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CRS Report for Congress

Gasoline Prices: Causes of Increases and Congressional Response

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Gasoline Prices: Causes of Increases and Congressional Response

Summary

The high price of gasoline has been and continues to be a driving factor in consideration of energy policy proposals. Despite passage of the massive Energy Policy Act of 2005 (EPACT 2005, P.L. 109-58), and the Energy Independence and Security Act of 2007 (H.R. 6, P.L. 110-140), numerous other proposed initiatives remain under active consideration in the 110th Congress. Measures proposed include repeal of some tax benefits to domestic oil and gas producers contained in EPACT2005, provisions on price gouging, and reform of oil and gas leasing in the Gulf of Mexico.

A large number of factors have combined to put pressure on gasoline prices, including increased world demand for crude oil and limited U.S. refinery capacity to supply gasoline. The war and continued violence in Iraq added uncertainty, and threats of supply disruption have added pressure, particularly to the commodity futures markets. Concern that speculation has added volatility and upward pressure has frequently been cited. In recent months, a decline in the value of the dollar compared to other currencies has increased the dollar price of oil on futures markets.

The gasoline price surge has stimulated much legislative activity, but until recently there has not been the sense of the extreme urgency of previous energy crises. In part, this may be due to the fact that there has been no physical shortage of gasoline or lines at the pump, as there were after the Arab oil embargo in 1973 and the Iranian revolution in 1979. At that time there was expectation that prices were destined to grow ever higher, and many believed that the world's supply of oil was running out. Such views have been less prevalent during the current run-up. But the continued and unrelenting increase in crude oil prices to record levels, even discounting inflation, is leading many to suggest that changing world market conditions may have led to permanent, or at least chronic, shortages of petroleum production capacity. Others continue to expect that growth in demand will moderate, and production will increase to meet demand, as it did following the shortages of the 1970s.

The continuing high prices have led to a further search for legislative remedies. This report, after analyzing factors that have contributed to high gasoline prices, describes the major legislative initiatives and discusses the issues involved.

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Most Recent Developments

Gasoline prices surged to record levels in May 2008 as the summer driving season began and crude oil prices also reached record highs. (See **Figure 1**.) However, consumption of gasoline continued above 9 million barrels per day (mbd). Some observers claimed to detect signs that the threat of an economic downturn and higher prices had curbed gasoline consumption, but others claimed that growth in demand was continuing unabated. (See **Figure 5**.)

Despite passage in December 2007 of the Energy Independence and Security Act (H.R. 6, P.L. 110-140), the main provisions of which were an increase in the Corporate Average Fuel Economy (CAFE) standards for automobiles and light trucks, and an increase in the requirement for the use of renewable fuels in gasoline, the latest increases have led to urgent discussion of ways to increase supply and ameliorate prices, in Congress, by the Administration, and on the campaign trail. On May 13, 2008, both the House and the Senate passed legislation that would prohibit the federal government from acquiring oil for the Strategic Petroleum Reserve (SPR) during 2008. The President signed the bill and the Department of Energy announced that fill would cease in July.

On May 20 the House passed H.R. 6074, the Gas Price Relief for Consumers Act of 2008, also called the NOPEC act, which would subject OPEC countries to the same anti-trust prohibitions combining to limit production that U.S. companies must follow. The measure is also part of S. 2991, the Consumer-First Energy Act of 2008 (see below).

Background and Analysis

Legislative Activities

The persistence of high gasoline prices led to a broad spectrum of proposed new legislation in the First Session of the 110th Congress. Despite passage of the major Energy Policy Act of 2005 (P.L. 109-58), many Members continued to explore a variety of measures to increase supply and reduce demand in the short term, and to reduce the impact of high prices on consumers, as well as revisit longer-term policies that were left behind in the process of reaching agreement on P.L. 109-58.

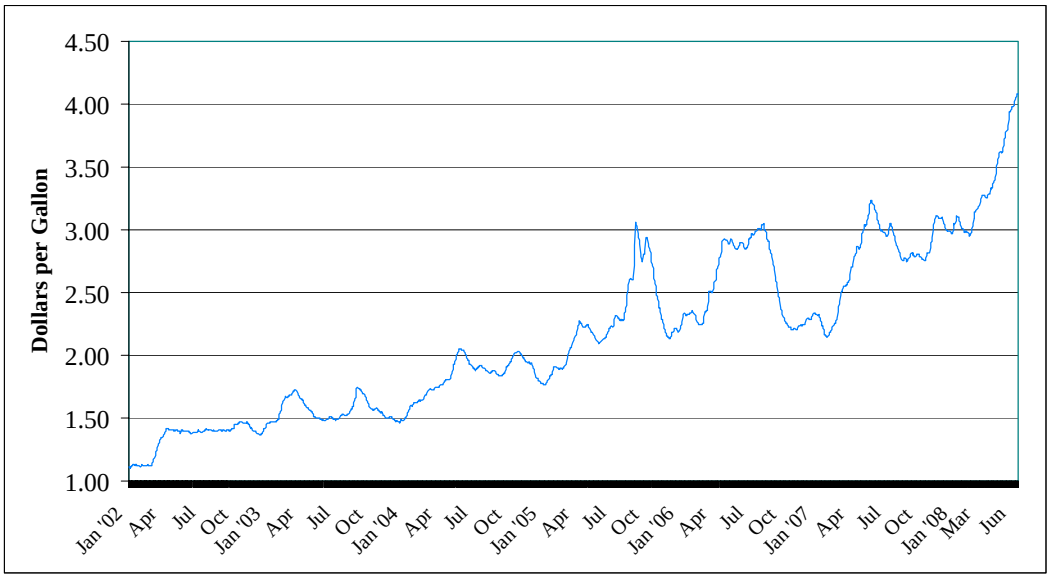
One such proposed policy was increasing CAFE standards for automobiles and light trucks, and the Energy Independence and Security Act of 2007 (H.R. 6, P.L.

110-140) resolved a decades-long debate by setting new standards and procedures for meeting them. P.L. 110-140 also increased the requirement to use renewable fuels in gasoline, including advanced biofuels such as cellulosic alcohol starting in 2016. However, a number of proposals included in one or more versions of energy legislation in 2007 were dropped from the final bill, and those issues remain of interest to the Congress during the Second Session.

With gasoline prices soaring, a new wave of legislative proposals appeared in the Congress. Prominent among them were bills to suspend the federal gasoline and diesel transportation tax during the summer driving season, by presidential candidates Senators McCain and Clinton. Senator Domenici introduced a bill emphasizing U.S. petroleum production, including opening the Outer Continental Shelf (OCS) and part of the Arctic National Wildlife Refuge (ANWR) for oil and gas leasing and encouraging leasing of oil shale deposits. Democrats in both the House and the Senate were reported to be preparing new energy proposals to deal with the situation, and Senator Reid soon introduced a bill which, among other measures, would impose a windfall profits tax on oil companies.

This report reviews the major legislative initiatives to deal with the gasoline price issue. To put these proposals in perspective, it first describes some of the factors that have led to the high prices of both crude oil and gasoline.

Figure 1. Average Daily Nationwide Price of Unleaded Gasoline, January 2002 - June 2008



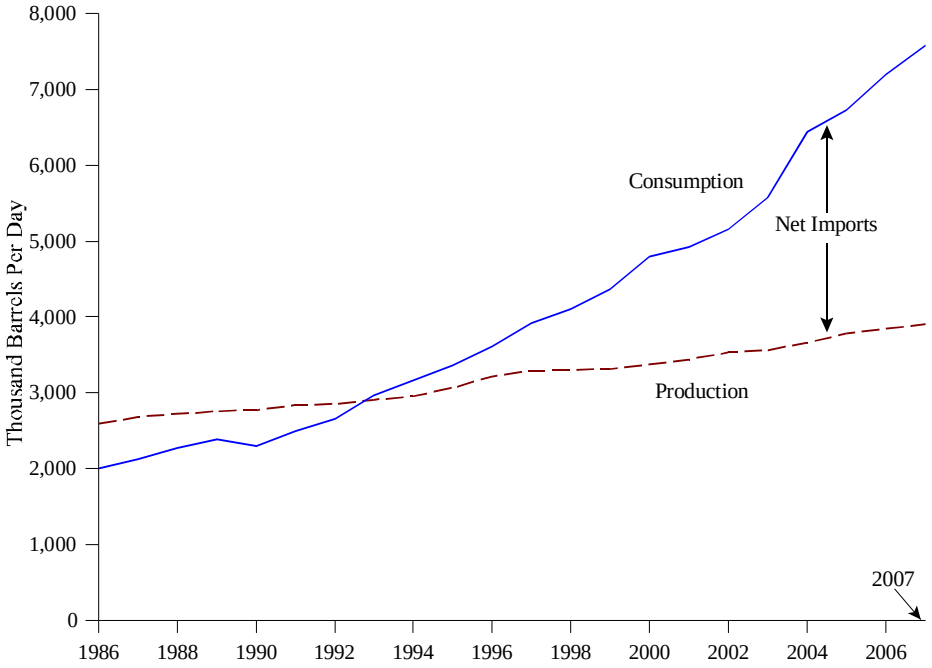
Notes: Prices include federal, state, and local taxes. Last date above is June 17, 2008.
Source: *Daily Fuel Gauge Report*, American Automobile Association [http://www.fuelgaugereport.com], compiled by CRS.

Why Are Prices So High?

The run-up of gasoline prices that began in spring 2004 (see **Figure 1**) climaxed a period of almost five years during which gasoline prices demonstrated a great deal of regional volatility but less of an increase at the national level. In 2004, a large number of factors combined to exert pressure on gasoline prices in all parts of the country. Some of these factors have affected the price of crude oil, and others the cost of producing and marketing gasoline.

Crude Oil Prices. Past energy crises have demonstrated that oil is traded in a world market, in which events in remote areas affect the price of crude for almost everyone. As a result, the price of crude oil is set through the interaction of world demand and supply. Major factors in the run-up of crude oil prices have been the sharply increased consumption of imported oil by China (see **Figure 2**) and the continuing possibility of a supply disruption, either from violence or terrorism in the Middle East, or from natural disasters like Hurricanes Katrina and Rita in 2005.

Figure 2. China's Oil Production and Consumption, 1986-2007



Note: 2007 is the forecast value.
Source: EIA, *China Energy Profile*, downloaded on May 19, 2007. [http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=CH].

World demand for crude oil grew by 1.3% in 2007 to 86.0 mbd. It is forecast to grow by 1.5% to 87.3 mbd in 2008. World supply was 87.3 mbd in March 2008, leaving relatively little excess supply to draw on if the market were disrupted by natural or political disasters.[1] When excess supply on the market is low, prices tend to rise and become more volatile.

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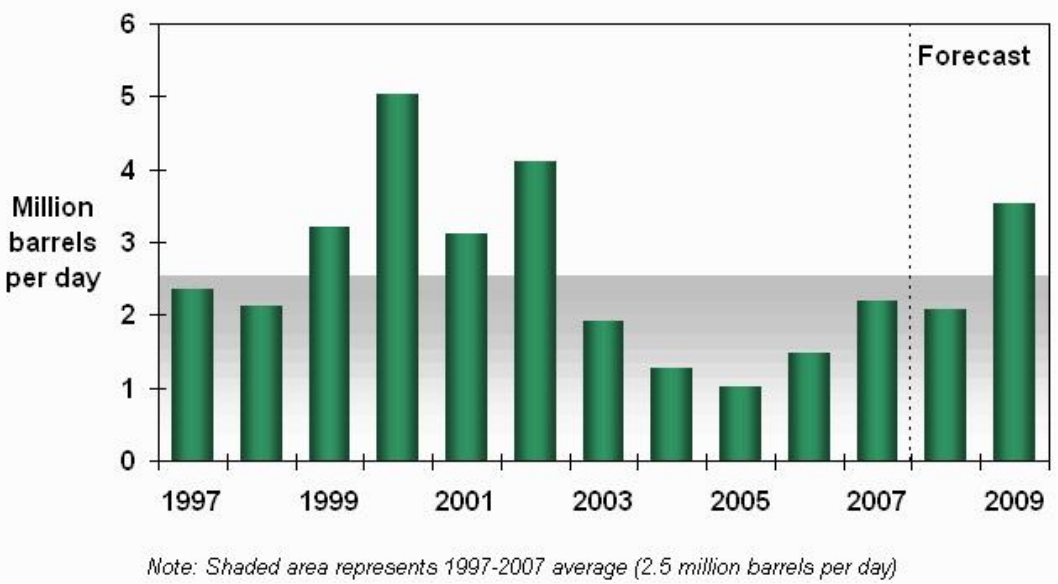
[1] International Energy Agency, *Oil Market Report*, April 11, 2008, p. 1.

Some observers have suggested that speculators, who have entered the commodity markets in large numbers looking for ways to increase their monetary investments rather than to trade in oil and oil products, are causing an unacceptable upward pressure on prices. Another factor in recent months has been the decline in the value of the dollar compared to other currencies. Since world prices of oil are quoted in dollars, this would have an upward effect on market prices.

One of the major factors pushing crude prices higher is the perception that, as demand increases, production capacity will not increase with it. Most of the spare production capacity in the world market is located in OPEC countries, and, as **Figure 3** shows, spare capacity in those countries has been lower than average over the past several years.

Figure 3. OPEC Surplus Crude Oil Production Capacity

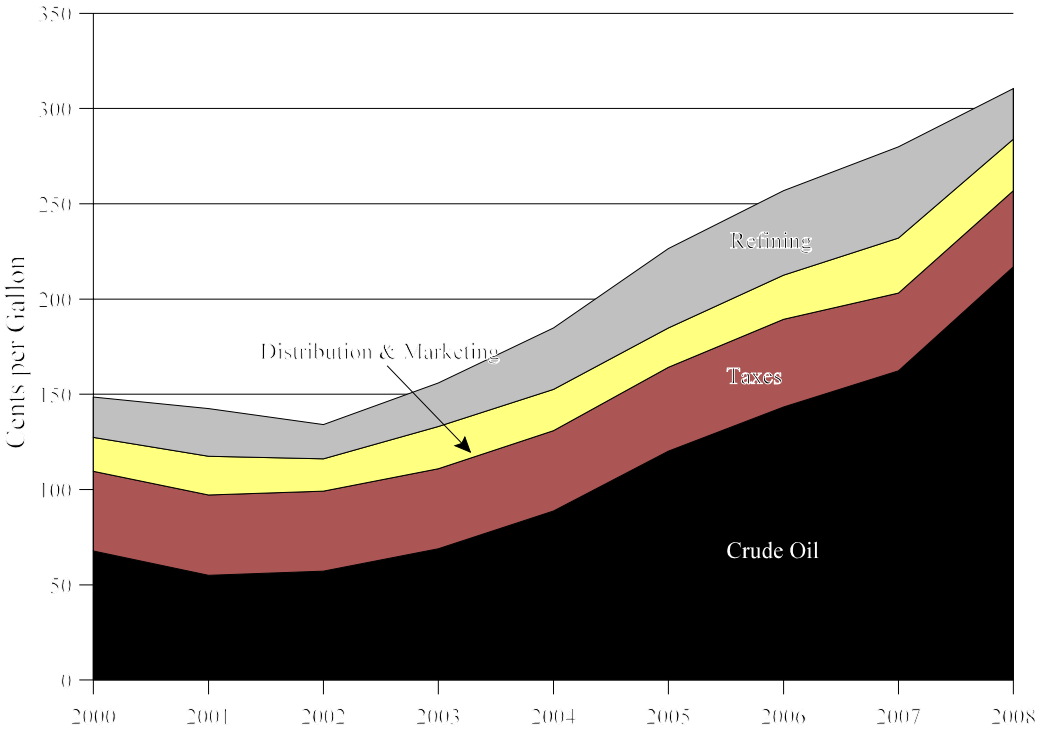


Source: EIA, *Short-Term Energy Outlook*, Figure 10, May 2008

Gasoline Prices. Higher prices for crude oil tend to translate directly into higher prices for gasoline. Currently, crude oil accounts for about 72% of the cost of gasoline. Refining, distributing, and marketing account for about 16% of the cost of gasoline, and taxes account for about 13%. However, until recently crude oil's share of the cost of gasoline has been more typically in the range of 45% to 55%. In May 2007, for example, with gasoline at $3.15 per gallon, crude oil contributed 46% of the cost; refining, distributing and marketing 41%; and taxes 13%.[2] This trend is illustrated in **Figure 4.**

[2] Energy Information Administration data based on March 2008 data and a base price of gasoline of $3.24 per gallon. See *Gasoline & Diesel Fuel Update* [http://www.eia.doe.gov].

Figure 4. Average Annual Components of Gasoline Prices, 2000 - 2007, 1Q 2008



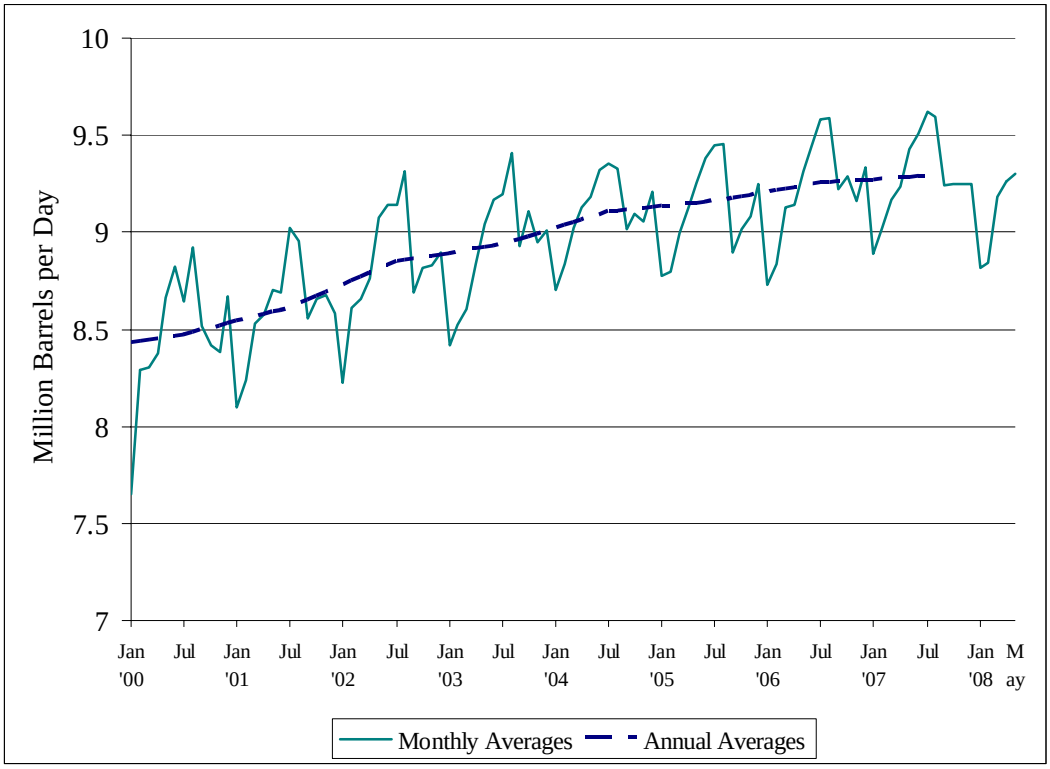
Source: EIA, Gasoline and Diesel Fuel Update, May 13, 2008. Data calculated from monthly percentages by CRS.

Whether the crude oil a refiner processes is purchased on the open market or is produced by the oil company itself, higher costs for any element in the cost of gasoline are likely to be passed on to consumers.[3] A number of factors have aggravated the pressure on gasoline prices, including limited refining capacity in the United States, the range of fuel blends required to meet air pollution requirements, and the mandated use of ethanol as an additive. Perhaps most important, U.S. demand for gasoline has increased as economic growth continued, at least through 2007. Some reports that consumption has slowed in light of a threatening economic downturn and higher prices have been challenged by other observers.[4] (See **Figure 5**.)

[3] The price of diesel fuel for transportation has also surged to record levels. For details on the relationship between diesel and gasoline prices, see CRS Report RL34431, *The Disparity Between Retail Gasoline and Diesel Fuel Prices*, by Robert Bamberger and Robert Pirog.

[4] "Big Goof by the *Wall Street Journal*," *Lundberg Letter*, March 14, 2008, p. 5.

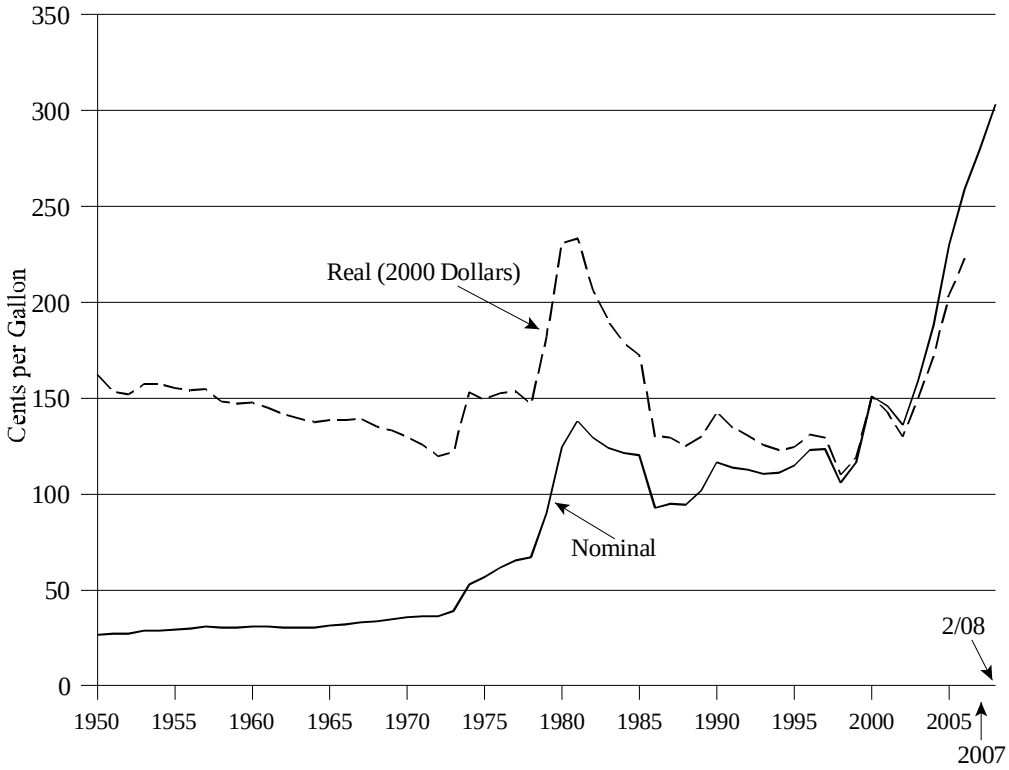
Figure 5. U.S. Gasoline Consumption, January 2000 - May 2008



Note: The data point for May 2008 is the average for the four week period ending on 5/30/08.
Source: EIA, *Monthly Energy Review*, May 2008, Table 3.5 and EIA, *Weekly Petroleum Status Report*, June 4, 2008, Table 10.

The 2004 price surge intensified discussion of energy policy and led to further calls for passage of energy legislation. However, until the climax of the Katrina disaster, the urgency of previous energy crises had been lacking. Throughout the period, U.S. gasoline consumption continued to rise. In part, this may be because although the price of gasoline in nominal terms set a record, in real terms it did not appear to be reaching the level of the Iranian crisis years of the early 1980s (see **Figure 6**); that is, until Katrina pushed it toward the $3.00-per-gallon mark. Further, unlike the earlier crises, there was no physical shortage of gasoline and there were no lines at the pump, except in local disaster-affected areas.

Figure 6. Nominal and Real Price of Gasoline, 1950-2007 and February 2008



Source: EIA, *Annual Energy Review 2006*, Table 5.24 and *Monthly Energy Review*, March 2008, Table 9.4.

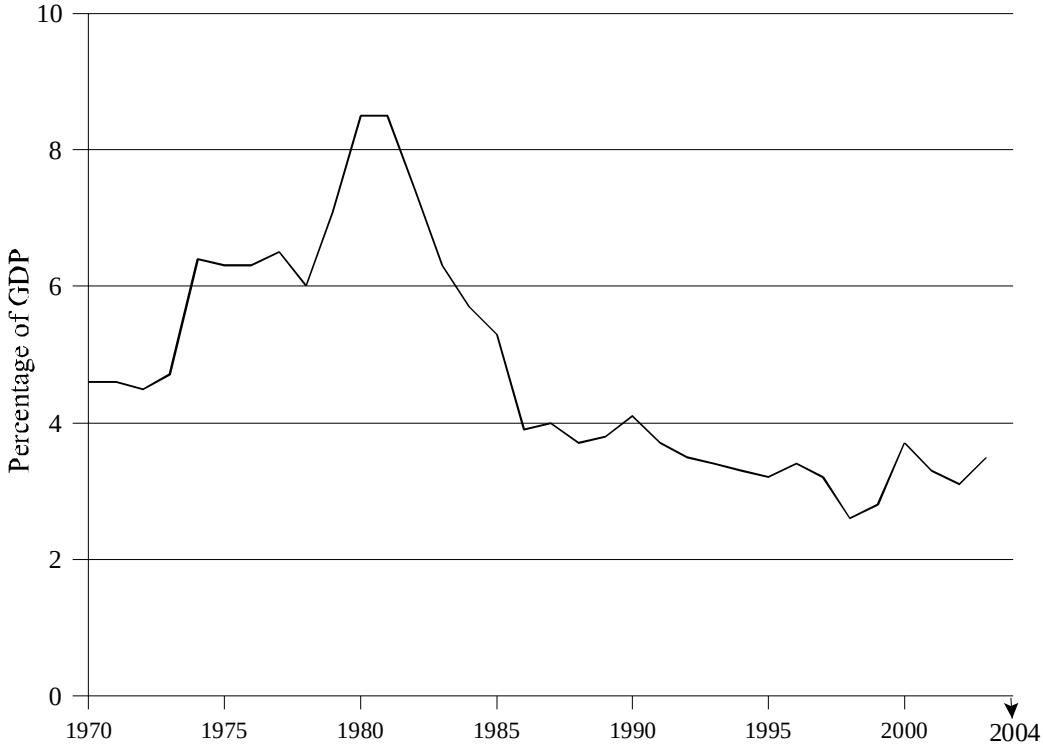
As **Figure 7** indicates, by the early 1990s the proportion of consumer expenditures on oil and gasoline had declined from the high levels of the 1970s and early 1980s. Data are not yet available to indicate what effect the price run-up starting in 2004 has had on this measure.

Perhaps most important, the common view during the earlier crises was that oil prices not only were high, but were destined to become ever higher in the coming years, because world resources were probably beginning to level off and would decline in the future. This view is no longer widely prevalent, largely because world proved reserves have increased faster than production, and are currently more than twice the level at the time of the Arab oil embargo in 1973.

At the beginning of the current crisis, the general expectation was that the price increase was a temporary phenomenon. In part, this may be due to the fact that there has been no physical shortage of gasoline or lines at the pump, as there were after the Arab oil embargo in 1973 and the Iranian revolution in 1979. But the continued and unrelenting increase in crude oil prices to record levels, even discounting inflation, is leading many to suggest that changing world market conditions may have led to permanent, or at least chronic, shortages of petroleum production capacity. The persistent increases in world demand for oil, despite higher prices, and the inability or unwillingness in many parts of the world, particularly in the Middle East, to develop known existing resources, appear to presage a continuing tight market, in

which production capacity is only slightly greater than demand. Under those conditions, temporary interruptions in production, caused for example by local political crises or weather, are much more likely than normal to force prices upward.

Figure 7. Consumer Spending on Oil as a Percentage of GDP, 1970-2004



Source: EIA, Annual Energy Review, 2006, Tables 3.5 and D1

Others continue to expect that growth in demand will moderate, and production will increase to meet demand, as it did following the shortages of the 1970s. They argue that the market price of oil appears to be much higher than production costs, and is being sustained by the expectation of continued strong demand in the indefinite future. In addition, they point to large profits flowing to oil producers, and political pressure to invest those profits in increased production.

Policy Options

Congress has considered numerous energy policy initiatives and enacted many of them. With the continuing pressure of rising prices, however, energy policy has once again become the focus of attention, both in the Congress and on the campaign trail.

Policy options include efforts to ameliorate the effects of high prices in the short term, and to attack the longer term problem. The latter options come in three major forms: to reduce consumption by increased efficiency without having a negative effect on the economy; to substitute alternative fuels at a cost comparable to the oil

they replace; and to encourage production of more oil, either in this country or abroad.

The choice of these options depends to a certain extent on how the future of the oil market is viewed. Those who consider it likely that the present tightness of the market is likely to continue, as described above, tend to support alternative fuels and increased efficiency, and to denigrate efforts to increase oil production as futile and ineffective compared to the growth in world demand, which they expect to continue indefinitely. Those who view the present tightness of the world market as an aberration that can be relieved with adequate investment in new production capacity view any move to increase supply, anywhere in the world, as a positive signal that the tightness and volatility of the world oil market can be eased and prices can more closely reflect the cost of production.

Oil-Related Legislation

Two major bills were introduced in the Senate in May 2008, one by Senate Majority Leader Reid and the other by Senator Domenici, ranking Republican on the Energy and Natural Resources Committee. In addition, bills to suspend the federal gasoline tax during the 2008 summer driving season were introduced by Senator McCain and Senator Clinton. The gasoline tax suspension provision is not included in either Senator Reid's bill or Senator Domenici's bill.

Most but not all provisions of these and other bills described in this report are aimed at achieving one or more of the policy options described above. This section reviews major legislation that could affect the choice and cost of fuels for transportation, or affect the ability or motivation of industry to develop petroleum resources or alternative fuels, or the modes of transportation that use them. Issues that have a history of debate and legislation are also discussed in more detail.

Major Legislation. The main features of the gas tax moratorium and the Democratic and Republican Senate energy bills are described below.

Gas Tax Moratorium. Bills introduced by Senator McCain (S. 2890) and Senator Clinton (S. 2971) would suspend federal gasoline and diesel transportation taxes for the summer driving season, and the proposals have been a topic in the presidential campaigns of the two candidates. Senator Obama, also campaigning for the Democratic presidential nomination, has criticized Senator Clinton's proposal. Similar bills have been introduced in the House. (For details see CRS Report RL34475, *Transportation Fuel Taxes: Impacts of a Repeal or Moratorium,* by Robert Pirog and John W. Fischer.)

Consumer-First Energy Act of 2008 (S. 2991). S. 2991, introduced by Senator Reid and cosponsored by 22 Democratic Senators, has the following major provisions:

- A number of tax provisions affecting the oil and gas industry, related to the treatment of foreign profits, and also including a "windfall profits" tax on income in excess of "the reasonably inflated average profit" on crude oil;

- Creation of an "Energy Independence and Security Trust Fund," to be financed by funds received from the windfall tax provisions;

- A "Petroleum Consumer Price Gouging Protection" provision, similar to the price gouging protection proposals previously considered (see section on price gouging, below);

- Suspension of acquiring additional petroleum for the Strategic Petroleum Reserve (SPR) while the price of petroleum exceeds $75 per barrel (see section on SPR below);

- A "No Oil Producing and Exporting Cartels (NOPEC)" provision that would declare illegal collective action by foreign states to limit oil production, and deny sovereign immunity from prosecution to states that violated the provision;

- Set limits on speculation in energy commodities delivered in the United States in foreign boards of trade and require information regarding such speculative activity.

The American Energy Production Act of 2008 (S. 2958). S. 2958, sponsored by Senator Domenici with 21 Republican cosponsors, includes the following provisions:

- Allow oil and gas leasing in the Atlantic and Pacific Outer Continental Shelf (OCS), excluding the Gulf of Mexico, allowing governors of coastal states to petition for lifting the moratorium within their state boundaries, and creating a revenue-sharing plan in which states would receive 37.5% of revenue from new production (see section on OCS below);

- Establish oil and gas leasing in the coastal plain of the Arctic National Wildlife Refuge (ANWR: see below);

- Mandate production of 6 billion gallons of coal-derived fuel by 2022, to be produced without emission of greenhouse gas in excess of that emitted by the gasoline it replaces;

- Suspend filling the SPR for 180 days;

- Encourage commercial leasing of oil shale resources in Colorado, Wyoming and Utah.

On May 13, 2008, the Senate considered the provisions of the American Energy Production Act offered as an amendment to the Flood Insurance Reform and Modernization Act (S. 2284/H.R. 3121). The amendment was not adopted.

Reducing Impacts on Consumers. A number of proposals are aimed at easing the impact of high prices on consumers, or are aimed at the oil industry's price-making policies.

Price Gouging. The rapid increase in gasoline prices following the Katrina disaster led to allegations of price gouging. P.L. 109-58 included a provision requiring the Federal Trade Commission (FTC) to conduct an investigation into price gouging in increased gasoline prices.

The issue reemerged in the 110th Congress as gasoline prices surged past $3.00 per gallon. On May 23, 2007, the House passed the Federal Price Gouging Prevention Act (H.R. 1252). The bill would ban the sale of gasoline at "unconscionably excessive" prices during energy emergencies declared by the president, and impose heavy fines and imprisonment for violations. The White House complained that the bill could result in gasoline price controls, and threatened to veto it, but the House vote of 284-141 indicated enough support to override a veto.

The Senate, in passing its version of H.R. 6, the Creating Long-Term Energy Alternatives for the Nation (CLEAN Energy) Act of 2007 on June 21, 2007, included a price-gouging provision similar to that in H.R. 1252. However, the provision was not included in the final version of H.R. 6, which became P.L. 110-140.

The Consumer-First Energy Act (S. 2991) contains a provision on price gouging similar to the previously considered measures.

Filling the Strategic Petroleum Reserve. Authorized in 1975, SPR consists of caverns formed out of naturally occurring salt domes in Louisiana and Texas in which nearly 700 million barrels of crude oil are stored. Its current capacity is 727 million barrels, and it is authorized at 1 billion barrels. The purpose of the SPR is to provide an emergency source of crude oil that may be tapped in the event of a presidential finding that an interruption in oil supply, or an interruption threatening adverse economic effects, warrants a drawdown from the reserve.

Program costs for the SPR in recent years have been dedicated principally to maintaining SPR facilities and keeping the SPR in readiness should it be needed. Since FY1999, any fill of the SPR has been with deliveries of royalty-in-kind (RIK) oil to the SPR in lieu of cash royalties to the federal government on offshore production. Through FY2007, royalty-in-kind deliveries to the SPR have totaled roughly 140 million barrels and forgone receipts to the Department of the Interior are estimated to be $4.6 billion. DOE has projected deliveries of RIK oil during FY2008 of 19.1 million barrels and $1.170 billion in forgone revenues.

Continued fill of the SPR with royalty-in-kind oil has been controversial. Critics argue that it is inadvisable to add oil to the SPR when markets are tight and prices remain high. They argue further that the additional oil adds little to U.S. energy security. Supporters of RIK fill argue that the fill rate is too little to have a discernible impact on markets, and that currently high refined-product prices are sustained by factors other than crude supply, which is more than ample at this time.

Legislation has been introduced in the Second Session (H.R. 5146, S. 2598) to suspend RIK fill. The House bill would also mandate a sale of 13 million barrels of SPR oil during FY2008, with the proceeds to be spent on a number of energy efficiency and alternative fuel programs. Both bills would establish conditions, including a significant decline in crude oil prices, that would have to be satisfied before RIK fill could be resumed. On May 13, 2008, the House passed, 385-25, a similar bill, the Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act (H.R. 6022), which would suspend SPR fill until the end of 2008 unless the price of oil dropped below $75 per barrel. The Senate passed the bill on the same day, and it became P.L. 110-232 on May 19.

In addition, both the Consumer-First Energy Act (S. 2991) and the American Energy Production Act (S. 2958) contain provisions suspending SPR fill. (For details see CRS Report RL33341, *The Strategic Petroleum Reserve: History, Perspectives, and Issues*, by Robert Bamberger).

Mid- to Long-Term Supply and Demand. Most proposals affecting supply and demand of crude oil and gasoline would not affect the current short-term crisis but would be aimed at longer term trends.

Fuel Economy. Corporate average fuel economy (CAFE) standards also have a long history of controversy, going back to their establishment in the 1970s. In the mid-1990s, the National Highway Traffic Safety Administration (NHTSA) was considering a rulemaking that would result in increased standards for light-duty trucks (including sport utility vehicles), but for several years, Congress included in its annual appropriation for NHTSA a measure prohibiting NHTSA from analyzing or undertaking such a ruling. That prohibition was dropped in the FY2004 NHTSA appropriations, and a final rule issued by NHTSA in April 2003 required a boost in light-truck fuel economy to 22.2 miles per gallon by model year 2007. New fuel economy standards for light trucks were issued in 2006, to take effect in the 2008 model year, but implementation was blocked in court.

During House floor debate on P.L. 109-58, an amendment to increase fuel economy standards to 33 miles per gallon over 10 years was defeated by a vote of 177-254. A more general amendment to the House bill, requiring the Administration to take "voluntary, regulatory, and other actions" to reduce oil demand in the United States by 1 million barrels per day from projected levels by 2013 was defeated 166-262. The measure was included in the bill passed by the Senate but was dropped in conference.

Continued high gasoline prices raised congressional interest in higher mandated CAFE standards again. On January 22, 2007, a bipartisan group of 10 Senators introduced S. 357, the Ten-in-Ten Fuel Economy Act, which would raise standards for SUVs and passenger cars to 35 mpg by 2019. The President argued that standards should be set by the executive branch, not by Congress, and in his State of the Union speech on January 23, 2007, he set a goal of reducing gasoline consumption by 5% by 2017 through more stringent standards. The White House said that would be the equivalent of increasing CAFE standards 4% per year starting with model year 2010.

After considerable debate, P.L. 110-140 was passed and signed in December 2007, including setting a target of 35 miles per gallon for the combined fleet of cars and light trucks by model year 2020. A number of new procedures, including the trading of fuel economy credits among auto manufacturers, were included in the bill. (For details see CRS Report RL33413, *Automobile and Light Truck Fuel Economy: The CAFE Standards*, by Brent D. Yacobucci and Robert Bamberger.)

ANWR. Oil and gas exploration and development of part of the Arctic National Wildlife Refuge (ANWR) has been controversial for many years. This was part of the early proposals for legislation that eventually became the Energy Policy Act of 1992 (P.L. 102-486), but was dropped in the face of strong opposition in both houses. Support for the action grew gradually in the following years, along with technological developments that advocates claimed would reduce the environmental impact of development. Numerous attempts to open the region for leasing have been made, and both the House and the Senate at various times approved measures that included leasing provisions, but none of them have survived to become law. (For more details, see CRS Report RL32838, *Arctic National Wildlife Refuge (ANWR): Legislative Actions Through the 110th Congress, First Session*, by Anne Gillis, M. Lynne Corn, and Elizabeth A. Roberts.)

Savings Goals. A number of legislative proposals would have set goals for reducing oil consumption. An example is the Enhanced Energy Security Act of 2006 (S. 2747), introduced by Senator Bingaman May 4, 2006, which would have required the Director of the Office of Management and Budget to develop an action plan to save 2.5 million barrels per day (mbd) in 2016, 7 mbd in 2026, and 10 mbd in 2031.

President Bush took up the idea in his State of the Union speech on January 23, 2007, calling for a cut in gasoline consumption of 20% in 10 years, through a combination of increased fuel economy standards (see above) and increased mandated use of alternative fuels (see below).

Alternative Fuels. In his January 31, 2006 State of the Union message, President Bush asserted that the United States is "addicted to oil," and set the goal of replacing more than 75% of oil imports from the Middle East by 2025. The main thrust of the presidential initiative was to increase funding for research in producing ethanol from plant fiber biomass (rather than from corn), for improved batteries for hybrid automobiles, and for hydrogen fuels.

In his next State of the Union speech, on January 23, 2007, the President went further, setting a goal of reducing gasoline consumption by 20% in 10 years, through a combination of more stringent fuel economy standards and setting a mandatory renewable fuels standards of 35 billion gallons of renewable and alternative fuels by 2017, about five times the current consumption. The Energy Policy Act of 2005 (P.L. 109-58) set a target of 7.5 billion gallons by 2012.

On June 21, 2007, the Senate passed its version of H.R. 6, the Creating Long-Term Energy Alternatives for the Nation (CLEAN Energy) Act of 2007, including a provision requiring production of 36 billion gallons of ethanol in 2022. The final version of the bill, P.L. 110-140, set a modified standard that starts at 9.0 billion gallons of renewable fuel in 2008 and rises to 36 billion gallons by 2022. Of the

latter total, 21 billion gallons is required to be obtained from cellulosic ethanol and other advanced biofuels. (For more details, see CRS Report RL34265, *Selected Issues Related to an Expansion of the Renewable Fuel Standard (RFS),* by Brent D. Yacobucci and Randy Schnepf.)

OCS Leasing. The moratorium on oil and gas leasing in the Outer Continental Shelf (OCS), except in the central and western Gulf of Mexico and some parts of Alaska, was subject to much controversy during consideration of P.L. 109-58. A proposal to allow states to voluntarily opt out of the moratorium was dropped under threat of filibuster, and a measure to order the Department of the Interior to perform an inventory of OCS resources barely survived the debate.

Following the disruption of production by Hurricane Katrina, momentum to lift the moratorium increased, along with efforts by Gulf states to increase their share of revenues from oil and gas production in the Gulf of Mexico. This movement culminated in S. 3711, the Gulf of Mexico Energy Security Act of 2006, which lifted some restrictions in Gulf of Mexico oil and gas leases and increased revenue sharing for Gulf producing states. The Senate passed S. 3711 on August 1, 2006, and its provisions were included in H.R. 6111 (P.L. 109-432), the Tax Relief and Health Care Act of 2006, which passed the House on December 8 and the Senate the following day. (For details, see CRS Report RL33493, *Outer Continental Shelf: Debate Over Oil and Gas Leasing and Revenue Sharing*, by Marc Humphries.)

Representative Barton's proposed energy bill, which he submitted in the form of a motion to recommit H.R. 3221 on August 4, 2007, included a provision to open up the OCS to oil and gas leasing beyond 100 miles of the coast. The motion to recommit was defeated by a vote of 169 ayes to 244 noes.

Another issue regarding OCS leasing concerns a number of leases issued in 1998 and 1999 which granted royalty relief under certain conditions without including a price threshold. Several initiatives to force renegotiation of these contracts have been proposed, including the House-passed version of H.R. 6, the CLEAN Energy Act. Similar provisions, including denial of new Gulf of Mexico leases to lessees holding leases without price thresholds, and establishing "conservation of resources" fees, were included in H.R. 3221, as passed by the House August 4, 2007. However, the provision was not included in the final bill, P.L. 110-140. (For details on OCS royalty relief issues see CRS Report RS22567, *Royalty Relief for U.S. Deepwater Oil and Gas Leases*, by Marc Humphries.)

Legislation

H.R. 1596 (Ferguson). Clean and Green Renewable Energy Tax Credit Act of 2007.

H.R. 2448 (Kuhl). Emergency Gas Price Relief Act of 2007.

H.R. 5146 (Lampson). Invest in Energy Security Act. Would suspend SPR fill, and sell SPR oil to finance an Energy Independence and Security Fund.

H.R. 6022 (Welch). Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act. Passed the House and the Senate May 13, 2008. Became P.L. 110-232 on May 19, 2008.

S. 2598 (Dorgan). Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act of 2008.

S. 2890 (McCain). A bill to amend the Internal Revenue Code of 1986 to provide for a highway fuel tax holiday.

S. 2896 (Snowe). Diesel Tax Parity Act of 2008.

S. 2958 (Domenici). American Energy Production Act of 2008.

S. 2971 (Clinton). A bill to amend the Internal Revenue Code of 1986 to provide for a suspension of the highway fuel tax, and for other purposes.

S. 2991 (Reid). Consumer-First Energy Act of 2008.