

**James Taylor Testimony Before the Pennsylvania House  
Environmental Resources and Energy Committee on Fossil Fuels**

October 24, 2022

Chairman Metcalfe and Members of the Committee:

My name is James Taylor and I am the president of The Heartland Institute. The Heartland Institute is a national nonprofit, nonpartisan organization whose mission is to discover, develop, and promote freedom-oriented solutions to social and economic problems. I want to sincerely thank the committee for inviting my testimony and the testimony of the other witnesses.

President Joe Biden frequently asserts that fighting inflation is his top domestic priority. Indeed, Democrats and Republicans alike agree that taming rapid inflation should be our highest economic priority. Unfortunately, federal and state policymakers are missing a golden opportunity to improve one of the most important factors regarding inflation – energy prices.

The price of energy is a substantial component of the price of goods and services throughout our economy. Higher electricity costs increase the costs of manufacturing products. Higher electricity costs also increase the costs for businesses to warm and cool their facilities. Higher transportation fuel prices increase the cost of transporting goods from manufacturers to retail sellers. Higher transportation fuel prices increase the costs for workers to commute to and from work.

Approximately 15 years ago, advances in hydraulic fracturing and directional drilling spurred the fracking revolution. After decades of being heavily dependent on foreign and often hostile nations for oil and natural gas, the fracking revolution spurred a remarkable increase in American production. By 2018, America became a net exporter of oil and natural gas.

Pennsylvania is one of the greatest beneficiaries of the fracking revolution. Between 2010 and 2021, Pennsylvania oil production more than doubled (<https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPPA1&f=M>). During that same 11-year period, Pennsylvania natural gas production increased more than 13-fold. Pennsylvania is now the nation's second-largest producer of natural gas.

According to a recent PricewaterhouseCoopers study (<https://www.api.org/news-policy-and-issues/news/2021/07/21/pa-pwc-2021>), oil and natural gas production contribute \$78 billion each year to the Pennsylvania economy. That accounts for approximately 10 percent of the state's economic activity.

High energy prices function like a tax increase. High energy prices take additional money out of household budgets. The only difference between high energy prices and tax hikes is that taxpayers may theoretically get governments goods or services in return for the taxes they pay. We get no such potential benefit from higher energy prices. Similarly, low energy prices function as a tax cut. The only difference between low energy prices and tax cuts is that low energy prices add money to household budgets while having no negative impact on the availability of government revenue.

Oil, coal, natural gas, and nuclear power are referred to as “conventional energy” because they have historically been our dominant energy sources. Fossil fuels currently account for 61 percent of U.S. electricity generation, while nuclear power accounts for another 19 percent. Hydropower and biomass account for another 7 percent. The remaining 13 percent is primarily wind and solar power. (<https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>)

Analyzing total U.S. energy generation – not just electricity generation – fossil fuels account for 79 percent of total U.S. energy generation. (<https://www.eia.gov/energyexplained/us-energy-facts/>)

Fossil fuels historically and currently comprise a majority of our energy mix because fossil fuels are our most abundant, affordable energy source. Inexpensive energy has historically served as a powerful damper on inflation. When energy prices rise, as they did in the 1970s, high inflation and rising unemployment immediately follow. When energy prices fall, as they did in the 1990s and mid-2010s, inflation becomes a non-factor and a strengthening economy supports more jobs.

Fossil fuels remain our most affordable energy source despite misguided governmental energy policies that attempt to tilt the playing field in favor of more expensive and less reliable wind and solar power. According to the U.S. Energy Information Administration, wind power by itself receives more government subsidies than all conventional energy sources combined. Similarly, solar power by itself receives more government subsidies than all conventional energy sources combined. (<https://www.eia.gov/analysis/requests/subsidy/pdf/subsidy.pdf>) Despite these and many other government-imposed competitive disadvantages, fossil fuels easily win out in the energy marketplace because they are so abundant and affordable.

Unfortunately, federal and some state policymakers are attempting to stifle fossil fuel production, with predictable painful impacts on energy prices. At the federal level, the current administration has placed a halt on new oil and natural gas production on federal lands. This has had a dramatic impact on energy supply, as the vast majority of oil and natural gas are produced during the first 18 months of a well’s operation. From 2010 through 2020, U.S. oil production more than doubled (<https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mcrfpus2&f=a>). Under the

current administration's prohibitions and restrictive policies, oil production remains approximately 10 percent below America's pre-pandemic oil production peak (<https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mcrfps2&f=m>). This is the case despite rising demand, a national GDP that is above pre-pandemic levels, and high prices making energy companies extremely eager to produce more oil.

The path of America's economy – and inflation in particular – will be largely determined by federal and state energy policies. Efforts to stifle production of our most affordable energy sources – fossil fuels – will continue to spur inflation and unemployment. A government-directed 'transition' to more expensive, less reliable wind and solar power – whose equipment and materials are produced primarily by hostile powers overseas – will continue to hammer our economy, as well as American and Pennsylvanian living standards. America's conventional energy producers are not looking for any special assistance or favors; they merely want government to remove the punitive obstacles that government has increasingly put in fossil fuels' path. Policymakers can benefit the American and Pennsylvanian people by following just such a course.

Thank you, again, for this opportunity to discuss this issue and I am happy to answer any questions you may have.