

economic growth by arbitrarily curtailing energy use either by taxing it or regulating it could be a far costlier experiment than the one these scientists have proposed at CERN. And because the human cause/effect is so weak and so few countries are likely to join our self-destructive experiment, useful scientific results may never materialize.

Let's do the real science, and do it now. In other words, I believe Gov. George Bush was right last night when he said, I believe there is a field of science we ought to understand and err on before we send this country down the road. He said his administration would make decisions on climate change based on science, not the politics or the popularity of the politics of the day.

Let's make science drive the issue. Science has to drive public policy in this area, not vice versa. We dare not let public policy drive science.

Meanwhile, let us hold off on dangerous experiments such as Kyoto that place our economy at risk in an attempt to prove one man right in the face of so much doubt. Truly, the kind of taxation the Vice President proposes and proposed but wouldn't own up to last night could certainly turn our economy into a recession and disadvantage our producers against other producers around the world.

In other words, what the Washington Post reported in great detail in an article well over a half a page long, on Monday, was exactly what Governor Bush was saying last night.

Mr. Vice President, the jury is still out. And the jury is scientists all over the world who have not yet confirmed, nor do they agree, that fossil fuels are the sole cause of a climate growing warmer.

Let's err on the side of science and not politics as we make these decisions.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. MURKOWSKI. Mr. President, I share the concern expressed by my good friend from the State of Idaho with regard to the issue of global warming. Much of the rhetoric that has been used is not based on sound science. The reality that we have the technology, if given an opportunity to apply that technology, particularly in the developing Third World nations, results in a meaningful decrease of the concentrations of pollutants that we are all concerned about in association with clean air.

I commend my friend from Idaho for bringing this matter, again, to the attention of this body with the recognition that, indeed, through science and technology, we can make a significant difference in reducing overall the emissions, particularly from the emerging nations.

THE BREAKDOWN IN PEACE PROCESS IN MIDDLE EAST AND ITS EFFECT ON THE ENERGY CRISIS

Mr. MURKOWSKI. Mr. President, my purpose in coming before the Senate at this late hour is to bring to your attention a rather catastrophic situation that is occurring in the world today.

We are all familiar with the devastation associated with the breakdown of the peace process in the Mideast and the tensions associated with the conflict between Israel and the Palestinians. I think it is important to recognize another significant factor that has occurred today; that is, the price of oil has increased about \$3.40 a barrel in one day. Currently oil closed at roughly \$36.40. That is just a few cents under the all-time high of 3½ weeks ago where oil closed at \$37 a barrel.

Clearly, our increased dependence on Mideast oil, where we import about 58 percent of the total oil we consume, is a significant factor in recognizing that any conflict in the Mideast not only affects oil prices in the United States, because our supply is threatened, but it affects our stock market which has dropped rather dramatically today as well.

Let me highlight a few things that I think represent an inconsistency in the administration's policies towards developing a sound energy policy.

Perhaps you noticed, I am not wearing a dark shirt, a dark tie, the kind worn by Regis on "Who Wants To Be A Millionaire?" As you know, this is a TV show on ABC where contestants compete to win up to \$1 million in prizes. It is my understanding that to win, contestants on the TV show must answer some questions, just as the administration has had to answer a series of questions regarding the lack of an energy policy.

If contestants on the TV show get stumped by a question, they can use a so-called lifeline. For example, they can phone a friend. Well, we have seen when oil prices rose, this administration phoned their friends. They phoned the Saudis and asked them for more crude oil, and the Saudis obliged.

Now, contestants can ask the audience—in other words, consult the polls—to see who has the right answers. Doesn't that sound familiar? The administration, of course, loves polls.

Finally, TV contestants can use a 50/50 where only two choices are presented, one of which is the right answer, helps them out a little bit, not unlike the two contrasting energy policies that were presented by the major Presidential candidates. Well, the administration has used about all of its lifelines and still doesn't have an answer with regard to the energy policy. Now we find we are playing the game "Who Wants to be a Millionaire" with the Strategic Petroleum Reserve at the expense of our national energy security.

Some of the lucky winners, speculators who bid on this crude oil re-

leased from SPR recently, stand to profit handsomely; there is no question about it. But we should reflect on what the purpose was. The purpose was to build up heating oil inventories in the Northeast. Well, it is pretty hard to make a case that anything realistic has been done as a consequence of the SPR sale to build up those reserves.

I recall that the Vice President called on the President a few weeks ago to authorize the release of 30 million barrels of oil from the SPR. That was on September 21. Interestingly enough, the President responded the very next day. It is important to grasp that the aim of the emergency release, according to the administration, was to increase heating oil stocks in the Northeast and prevent high heating oil prices this winter. But what has been the result, Mr. President? Heating oil stocks in the Northeast have actually declined. They have declined 600,000 barrels since the President made his announcement. Those figures, which we reviewed, came from the American Petroleum Institute. That is a very disturbing trend because we are entering the winter season. It is getting colder up there and the reserves, again, are 600,000 barrels less than when the President made his announcement on September 21.

One can question the motive. Was the motive to lower prices and provide an excuse, cover, throughout the winter heating season, and perhaps throughout the elections, to ensure that the administration was doing something about the energy problem, something about the price of oil, something about our dependence on the Mideast, something about meeting the obligation of having adequate heating oil reserves?

I think the administration's premise was flawed from the start. If you consider these realistic facts, at the time of the SPR release, our refineries were operating at between 95 and 96 percent of capacity. That is a fact. Now, the oil in SPR is crude oil. In order to refine it, it has to go to a refinery. Furthermore, our pipelines for crude and finished product are already operating to capacity. We haven't had a new refinery for nearly two decades. And 37 refineries have been closed in this country in the last 10 years. So what we have is a situation where we have a bottleneck at our refineries, regardless of how much crude oil we have.

New heating oil resulting from SPR releases can't be delivered until late November at the earliest because you have to take this oil out of the SPR in the salt caverns of Louisiana on the gulf coast and you can only recover about 4 million barrels a day maximum, and you have to move it through a pipeline, put it on a tanker, and transport it to a refinery that is already full. There would be no guarantee that the crude oil released from SPR would have to be turned into heating oil for use in the United States. In other words, when they made this sale, they didn't make any requirement that

whoever was the successful bidder on the sale was prohibited from exporting it. As a matter of fact, they didn't even have to turn it into heating oil. There is no provision in the contractual terms that mandates if you are the successful bidder for the SPR oil, you have to either turn it into heating oil and put it in a reserve in the United States, or, for that matter, you can export the oil. You certainly don't have to refine the oil.

The Wall Street Journal reported last week that heating oil from the United States is now being exported to Europe. We checked on that and found out that that is true. The heating oil market there is 50 percent larger than the U.S. market. Stocks are tight and prices are a few cents a gallon higher. I mentioned this to some of the principals in the Department of Energy and they said: We are letting the free market work.

I said: It is certainly working because that is where it is going—to the highest return, which is Europe.

So refiners are able to ship heating oil over to Europe because they pay a premium price at a time when there is a real shortage here in the United States.

Another question is, Why didn't the administration, when it put up 30 million barrels, put in a prohibition on exporting that oil, a mandate that it had to be refined, a mandate that it had to go into a reserve? We took oil out of the Strategic Petroleum Reserve, which was designed to address our needs should there be a curtailment of supply from the Mideast, and here we have a situation where no provision was even given to ensure that the action of taking 30 million barrels out of SPR resulted in any increase in our domestic heating oil supply for the Northeast part of the country.

And now the Department of Energy's Information Administration says that nearly two-thirds of the oil released from SPR—or 20 million barrels—will simply displace foreign imported oil. What that means is that we don't have the capacity in our refineries to take 30 million barrels; we are going to take 10. So instead of 30 million barrels, we will only get 10 million barrels of new crude actually from the SPR because of the displacement that I just explained.

Now, the Department of Energy claims that these 10 million barrels can still yield 3 million to 4 million barrels of heating oil. On the other hand, the industry tells us—and they are in the business because they have to refine it—roughly 800,000 to 900,000 barrels of heating oil is all we are going to get out of the 10 million barrels that are refined. I don't know who is correct, but I suspect the industry is. In any event, recognize that the United States uses roughly 1 million barrels of heating oil a day.

So this pull-down of the SPR has either resulted in a 3-day supply or a 1-day supply. It sent a signal that we are so desperate that we are willing to re-

duce our Strategic Petroleum Reserve for the specific purpose of increasing the supply of heating oil, which we haven't achieved. One can question whether there was another motivation. Could that motivation have been to manipulate prices because prices did fall from \$37 to about \$32 after the announcement was made by the President that we were going to go in and sell 30 million barrels of SPR. But I point out where the price is today; the price closed at roughly \$36.40 today. We are right back where we started.

As a consequence, the SPR release will, as I have said, likely end up representing less than 1 day's supply of heating oil. It is clear to me that the release of oil from the SPR won't help at all in increasing heating oil supplies in the Northeast this winter. If this had been the real concern of the administration, why would they turn away the invitation offered by Venezuela's state oil company, PDV, to produce heating oil for direct delivery to the United States? Well, we have asked the Secretary this. We asked him in an extended letter.

(Mr. CRAIG assumed the Chair.)

Mr. MURKOWSKI. This administration seems to have limited success in the real goal and, as I have indicated, it appears to be manipulating prices in the world market for, one can only conclude, a political effect. Crude oil prices, as I said, were at a 10-year high, \$37 a barrel. After SPR, they hit \$32. But today, as I have indicated, they are back up to \$36.40. Along the way, they might be making some millionaires out of the speculators who were lucky enough to win a bid on SPR oil. We asked the Secretary to explain how those went out, who got them, how were they offered because if it is true, how did the administration, with this kind of an opportunity for speculators who didn't have to put up any financial requirement, prove a capability to get their bid? It appears that anyone was eligible to play.

Let's look at some of the bidders. Without being specific, very little was required of anyone who wanted to bid on the SPR oil. They did not have to show any financial capacity. The excuse was they were going to take care of that later. That was the official response from the Department of Energy. You didn't have to have any previous experience in the energy market; no track record. You didn't have to have any agreements with refiners who refine the oil. You didn't have any guarantee of even access to refiners and no guarantee that heating oil would be reserved specifically for the Northeast.

They made this bid proposal without any requirement that you could not export it, without any requirement that it be held in the United States for the Northeast reserve.

As a consequence, what have we really accomplished? All the winning bidders needed to do was promise to return more oil to SPR than the other bidders. You might have a pretty inex-

perienced bidder who wanted to get the bid and who didn't have to put up any financial responsibility proof, bid high, and get an award. Once you get an award, you can turn around and market it. For the larger companies that have the financial capacity, it is perhaps a little different.

I don't begrudge anyone for making a return on an investment. But it is a rather peculiar and I would suggest a poor way for government to do business.

As I think back at government sales, for example, in the forests, the Forest Service requires a participant who is putting up a bid to also show financial responsibility. You have to put up a letter of guarantee in your bank to even bid.

What happened here is we had the letters go out from the Department of Energy to prospective bidders. They simply bid and got an award. Then they have to put up the financial responsibility under a letter of credit after the fact.

In the meantime, if they are a broker, as a few of these folks were, with no experience and no refinery capacity, they are simply going to bid on the oil, and hopefully the price of oil will increase. They can sell their position to somebody else and walk away with a couple of million dollars.

I guess that is part of what makes America great. But, by the same token, you wonder to whom that profit should belong. Should it belong to the taxpayer or the speculator who puts up nothing for the opportunity to get a position and then be fortunate enough to sell it so he can make a few bucks?

We will have to see either today or tomorrow, when the letters of credit are due, whether some of these speculators have the financial capacity to actually meet the conditions after the fact. But I can tell you this. I have checked with several of the companies. These speculators have been busy trying to resell their positions. We will see how many are able to make good on their promises.

But it is important to recognize the winners. What do they get? I don't want you to misunderstand. But they basically get to borrow the crude from SPR. And, if the price goes up, they can sell it at a higher price. They can take the money and buy back cheaper oil in 10 to 12 months to replace what they have borrowed from SPR with interest and, of course, keep any profits as a result. There is potentially millions of dollars—at whose expense? The taxpayer.

I have a little bit of background in banking and business. I can tell you it is a poor way to do business, to put out a bid proposal without any financial requirement for performance. That is what the Department of Energy has done. I think it is totally inappropriate when other Government agencies such as the Forest Service have a proven list of bidders.

I want to make another observation.

Isn't it rather peculiar that we have a Strategic Petroleum Reserve with about a 56-day supply of oil in case this country finds its oil supplies in the Mideast, on which we are 58-percent dependent, cut off by some action and we don't have an approved list of bidders who have already proven their financial capacity or the wherewithal to refine the oil and get it to market so we can do this in a process of a very short time? If the supply is disrupted, we are going to need to move it in a short period of time. It doesn't appear to be the case.

The Department of Energy evidently doesn't have a standing list of bidders who are willing to take the oil at a price, refine it, and get it out to the market. It appears that what we have done here is put this out to the highest bidder, and some of these speculators say: I didn't have to put up anything. I have nothing to lose. If I get a position, I can turn around and try to sell my position hoping that the price of oil has gone up, as it has today \$3.50, and make a few bucks without any risk individually—because they haven't had to put up anything.

Let's get this straight. I think this was done at a considerable risk to our national security, and as a consequence, the release of oil from SPR by this administration has not contributed one identifiable barrel to the heating oil reserve for the Northeast part of this country.

Remember what we have achieved so far in the sale is identification that perhaps we will get at least a day's worth of heating oil. But it is not going to arrive until sometime in November.

Further, most of the crude oil released from SPR appears to be going into the foreign markets because they are paying a higher price in Europe than we are paying in the United States. There is no prohibition against the export. The only folks who appear to benefit will be perhaps a few of the speculators and a few of the oil companies that hit the jackpot. I can't imagine the Vice President is going to generate any expanded support from it. But the losers are really the fuel-starved consumers in the Northeast, the people this was designed to help.

I think that raises a number of questions regarding the administration's ability to basically manage the SPR.

When I think of the situation, as I have seen it evolve, I think the Secretary and the administration owe us a few answers.

For example, who bid on crude oil from SPR and what did they offer?

Why were the winning bids selected?

Who didn't get selected and why?

Whom were the bids sent out to?

What assurances did the administration get that oil release from SPR would be turned into heating oil in the Northeast?

How did the winning bidders plan to refine SPR oil?

How will they get it to market?

Why didn't the Department of Energy have a preapproved list of bidders

that might be required in a real supply emergency?

Why wasn't financial responsibility part of the bidding process, similar to the way the Forest Service puts up timber for bid with financial requirements to be part of the bid submission?

I have asked these questions of the Secretary. I look forward to his response.

With regard to our national energy security, I think this administration really needs to respond to this question. The question is: Is that your final answer? Because that is simply not good enough for the American people.

In conclusion, it is my intention, as chairman of the Energy and Natural Resources Committee, to hold a hearing, which I intend to call for next Thursday, on the Strategic Petroleum Reserve, to try to generate the factual information relative to just what has been accomplished and what assurances people of the Northeast have that this action will actually result in any increase in our reserves of heating oil for the coming winter in view of the circumstances that exist today—the conflict in the Mideast, the tensions, and the realization that, indeed, we are at a time when we have become so dependent on imported oil that our national energy security is dictated by the likes of Saddam Hussein, Iraq, and others who do not necessarily look for the best interests of the United States when they sell their product to us.

I am always reflective on Saddam Hussein and the realization that now we are importing about 750,000 barrels a day from Iraq. How quickly the American people forget that we lost 147 lives in 1992 in the Persian Gulf war; we had 437 wounded. The cost to the taxpayer was in the billions of dollars.

Now we are looking to Saddam Hussein as a savior for our addiction to oil. I think it is further interesting to note the action taken by Saddam Hussein in relationship to the demand on Iraq from the U.N. to begin to pay Kuwait for reparations from the conflict there in the invasion from Iraq into Kuwait. Saddam Hussein told the U.N., if you require payment now, I will reduce my oil production. It is my understanding that the U.N. said: We will talk about it next quarter.

If you look at where we are today, we find the world's production and the world's consumption are almost equal. There is a little bit more production than there is consumption—just about 1 million barrels a day. But Saddam Hussein is producing 2.9 million barrels a day. His threat to cut production could increase the price of oil from \$36 today to \$56 tomorrow.

I always recall the issue of Israel and our commitment to Israel's security. He ends virtually every speech with "Death to Israel." If there ever is a threat to peace in the Middle East, it comes from Iraq. They are building up their missile-delivery capability, their biological capability, and as a consequence of what we are seeing today

in the Middle East, the crisis is increasing by the hour, and as a consequence the threat is increasing.

So this is all coupled with dependence, an increased growing dependence on imported oil and the inability of the administration to face up to appropriate relief associated with reducing our dependence on imported oil by producing more oil at home in the over-thrust belt in Wyoming, Colorado, Utah—areas where the Federal Government is now taking nearly 60 percent of the public land and putting it off limits.

In my State of Alaska, we are attempting to open up the small sliver of ANWR, roughly a footprint of 2,000 acres out of 19 million acres, a potential supply of 16 billion barrels that would replace what we import from Saudi Arabia over a 30-year period. These are the actions that could be taken as well as conservation and tax incentives to address our energy security.

If we were to take these actions, there is no question in my mind we would be sending a strong signal to the Middle East. We would see a very significant drop in oil, much more so than occurred the other day when the President announced the sale of 30 million barrels from the SPR. I suggest we could expect at least a \$10 to \$15 a barrel drop in the price of oil.

I was thinking about the remarks of the previous speaker relative to the political season we are in. I was reminded by the Vice President that he always opposed energy taxes. I guess perhaps the Vice President overlooked the fact that when the administration came in in 1993 the first tax they proposed was the Btu tax, British thermal unit, a tax on energy. It was defeated in this body.

However, shortly thereafter there was the effort by the Vice President, who was sitting in the chair of the Presiding Officer, and there was a tie vote in the Senate. The issue was the gas tax, 4.5 cents a gallon. The Vice President broke that tie and that gas tax went into effect.

In conclusion, I assume that the Vice President overlooked his record on increasing energy taxes and perhaps he should revisit his record and his memory.

DEFENSE PRODUCTION ACT AMENDMENTS OF 1999

Mr. MURKOWSKI. Mr. President, I ask unanimous consent that the Senate now proceed to consideration of H.R. 1715, which is at the desk.

The PRESIDING OFFICER. The clerk will report the resolution by title.

The legislative clerk read as follows:

A bill (H.R. 1715) to extend and reauthorize the Defense Production Act of 1950, and for other purposes.

There being no objection, the Senate proceeded to consider the bill.

Mr. MURKOWSKI. Mr. President, I ask unanimous consent the bill be considered read the third time and passed