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GOVERNMENT MUST RESPOND TO ENERGY EMERGENCY
Op-ed by Schakowsky in *The Hill*

WASHINGTON, D.C. - All Americans should welcome President Bush's call to establish a new energy policy. However, in order for it to address the problems electricity users in California to natural gas consumers in the Midwest to heating oil customers in New England are facing, it must examine the failures of deregulation. We cannot afford to leave our energy future solely in the hands of the private marketplace.

Millions of American households, businesses and farmers are struggling with high energy bills. In my district, natural gas prices have doubled this winter. Families have struggled to pay bills, businesses have been unable to find affordable natural gas, and some companies have even decided to relocate abroad as a result.

While the major oil companies enjoy record profits, families in my district and throughout the Midwest are paying unjustified high prices to heat their homes, following a summer where they faced unreasonably high prices at the pump for gasoline.

In the 1980s, the decision was made to deregulate natural gas and oil prices, a move that energy producers argued was necessary to stimulate new production. At the same time, the increased trend to short-term contracts allowed the price of already-discovered resources to track spot market prices, creating disincentives for production when prices were low and subjecting consumers to sharp price increases at times of market volatility like today. Deregulation has also occurred in the transmission and distribution lines. The rapid erosion of the local utility's role creates significant problems for consumers in today's "sellers' market."

This is particularly true in natural gas, where disaggregation and increased demand by electric generators makes it difficult for small residential and commercial customers to compete for "good deals."

Some argue that soaring prices are a rational market response and that government intervention is unnecessary. The fact is that the current crisis is one of market failure which requires a strong governmental response to protect families and communities, our economy and our security. The federal government has an important role to play to maintain a fair and balanced marketplace.

We need to work now to help individuals, families, farmers and businesses cope with the impacts of deregulation. Then, we must address longer-term issues.

Immediately, we should act to prevent price-gouging by ensuring that domestic oil, gas and electricity suppliers are not charging excessive prices. Given the close relationships

that the president and vice president have with oil and gas executives, they should meet with representatives of the industry to ensure that there is no excessive profit-taking or exploitation.

Next the administration should act to ensure that funding for the Low Income Home Energy Assistance Program is(LIHEAP)

adequate. We should investigate expansion of LIHEAP eligibility requirements, extended payment programs, Small Business Administration support, Agriculture Department assistance, and ways to help school districts with high energy costs. Just as the federal government has acted to respond to natural disasters, we should act to respond to this winter's energy emergency.

We must take immediate steps to ameliorate the harsh impacts of today's energy bills, but we must also act to assure affordable energy supplies and efficiency for the future. As the administration begins to consider ways to address our nation's energy crisis, the following should be considered:

We need sound energy information so that we have early warnings of potential supply, inventory or transportation problems.

While we need adequate prices to promote production and alternatives, we also need effective mechanisms to prevent unwarranted price escalation and volatility. We must investigate the impact of futures contracts trading, the role of energy wholesalers, and increasing market concentration on consumer prices.

The federal budget should include greater incentives for consumers to invest in efficient appliances, housing and manufacturing processes. This would yield great benefits for consumers and the environment.

We must invest more heavily in renewable energy sources that do not depend on other countries or exhaustible sources like the few remaining oil reserves we do have.

The administration's energy task force should be bipartisan, include representatives of all sectors and explore market reform measures to prevent recurrences of last year's energy price crises.

Working with Congress, the president must act forcefully and expeditiously to establish a national energy policy that assures ample supplies of safe, affordable and reliable energy for all users.