

Opening Statement
Chairman Michael G. Oxley
Committee on Financial Services

“The California Energy Crisis: Impacts, Causes, and Remedies”
June 20, 2001

Our hearing today represents the Financial Services Committee’s continuing obligation to conduct oversight on the state of the U.S. economy. Today we explore the impact and causes of the California energy crisis, and discuss steps this Committee can take to help prevent it from being repeated.

The California energy crisis has the potential to become an American economic crisis. Already, in both California and throughout the West, high prices, drought conditions, and lack of investment in infrastructure have caused serious disruption to the lives of American families and workers. In the Pacific Northwest, aluminum mills have shut down because they cannot afford the cost of electricity. Predictably, this has led to a decline in U.S. aluminum production. According to the Silicon Valley Manufacturing Group, its nearly 200 members lost over \$100 million in a single day of rolling blackouts in June of last year. The State of California accounts for over 16 percent of U.S. commodity exports and nearly 25 percent of industrial equipment and computers, electronics and instruments exports; declines in the ability of that State to manufacture and trade these products will increase the U.S. trade deficit.

I could cite similar statistics, but they all make the same point: the California energy crisis is not only bad for California, it’s bad for America. There is no question that when a State must issue the largest municipal bond offering in history in order to purchase electricity, there is something seriously wrong with the system. Our hearing today will explore what went wrong, and provide insight into how to avoid such pitfalls in the future.

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Part of the purpose of this hearing is also to remind ourselves that this is not a new dilemma. The last major energy crisis, in the 1970s, led to our becoming a much more energy efficient country. Energy intensity, or the amount of energy used to produce a dollar's worth of GDP, has declined 42 percent, meaning that the U.S. has grown significantly more energy efficient over the last two decades. This has occurred despite the fact that personal energy use has increased over that same period. We will hear today from the Department of Housing and Urban development on the steps they have taken to contribute to this dramatic increase in energy efficiency, and what more there is to be done.

It has been proven time and again that truly competitive markets, free from overly burdensome government intrusion, will provide goods and services better than any of the alternatives. One securities law that has outworn its usefulness is the Public Utility Holding Company Act of 1935. Though not implicated in causing the current situation in California, PUHCA has nevertheless proven to be an unnecessary burden to creating a healthy electricity infrastructure. We are honored to have with us today Commissioner Isaac Hunt Jr. to explain why the SEC has long called for the repeal of this outdated legislation.

This current crisis provides us an opportunity to confront the mistakes of the past, and remove barriers to building a better future. I look forward to hearing from all of our witnesses today as this Committee works to do its part to ensure that America's energy infrastructure becomes increasingly healthy and competitive.