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Oil Giants Continue to Benefit From US Energy Policy While Consumers and the Nation Suffer

Domestic Gasoline Refining & Marketing Cost Consumers $12 Billion More this Summer, Best Policies to Reduce Oil Consumption and Imports Stalled in Congress

(Washington, D.C.) –One year after the Administration's energy policy was signed into law, consumers are paying record high prices for gas and the majority of the cost increases have turned into profits for domestic oil companies.

"As gasoline prices and oil industry profits hit record high levels, so too has public frustration and concern," said Ann Wright, Senior Policy Analyst for Consumers Union. "The oil companies continue to be the largest benefactors of our nation's energy policy – not the American public."

Time to Change the Record in Energy Policy, a report released today by the Consumer Federation of America and Consumers Union shows the following:

- The increase in the domestic refiner/market spread – the amount oil companies take for domestic refining and marketing - since last summer is about 34 cents per gallon, which is more than the increase in crude oil costs (about 31 cents).
- This increase in the domestic spread adds about $12 billion to summer driving costs for consumers.
- Compared to 2002, the last time summer gasoline sold at $1.50 per gallon, domestic crude and refining/marketing have accounted for an 85 cent increase in the price of gasoline.

"Because the price increases are not driven by costs, oil industry profits have skyrocketed," Mark Cooper, CFA's Director of Research, said. "Oil companies will make more money this year than they did in 1995 to 1999 combined. Comparing oil industry profits to the Standard and Poors Industrial, the industry will have $120 billion in excess profits in the 2001-2006 period. Cash flow has increased so fast that the industry simply cannot absorb it. Cash flow has exceeded net new investment by $120 billion, yet, Congress continues to lavish favors on the industry."

The report points out that the recently passed legislation to expand drilling in environmentally sensitive coastal areas will do little to lower prices or free our nation from its addiction to oil.

- About 85% of the oil in coastal areas is already available for drilling.

- The small increment of oil to be drilled in the new areas constitutes less than 2% of global reserves.
- It equals just two years U.S. consumption, hardly a long term solution.

"The drilling legislation will fatten the oil industry's bottom line, since the oil companies will find "cheap" oil, but charge the world price," Cooper said.

"While the Administration and Congressional leadership continue to push traditional supply-side strategies by promoting drilling, many of the policies we have been advocating for years are garnering bipartisan support. Congress and the Administration should turn their attention to enacting a meaningful energy plan that includes strong efficiency standards and better oversight of the price raising practices of industry," Wright said.

The report points out that members from both sides of the aisle have cosponsored important proposals to:

- cut oil consumption and imports by as much as 10 million barrels per day (almost 40%) over the next quarter century;
- dramatically increase auto and truck fuel economy standards;
- require the Environmental Protection Agency to update miles per gallon estimates on new vehicle window stickers and require manufacturers to use accurate estimates in compliance with federal mileage standards;
- make mileage information readily accessible on new car stickers, in advertising and even on real-time dashboard displays during driving;
- empower antitrust and commodity market regulators to scrutinize the price raising business practices of the oil industry and commodity speculators.

"These aggressive efficiency measures will 'deliver' five to ten times as much capacity to the oil market as the drilling bills recently passed by the House and Senate," Cooper noted, "and fuel economy-driven oil savings are sustainable for the long term, while the small increase in production that results from expanded drilling is not."

The report notes that the results of a recent CFA-sponsored public opinion poll indicate that people are ready for a change in energy policy. According to the results, based on a random national sample:

- Over three-quarters of respondents support requiring major increases in the fuel efficiency of cars, requiring auto companies to boost alternative fuel vehicles from 3% to 25% of the new car fleet, and making mileage information more readily available as well.

"Hopefully, if the members of Congress get an earful from their constituents during the summer recess, the Congressional leadership will feel the heat and give these important efficiency measures and consumer protection bills votes when they return in September," Wright concluded.

To get a copy of the report, go to www.consumersunion.org or www.consumerfed.org

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