Congress Debates Rise in Gas Prices ... Again

MATTHEW DALY, Associated Press

Congressional Republicans and Democrats are again battling over rising gas prices. At a hearing Wednesday, Republicans and oil industry leaders called for more U.S. production, while Democrats focused on conservation and the role of Wall Street speculators.

Jack Gerard, CEO of the American Petroleum Institute, told a House energy panel the nation has vast energy resources that aren't being fully tapped. New leasing on federal lands is down by 44 percent, and the number of new wells drilled is down 39 percent, Gerard said.

And while President Barack Obama calls for "all-of-the-above" energy approach, he has threatened the oil and gas industry with billions of dollars in tax increases, Gerard said.

"Mr. Chairman, this is sending the wrong message to the global markets. This needs to change," Gerard said, referring to Obama's call to end tax breaks and government subsidies for the oil and gas industry that average about $4 billion a year.

Democrats said oil production has increased since Obama took office. They blamed the recent spike in gas prices on tensions in the Middle East and speculation by Wall Street investors.

Oil prices rose above $105 a barrel Wednesday, up from $75 in October, because of diplomatic tensions with Iran, a major oil producer, and as U.S. economic indicators including employment have slowly improved over the last few months

Gas prices have jumped 48 cents since Jan. 1 to an average $3.76 per gallon.

Rising gas prices have become a concern at the White House, where Obama aides worry they could hurt an economic recovery that has been improving and also harm the president's re-election prospects.

Rep. Fred Upton, R- Mich., chairman of the House energy panel, said Obama has recently "begun to say some of the right things about high gas prices, but he continues to do all of the wrong things."

While Obama boasts that domestic drilling is up, he neglects to mention that most of the increase is on private and state-owned lands, Upton said, noting that the Obama administration has canceled oil leases on federal lands.

Rep. Henry Waxman, D-Calif., said GOP calls to increase drilling were all-too familiar.

"We've seen this movie before," Waxman said. "The reality is that gas prices have risen because of global markets."

Waxman and other Democrats said the best way to combat rising oil prices was to reduce U.S. dependence on oil. "There's no silver bullet," he said.

Retail gas prices are at their highest levels ever for this time of year despite ample supplies and declining demand. That's because tension in the Persian Gulf has kept crude oil prices around $100 per barrel for most of the month.

Analysts say oil prices are likely to remain at those levels until there is more clarity about what will happen in the Gulf, where Iran has threatened to close the Strait of Hormuz if the U.S. and other countries impose more sanctions on its nuclear program.

Iranian imports are banned in the U.S., but Iran supplies 2.2 million barrels per day to the rest of the world, mainly Asia and Europe.

Obama was traveling to a North Carolina truck plant Wednesday, where he was set to outline incentives to promote development of more fuel-efficient cars and to make it easier for people to buy and operate next-generation vehicles.

Obama is proposing a $1 billion incentive for local communities to encourage greater use of fuel-efficient technologies, such as more charging stations for electric vehicles. Obama has called for 1 million plug-in vehicles on American roads by 2015.

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