



from the April 05, 2005 edition - <http://www.csmonitor.com/2005/0405/p01s01-usec.html>

Oil cost stokes push for policy

Congress begins work Tuesday on a bill to boost production and conservation.

By [Gail Russell Chaddock](#) | Staff writer of The Christian Science Monitor

WASHINGTON - For a generation Americans have commuted, heated their homes, manufactured goods, and expanded foreign trade without any major overhaul of energy policy.

Proponents of oil exploration and conservation never went away, but their urgings were muffled by an era of relatively cheap oil.

Now the momentum is finally shifting.

With crude oil topping \$55 a barrel and 55 Republicans in the US Senate - up from 50 before the November elections - major energy legislation now appears much more likely to pass than it did even a year ago.

Monday oil traded briefly above a new high of \$58 a barrel. Prospects ranging from terrorist attacks on critical oil facilities in the Middle East to soaring prices at US gas pumps this summer have rattled Wall Street and are giving new urgency to efforts backed by President Bush and key lawmakers.

It remains uncertain how those efforts will play out. But as a House committee begins to mark up its bill Tuesday, a range of options, from drilling in Alaskan wilderness to expanding conservation efforts, are politically possible, thanks in part to new coalitions of business, conservation, and national-security groups.

"Oil prices are at record highs and every day we grow more dependent on foreign sources of oil," says Rep. Joe Barton (R) of Texas, chair of the House Energy and Commerce Committee.

This marks the third Congress that has attempted to pass an energy bill in the Bush presidency. Each time, bills cleared the GOP-controlled House but failed in negotiations with the Senate over issues such as drilling in the Arctic National Wildlife Refuge (ANWR) or immunity for groundwater polluters.

But the new party balance in the Senate, as well as pressure from new alliances of interest groups, could tip the balance.

A first sign of the new calculus on Capitol Hill came last month, as the Senate voted 51-49 to open the ANWR to oil and gas drilling. Four of those votes came from newly elected GOP senators who replaced Democrats who opposed drilling in the Alaskan refuge. That doesn't represent final approval for this measure, but by attaching the ANWR proposal to

the fiscal 2006 budget resolution, Republican leaders hope to avoid the filibusters that derailed such legislation in the past.

At the same time, the possibility that some crisis could push petroleum prices still higher, even to \$100 a barrel, is fueling pressure for more serious conservation proposals to curb petroleum use.

The real cost of oil isn't just the prices paid at the pump, but also some \$400 billion to support US military presence in the Middle East - and the constant threat of disruptions in that region, critics say.

"People are starting to wake up to the fact that we do have a problem with oil revenues being used to support instability and terrorism around the world. That's making the politics more favorable toward fuel efficiency," says Jim Presswood, energy advocate at the Natural Resources Defense Council in Washington.

Last month, the NRDC joined a new campaign sponsored by 26 former national-security officials to reduce US oil consumption. The Set America Free initiative calls for a national commitment to produce more fuel-efficient cars (gasoline accounts for about half of US oil consumption) and oil alternatives.

"There is a real national-security emergency in the making, and we have an opportunity to utilize existing technologies to make a difference in our vulnerabilities," says Frank Gaffney, a former Reagan official who heads the Center for Security Policy in Washington.

The current House bill and White House policy reflect the conventional wisdom that the US economy remains heavily dependent on oil, and the solution is finding more of it, says Mr. Gaffney. "We're saying: We're heavily dependent on oil. We know where most of it is, and it's ill-advised [for us] to remain heavily dependent on oil.... So let's go get alternative means" of powering the economy.

The House bill would take other significant steps. It aims to boost US refining capacity by accelerating the review and approval process for new refineries in "refinery revitalization zones." It would override state and local authorities on siting power plants - a move that could boost prospects for a \$20 billion proposal for new power lines from Wyoming to California. The House bill also includes money for clean-coal technology, hydrogen-fueled vehicles, and wind, solar, geothermal, and hydroelectric power.

In a controversial move, the House bill also reintroduces a provision that protects oil companies from lawsuits on the gasoline additive called MTBE, a provision that was a dealbreaker for the Senate in the 108th Congress. The provision is strongly backed by House majority leader Tom DeLay, whose Texas district includes MTBE production, as well as House energy chairman Barton.

In February, a coalition of state and local officials wrote an open letter urging Congress to keep MTBE out of the bill. States and localities face billions in cleanup costs if producers are shielded from liability suits.

But even with showstoppers like MTBE in the mix, energy activists say they expect a bill to pass this year. On the Senate side, Democrats have been closely involved in drafting an energy bill, in sharp contrast to previous years. "The process is noticeably different from what it was in the last Congress, in which Republicans pursued a very exclusionary process" that limited Democratic support, says Bill Wicker, a spokesman for Democrats on the Senate Energy and Natural Resources Committee.

In another bellwether move, the Senate Environment and Public Works Committee approved a renewable-fuels bill on March 16 that GOP leaders say will be wrapped into the Senate version of the energy bill. Strongly backed by senators from farm states, who

promote corn-based ethanol, the bill requires refiners to use 6 billion gallons of renewable fuels by 2012. It also calls for a phaseout of MTBE and provides funds to help with cleanup.

"We are going to go toward biomass-generated ethanol and other flexible fuels once there is a catastrophe," says Gaffney. "But you pay a very high price for delay."

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