

When we talk about encouraging reduction in gasoline consumption right now, I think it is critical to distinguish between those who have options and those who don't. Americans who live in urban areas generally have multiple options to reduce their gasoline consumption, including mass transit, bicycling, walking, and telecommuting, while those who live in rural areas typically do not have these options. Many rural Americans have to travel significant distances to their place of work or use large quantities of fuel for farm machinery. Furthermore, those in rural areas often do not have the income base to afford a transition to a hybrid vehicle; they might depend on owning a truck or other low-mileage vehicle for their livelihood. And of course many of our seniors on fixed incomes have very few options for changing vehicles or changing their transportation habits. Rising gasoline prices hit these families and individuals hardest. We've probably all heard stories of folks socking away their economic stimulus rebate check for gasoline. We need to think hard about what policies – whether it's a tax rebate or some other instrument – can help mitigate the burden on the most financially vulnerable Americans.

In the longer term, we need to escape the fundamental fact that in this country the car has a death grip on mobility and that oil has a death grip on the car. The U.S. consumes 20.7 million barrels of oil every day. 68% of this is for transportation and about half – 9.2 million barrels – is consumed as gasoline by America's 235 million cars and light trucks. No matter how much we want to deny it, the truth is that OPEC and countries like China and India that subsidize artificially low gasoline prices for their citizens stack the deck against us in the global oil market. OPEC's power derives from oil's monopoly in the transportation sector.

This monopoly is bleeding our economy and American wallets. Americans are sending the staggering sum of over $700 billion a year to foreign producers. A typical family will spend about $6,000 this year on liquid fuels, natural gas, and electricity. This amount has doubled since 2000, and equates to a $300 billion tax hike on working Americans.

We have made a start in the right direction. I am proud of the work that we have done in this committee with the Energy Policy Act of 2005 and the Energy Independence and Security Act last year, which established and then expanded the renewable fuels standard.

Last year's bill also raised the CAFÉ standards for cars and light trucks by over 40 percent by 2020. And these policies are beginning to have an effect. Merrill Lynch estimates that we would be paying 15 percent higher prices at the pump today without current domestic biofuels on the market. The Energy Information Administration tells us that the 2007 energy bill will reduce U.S. oil consumption by 1.1 million barrels per day in 2020 – half of what we currently import from the Persian Gulf – and by 2.5 million barrels per day by 2030. Simple arithmetic shows that the bill's 36.0 billion gallon renewable fuel standard in 2022 is equivalent to 1.6 million barrels of crude oil per day – 1.6 million barrels that the U.S. will need not import.

These policies are an important start, but they are only the beginning of the radical change we need to achieve. The RFS and the increase in CAFE standards point the way forward: displacement of the roughly 14 million barrels of oil we currently import per day is eminently achievable by aggressive movement towards high-efficiency vehicles and renewable biofuels and other alternative fuels.

Yesterday I introduced legislation with Senators Brownback and Lieberman to accelerate the deployment of flex-fuel vehicles into the U.S. passenger vehicle fleet. Our bill, the Open Fuel Standard Act, will break oil's monopoly by making fuel flexibility a standard feature, ensuring that Americans have choice at the pump. There is no reason we can't do this today. At a cost of just $100 per car, FFV technology will enable Americans to choose how to fuel their car and where to send their dollars. In Brazil today, 90% of the automobiles on the road are FFVs, and most of those are manufactured by GM and Ford. It is time our domestic automobile manufacturers produce and sell FFVs on a mass scale in this country.

FFVs will provide a platform on which alternative fuels can compete. Imagine the effect on consumption of oil and the average family's budget if, instead of filling up for $4.30 a gallon it was possible to choose alcohol fuels, which can be produced for about $2.00 a gallon, or synthetic gasoline and diesel, produced from renewable biomass, which soon will be cost-competitive with petroleum-based products. If consumers have choice at the pump, they will almost overnight send a powerful signal to the world oil markets by choosing cheaper fuels produced from abundant domestic resources. We add about 17 million new light-duty vehicles to our roads each year, and these vehicles have a lifespan of about 13 years. Increasing the number of FFVs on the roads is an investment we need to start making today and will pay lasting dividends.

In their widely publicized meeting at the White House in November 2006, the CEOs of the Big Three U.S. automakers reaffirmed their commitment to making 50% of their fleet capable of running on any mixture of alcohol and gasoline (FFVs) by 2012. Our legislation merely codifies that commitment and establishes a modest increase in that standard of 10% per year after 2012 to 80% by 2015. That trajectory matches the projected increase in supply of renewable biofuels under the 2007 renewable fuels.

Flex-fuel vehicles and alternative fuels are a big piece to the puzzle, but not the only piece. We must also pursue advanced battery technologies to "electrify" a large chunk of the transportation sector by making low-cost long-range plug-in hybrid electric vehicles a reality. We need to encourage smart transportation and smart development. We need to promote telecommuting. We need to alter our tax policies to make early adoption of plug-in hybrids more affordable and remove the few perverse provisions that actually incentivize the purchase of gas-guzzlers. We need to do all of these things to fundamentally transform the transportation sector and rid ourselves of our need for oil for good.

The key to energy security is using America's abundant natural resources to regain our strategic advantage in the world. Unlike in the case of oil, where national oil companies and countries in the Middle East control the vast majority of the resource and we have less than 2% of world oil reserves, the United States has abundant domestic coal, natural gas and biomass resources – enough to power all of America's trucks and automobiles for centuries.

I look forward to discussing these and other policy options with this distinguished panel. Thank you, Mr. Chairman.