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Lower Home Heating Bills by Increasing Domestic Energy Supplies

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Gasoline prices have fallen a bit since hitting $4.00 a gallon last summer, but America's total energy bill is going to increase in the months ahead as we enter the home heating season. The costly double whammy of still-high pump prices and equally painful heating bills underscores the need for the federal government to do what it can to make energy as affordable as possible. Beyond federal assistance programs to help the poor with their high energy bills, Washington can and should do more to bring prices down by removing the restrictions on domestic energy production. Congress will soon have the chance to take an important step in this direction by allowing the current moratorium on offshore drilling to lapse.

Potentially the Most Expensive Winter Ever. The Department of Energy's Energy Information Administration projects average household heating costs to be $1,152 this winter, a $166 increase over last year and $359 more than five years ago. Over half of America's homes are heated with natural gas, which is expected to cost $162 more per household than last year. Hardest hit of all are those homeowners who use heating oil, which, like gasoline, is made from petroleum. They are expected to shell out over $500 more per household than last year.

Of course, if oil and natural gas prices continue with their recent downward trends, things could be a little cheaper before the cold weather hits. And, of course, a mild winter would be a money saver as well. But if neither happens, this could be the most expensive heating season ever.

Federal Government to the Rescue? High energy costs hurt all consumers, but low income and fixed income households are disproportionately affected because they spend a larger percentage of their budgets on energy. The federal government's Low Income Home Energy Assistance Program (LIHEAP) provides funding to states to distribute to qualifying households in need of help with their energy bills.

LIHEAP is not without its critics. As with all such programs, there is a fair amount of waste in administration. Further, the main purpose of the bill—preventing low income households from having the heat shut off in the dead of winter—has been obviated by state laws that preclude utilities from doing so. In fact, the real beneficiaries are the utility companies themselves, which now have a source of money from which to collect delinquent bills that would otherwise go unpaid.

Nonetheless, the program remains popular, and the main problem with it is that current funding levels do not go as far when energy costs are this high. Several bills have been introduced to boost LIHEAP funding.

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Is "Drill, Drill, Drill" a Better Policy Than LIHEAP? Before the federal government funds programs like LIHEAP that try to make energy more affordable, it ought to make certain that it is not contributing to energy being so unaffordable in the first place. However, Washington does just that with an energy policy that has long placed environmental concerns—real or exaggerated—above economic concerns. This has contributed to higher natural gas and heating oil prices.

Specifically, Congress can help low income and other households by removing its restrictions on domestic energy production. Recent studies by the Department of the Interior highlight the significant oil and natural gas potential lying beneath offshore and onshore areas that are currently off limits. Onshore, access to 19 billion barrels of oil and 94.5 trillion cubic feet of natural gas is denied. Offshore, 85 percent of our territorial waters—containing an estimated 19.1 billion barrels of oil and 83.0 trillion cubic feet of gas—is similarly off limits. The untapped natural gas alone would be enough to supply America's homes for about 35 years. And it should be noted that these initial estimates of energy in restricted areas tend to be on the low side.

These amounts, if brought online, would be more than enough to make a difference in heating oil and natural gas prices for many years to come.

Despite several years of high energy prices, Congress has thus far been reluctant to open these areas. Fears of environmental damage—largely outdated given the advances in technology that allow drilling with minimal surface disturbance and risk of spills—took precedence over energy affordability.

The public understands the benefits of increased domestic energy supplies, even if many in Washington still do not. Polling shows support for increased drilling by 2–1 margins. Nonetheless, Congress has preferred taking only tiny steps in the right direction. The supposedly pro-drilling measures like those in H.R. 6899 (the Comprehensive American Energy Security and Consumer Protection Act), which recently passed in the House as well as the Senate's so-called Gang of 10 bill, open up very few new areas while leaving over 90 percent off limits.

That may be changing, however. The restrictions on offshore drilling must be renewed annually and are set to expire on September 30 unless Congress acts between now and then to extend them. Thus, if Congress does nothing (a task they can handle) on the issue, most of the offshore energy would become available for leasing on October 1. In truth, little will change right away as the leasing process takes a number of years, but at least it could begin.

Open Them Up. "First do no harm" has long been an ethical tenet for the medical profession, but it should be applied to federal energy policy as well. With its restrictions on domestic drilling, the government currently contributes to the high heating bills that LIHEAP seeks to ameliorate. Repeal of these restrictions would reduce both energy prices as well as the need for LIHEAP in the first place.

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