Opening Remarks of Chairman Deborah Platt Majoras

Research Associates and one of our panelists today, said when he testified before the U.S. House of Representatives Committee on Foreign Affairs last month, energy security "requires us to look, beyond the ups and downs of market cycles, both to the reality of an ever more complex and integrated global energy system and to the relations among the countries that participate in it."[1] Dr. Yergin emphasized, however, that markets *themselves* should be regarded as an important element of energy security, and he cautioned that "governments [would] do well to resist the temptation to respond to short-term political pressure and micromanage markets."[2]

The recognition of the importance of markets to this vital sector of our economy brings us here today. The FTC is, of course, a law enforcement agency, charged with protecting consumers from unfair, deceptive, or anticompetitive acts and practices, and we have devoted significant resources to energy markets. For the past 25 years, the Commission has reviewed all major petroleum mergers, identifying over 20 that it believed would have reduced competition and harmed consumers, challenging them, and obtaining appropriate relief. During the past year, the FTC challenged and obtained effective relief for EPCO's proposed $1.1 billion acquisition of TEPPCO's natural gas liquids storage businesses, and for a proposed $22 billion deal whereby energy transportation, storage, and distribution firm Kinder Morgan, Inc. would be taken private by KMI management and a group of investment firms. Most recently, on March 14, the

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1 Foreign Policy and National Security Implications of Oil Dependence: Hearing Before the H. Comm. on Foreign Affairs (2007) (Prepared Statement of Daniel Yergin, Chairman, Cambridge Energy Research Associates), *available at* http://foreignaffairs.house.gov/110/yer032207.htm.

2 *Id. See also* Note by the U.S. Department of Justice and U.S. Federal Trade Commission, OECD Roundtable on Energy Security and Competition Policy (2007), *available at* http://www.ftc.gov/bc/international/docs/07RoundtableonEnergySecurityandCompPolicy.pdf.

Commission voted to challenge Equitable Resources' proposed acquisition of The Peoples Natural Gas Company, the sole competitors in the distribution of natural gas to nonresidential

[3] Federal Trade Commission,

Economics;[7] and the Commission's Midwest Gasoline and Western States Gasoline pricing investigations.[8] What is critical is that we then use what we have learned in making appropriate enforcement and policy decisions. After we released the 2006 report, critics dismissed the Commission's basic conclusion – that market forces, rather than illegal conduct, appeared to explain the bulk of pricing in this industry – clinging to the assumption that large oil companies were acting anticompetitively, but without providing countervailing facts. We will always pay careful attention to our critics, but without alternative facts, we cannot change our conclusions. And, of course, if we had found that illegal conduct was responsible for the price increases, that would in some ways make things easier, because we could challenge such conduct and presumably remedy the problem. But to have done that would have meant ignoring the facts before us, thus potentially harming competition to the detriment of consumers. Our duty as responsible enforcers of the law is to conduct thorough investigations and then present the results accurately and dispassionately. The challenge is that we must distinguish between markets corrupted by anticompetitive conduct and markets that are functioning competitively even if they are producing results that we may not particularly like.

In all of this work, our focus must remain steadfastly on the consumer. No consumer wants to pay more for gasoline or power, and it is tough to stick to a budget when energy bills

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[7] Federal Trade Commission, Bureau of Economics, *The Petroleum Industry: Mergers, Structural Change, and Antitrust Enforcement* (2004), *available at* http://www.ftc.gov/os/2004/08/040813mergersinpetrolberpt.pdf.

[8] Midwest Gasoline Price Investigation, Final Report of the Federal Trade Commission (Mar. 29, 2001), *available at* http://www.ftc.gov/os/2001/03/mwgasrpt.htm; FTC Press Release, *FTC Closes Western States Gasoline Investigation* (May 7, 2001), *available at* http://www.ftc.gov/opa/2001/05/westerngas.htm.

fluctuate widely. But as the many consumer communications I received in the past year indicate, consumers can handle the truth about energy prices and supply; they just want to know what it is. In the midst of last spring's run-up in gasoline prices, we augmented our Oil and Gas Industry Initiatives Web page with a recurring column that speaks directly to consumers about how key developments in the industry affect what they pay for gasoline. Gasoline Columns have addressed such topics as the "risk premium" that world events can add to crude oil and gasoline prices; the impact of hurricanes on supply and prices; the ways consumers can face different prices because they live in different locations; how refining capacity affects gasoline prices; and more. We have seen a dramatic increase in the number of hits to our Web page following the addition of this consumer-focused information. This Conference, open to the public and accessible via simultaneous Webcast, gives consumers a view as experts examine critical energy policy issues.

As we explore the energy markets of our future, the stakes for consumers are high. As our economy expands, our population grows, and our standard of living rises, our demand for energy inevitably increases. Some experts have estimated that over the next 20 years, U.S. oil consumption will increase by roughly one-third, natural gas consumption by 50%, and electricity demand by 45 %. And, of course, in this we are not alone, as other rapidly expanding economies like China and India have developed correspondingly increasing energy needs. While markets typically work well to respond to demand, we cannot ignore the fact that energy markets are uniquely impacted by geo-political considerations and federal and state government actions, including regulation and taxation.

The program we have designed for the next three days – covering energy history, government policy, new technologies, consumer protection, global security-of-supply concerns, electricity restructuring, and more – reflects how many crucial and complex energy issues in