Mr. Chairman, thank you for holding this hearing on the Hidden Costs of Oil.

For most of us, the costs of oil seem far from hidden. They are right up there on the signs at our gas stations, they are there in black and white on our heating bills.

But as our witnesses will show us today, the price at the pump, the price on our heating bills, as bad as they may be, are only part of the story.

Those prices conceal the hidden tax we pay to OPEC countries who use their pricing power to charge us more than they could get in an open international market for oil.

In addition, those prices conceal the costs of the security commitments we face to protect the supply of oil from OPEC and other foreign sources.

And they conceal the costs to our foreign policy, which has been handcuffed for over half a century by our dependence on oil from parts of the world with very different interests from our own.

At the same time, the rising price of oil has created a cushion that props up despotic regimes and finances their militaries or allows other countries to put off hard decisions about democratic and economic reform.

Finally, the price at the pump hides the long-term environmental damage – as well as the economic and social disruptions – that will come with global warming.

The economic, social, political, and environmental costs we face today – and the costs of dealing with their repercussions in the future – will not stay hidden.

There is no free lunch, as economists never tire of telling us. Somebody eventually has
to pick up the tab.

When we pay too much for oil – because OPEC can use its market power – we have less money for other priorities. That artificial inflation affects both domestic and imported oil, since there is essentially just one world market for oil.

In turn, we pay too much for transportation, and power. We pay too much for the plastics and other products derived from oil.

That is a dead-weight loss for the entire economy. Every watt of electricity from our power plants, every minute we run a refrigerator or air conditioner, every trip to the store, everything shipped by truck or rail – all those parts of our everyday lives costs more than they should.

That leaves us with less to spend on other priorities. It make us poorer – as individuals, as families, as a nation.

Mr. Chairman, we often speak about the costs of our foreign policy – usually we are speaking metaphorically. We may talk about trading values or prestige in one area to secure influence or leverage in another.

But there are real costs to our policies, too, of course. As hard as they may be to calculate, we must try to measure the economic costs of our reliance on oil, especially on imported oil, on oil from countries that are themselves unstable or that promote instability.

That will be important testimony for the record of this committee, Mr. Chairman.

Throwing our net a little wider, Mr. Chairman, from the quantifiable costs of oil to our economy, and the costs of our foreign entanglements to secure that oil, we come to the costs we will incur to cope with the climate change that will result from our use of oil and other fossil fuels.

You and I share a concern about all of the foreign policy implications of climate change, Mr. Chairman. Climate change will alter growing seasons, redistribute natural resources, lift sea levels, and shift other fundamental building blocks of economic, social, and political arrangements around the world. It could spark massive human migrations and new wars over resources. We will pay a price for those, too.

No other issue carries such a threat to our way of life. Putting a dollar value on that threat can show us what we are risking if we don’t act now to slow global warming.

In every one of the areas we will look at today, the near term prospects are grim. The rise of the massive economies of China and India will continue to put pressure on supply, will
demand tens of billions in investments, will further complicate global oil and energy politics, and will accelerate the accumulation of carbon dioxide and other greenhouse gases.

Half the world’s population – 3 billion people – live on $2 a day. Just to provide them with a little electricity to replace wood and kerosene for cooking, to pump water, to light a schoolhouse – will require more than our current energy system can provide.

To meet the inevitable challenges built into our current fossil fuel economy, we must first start with the facts. Today we will learn the many ways the true costs of oil are hidden from us.

To make clear choices, we need to have the right information. Hidden costs lead consumers to make the wrong choices. They distort investment decisions – we invest too much in systems that will make our problems worse, and we invest too little in solutions.

This hearing will give us some of the facts we need to start making the right choices.

Thank you, Mr. Chairman.