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# Soaring Fossil Fuel Prices This Summer Should Spur Clean Energy Transition

*Schemes by a Greedy Fossil Fuel Industry Are Aimed at Locking Us Into Volatile, Dirty Energy Sources for Decades*

It will come as no surprise to anyone to hear that fossil fuel prices have skyrocketed.

Whether it's gasoline at the pump to go on a summer road trip or methane gas used for electricity to stay cool at home amid ever-hotter heat waves, people are struggling to pay the high bills.

The fossil fuel industry, who is raking in record profits, and their friends in Congress want the public to think that more oil and gas production is the way out of this energy crisis, but it is our collective reliance upon non-renewable, dirty fossil fuels that is allowing the industry to gouge consumers and attempt to lock us into fossil fuel extraction for decades to come.

The right way forward is to double-down on the clean energy transition so the country is not tied to global demand for oil and gas and the schemes of a greedy fossil fuel industry.

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## Why Are Prices So High?

The cost of methane gas, sometimes referred to as “natural gas,” is at its highest point since 2008, leading to an estimated 40% increase in Americans' monthly utility bills. Meanwhile, the national average of gasoline approaches \$5/gallon.

There are a number of reasons for these historically high price spikes:

**Fossil fuels are a global commodity tightly linked to volatile global markets that are exposed to price shocks. The industry is expanding exports to take advantage of increased demand in Europe, which only raises energy prices for American consumers.**

- In an effort to lower fuel prices, the Biden administration ordered about 1 million barrels of oil per day to be released from the U.S. emergency oil reserves — called the Strategic Petroleum Reserve (SPR) — through October. However, the industry has used this as an opportunity to ship 5 million of those barrels of oil to Europe and Asia in June. Big Oil is



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depleting emergency oil reserves while lining their pockets at the expense of Americans.

- The massive increase in methane gas exports — referred to as LNG — from the U.S. is another key culprit, forcing Americans to compete with billions of people overseas for U.S. produced gas. This increases the chances of price spikes, volatility and geopolitical interference. The fact that the U.S. now exports more gas than the residential, commercial, and transportation sectors combined, leads to “crazy prices.”
  - Gas prices are up 700% in Europe since the start of last year, pushing the continent to the brink of recession. For the year, U.S. gas prices are now up 137% this year, and they could soar another 25% or more this summer if hotter weather persists.
  - Exporting U.S. gas has connected and exposed the domestic gas market to the international market where prices are as much as 600% higher. The U.S. EIA reports that this sizable price difference is helping to drive the rise in U.S. gas exports.
  - Liquefied gas exports have rapidly expanded in recent years — up 42% compared to last year — siphoning off gas that would otherwise be lowering prices domestically.

### **Greedy fossil fuel executives and the politicians they finance are lining their pockets and those of their shareholders.**

- The fossil fuel industry isn't using their surging profits to try and lower prices to ease the burden on consumers — instead they're spending billions on stock buybacks to reward their wealthy shareholders and CEOs.
- Fossil fuel executives see gas exports as a way to make a profit, no matter the impact to American consumers. The industry is pushing to build more than 20 additional gas export facilities. Adding additional LNG export facilities would be a climate disaster.
- After years of excessive shale drilling fueled by Wall Street speculation and the spread of hydraulic fracking, hundreds of shale oil and gas drillers went bankrupt amid high levels of debt and increasing competition from low-cost wind, solar and battery storage. Concerned about taking on more debt, oil and gas companies aren't opening as many new wells, but are now focusing on profits for shareholders after years of financial losses.

### **Fossil fuels are dangerous and volatile so leaks, explosions, and other incidents can impact price.**

- For years, the gas industry has downplayed the risks of explosions and fires at gas export facilities.

Regulators and industry engineers now understand that gas export terminals “pose inherent new dangers,” due to the threat of a vapor cloud explosion.

- A recent explosion at a gas export terminal in Freeport, Texas led to a reduction in U.S. gas exports that put a strain on global gas supplies, meaning competition in the spot market for liquefied methane gas, or LNG, is going to drive global gas prices higher.
  - The morning after the explosion, European gas prices rose by a fifth, with the leading U.K. contract price increasing 36%, as traders feared lost U.S. shipments would stress a market already struggling with reduced Russian supplies. Gas futures in East Asia went up 4% after the explosion. Gas prices in the US fell roughly 6% immediately after the explosion, but rebounded and they are expected to stay high due to international pressure and low U.S. supply.



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### **Extreme weather events driven by the climate crisis drive up prices.**

- Summers in America are getting “hotter, longer and more dangerous.” This means we are using more and more electricity to cool our homes and businesses to safe and comfortable temperatures. According to the EIA, 61% of this electricity generation was from fossil fuels in 2021.
- FERC's Summer Assessment 2022 predicts higher electricity prices due to, “hotter temperatures, slightly increased demand, and higher natural gas prices.” FERC also notes that drought, heatwaves, and the potential for wildfire in the western U.S. will further strain the electricity sector and reduce output from hydroelectric dams.
- As we approach peak hurricane season we can expect to see further disruptions to fossil fuel production leading to higher prices. Last year, Hurricane Ida took Gulf Coast drilling wells offline for weeks.

## We Must Avoid Traps Set By Fossil Fuel Industry and Friends and Opt for Real, Long-term Solutions

The Biden Administration must explore all potential tools available to bring relief to American families facing skyrocketing energy costs. But false solutions, like a [gas tax holiday](#) – which amounts to little more than yet another subsidy for the fossil fuel industry – are not the answer.

The oil and gas industry and the members of Congress they financially support are working hard to set traps that will lock us into fossil fuel production for decades. Instead, we need to take decisive action against fossil fuel industry greed and move quickly towards a clean energy future to ease global demand and climate challenges that are fueling these price spikes.

These steps include:

### Taxing windfall profits that the fossil fuel industry is racking in at the expense of Americans;

- A windfall profits tax is based on the idea that when a corporation makes a massive profit based on events outside of their control, a “windfall,” they should have to pay an additional tax on those profits – especially when they came at the expense of the general public. That’s what’s happening right now: Big Oil and Gas are making huge profits because of the economic recovery from Covid-19 and the crisis in Ukraine. This windfall profits tax would mean that a percentage of those undeserved profits would be taxed at a higher rate and the revenue from the tax could then be used to offset costs for consumers and support solutions that make us less dependent on oil and gas.

### Ending subsidies to the fossil fuel industry;

- According to the International Monetary Fund, the [U.S. federal government gives the fossil fuel industry over \\$14.7 billion](#) in support each year through federal subsidies - money that could be going to clean energy solutions that would help consumers instead.
- When impacts on health, the environment, and long-time climate damage are factored in, the International Monetary Fund estimates the true actual cost of fossil fuel subsidies in the U.S. at \$649 billion per year.

- Big fossil fuel companies claimed \$8.2 billion in 2020 from the CARES Act pandemic relief bill.
- Big oil and gas companies are expected to receive \$121 billion in tax giveaways over the next decade.
- The nation’s top electric utilities received a collective \$1.25 billion from last year’s government bailouts [while shutting off families’ electric service nearly 1 million times](#).
- [Recent research from SEI has shown that over 96% of subsidy value is flowing directly to excess profits](#) and that most of the value of these subsidies is therefore \*not\* contributing to jobs on the ground.

### Investing in affordable, accessible clean energy that creates American jobs by passing a bold reconciliation package that includes:

- Support for an electric grid powered by 100% clean energy by locking in tax credit investments in clean energy technologies like solar, wind, offshore wind, geothermal, batteries, and high voltage electricity transmission for the next 10 years.
- Incentives for the clean energy industry to be based in the US and permanently set up shop to deliver the promise of family-sustaining clean energy manufacturing jobs to every American.
- Providing tax credits for clean transportation that also makes new electric vehicles affordable for working and middle-class families.
- Investments in environmental and climate justice block grants and other programs that will clean up pollution and create healthy, toxic-free communities, healthy ports, and climate-resilient and energy-efficient affordable housing.
- Expansion of existing home energy and efficiency tax credits, and providing point of sale rebates for the purchase and installation of heat pumps, water heaters, induction cooktops, and other everyday household electric appliances, to rapidly enable home electrification. These investments in residential electrification will cut indoor air pollution and make American homes healthier, safer, and more energy affordable.

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