

Bush, Republicans Gird for Public Anger at High Heating Costs

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Oct. 7 (Bloomberg) — President George W. Bush and congressional Republicans are bracing for a winter of public discontent as the lingering effects of Hurricanes Katrina and Rita drive up home-heating bills by more than 70 percent.

Energy Secretary Samuel Bodman warned Sept. 29 in a private meeting with about 20 Republican House members that the political fallout from rising energy prices may be severe. Frank Luntz, a Republican pollster, told the lawmakers that the party would lose its House majority if elections were held now.

Bodman “did use the term ‘brace yourselves’ because prices are going up,” said Representative Todd Tiahrt, a Republican from Arkansas who attended the meeting. “People are going to be upset with prices.” Craig Stevens, a spokesman at the Energy Department, confirmed that Bodman attended the meeting, which he described as “an educational session” for lawmakers.

The storms delivered a double punch to the Gulf Coast, where 24 percent of U.S. natural gas — used to heat 56 percent of U.S. households — is produced. The storms closed both offshore wells and the on-shore plants needed to process the fuel; six weeks after Katrina made landfall, 80 percent of Gulf oil production and 66 percent of gas output remain off line.

The energy markets have already factored in a supply shortage for the winter. The natural-gas futures contracts that brokers and distributors use to set wholesale prices have risen 90 percent in the past year on the New York Mercantile Exchange. Gas futures have almost doubled this year. The November contract traded on the Nymex yesterday at \$13.37 per million British thermal units, up 118 percent for the year. Home heating oil, used in 7.9 percent of U.S. households, mostly in the northeastern U.S., reached \$2.69 a gallon Oct. 3, up 47 percent from a year ago, the Energy Department said.

“Prepare for Shortages”

“We need to have realistic expectations about how long we should expect high prices for natural gas, and we need to prepare for shortages,” Senate Energy Committee Chairman Pete Domenici, a New Mexico Republican, said yesterday.

On Sept. 7, one week after Katrina struck, the Energy Department forecast a 52 percent increase in average natural-gas bills between October and March, and a 71 percent increase for homeowners in the Midwest. The projections were made before Hurricane Rita struck Texas and Louisiana on Sept. 24. The Energy Department will release post-Rita forecasts on Oct. 12.

With the winter heating season set to begin Nov. 1, there is little the government can do to increase supplies before consumers receive their first winter heating bills, said David Pursell, an energy analyst with Pickering Energy Partners in Houston.

“In the first week of December, when people open that bill and are trying to figure out what to buy for Christmas, there are going to be a lot of angry calls to Washington,” he said.

Political Impact

Tiahrt said it would be unfair to blame Republicans for energy prices. “Because of the environmental lobby, we have not expanded production or our ability to refine,” he said. “To state that it would be the Republicans’ fault would be misleading.”

Even so, the high heating prices will add to the concerns of Republican lawmakers preparing for re-election races in 2006, who are already worried about the uproar over the government’s response to Hurricane Katrina and the indictment of House Majority Leader Tom DeLay for alleged campaign-finance violations.

“High prices mean political trouble,” said Jack Pitney, a former congressional aide to Vice President Dick Cheney who now teaches political science at Claremont McKenna College in Claremont, California. “By itself, it wouldn’t necessarily endanger the Republican control of Congress, but when you put it together

with all the other problems of recent months, Republicans can't take the majority for granted.”

Short Supplies

Gas in storage is 4.9 percent below the level at this time last year. U.S. gas inventories rose 1.5 percent or 44 billion cubic feet to 2.929 trillion cubic feet in the week ending Sept. 30, the Energy Department said.

“Natural gas is getting very dangerous,” Ray Carbone, a Nymex trader, said in an interview. “We have not seen the big injections we’re used to seeing at this time of year.”

William Poole, president of the St. Louis Federal Reserve, said in an interview that a cold winter may mean “an unpleasant crunch” because “there is no practical possibility of importing large quantities of natural gas.”

Echoing comments in September by Bodman and White House economic adviser Ben Bernanke, Michele St. Martin, a White House spokeswoman, said Oct. 5, “The president is very concerned about the impact of high energy prices.”

Kerry Amendment

Democrats have tried to seize the issue. On Oct. 5, Republicans blocked an amendment to a defense measure by Senator John Kerry, a Democrat from Massachusetts, that would have added \$3.1 billion to a program that helps low-income families pay their heating bills.

Faced with possible shortages and no near-term solutions, both the government and utilities can only urge customers to conserve, said Charles Fritts, vice president of government relations at the American Gas Association, a group that includes Merrillville, Indiana-based holding company NiSource Inc. and Peoples Gas Light & Coke Co. in Chicago.

“People are frankly going to have to pay more, which is why many of our members are going out with a message of conservation,” Fritts said.

Reducing Demand

Earlier this week, Bodman urged consumers to improve insulation and use energy-efficient lighting to help reduce demand. The Energy Department has begun a public-relations campaign that includes ads on 4,500 radio stations urging people to install programmable thermostats and add extra insulation.

Bodman said his department plans to introduce print ads featuring a character called the “Energy Hog,” who is “Wanted” for “Excessive Energy Consumption,” such as showering for more than five minutes. Separate ads will focus on how to find the most efficient appliances and give tips to drivers on auto maintenance and driving habits that can save gasoline.

Tyson Slocum, research director for the advocacy group Public Citizen in Washington, said these efforts to promote conservation are certain to prove futile and reflect the administration's powerlessness.

“It's going to be a crisis,” Slocum said. “The White House is paralyzed. They have no policy tools.”

— *With reporting by Roger Runningen, Richard Keil, Bill Roberts and Jay Newton-Small in Washington and Mike McKee in New York. Editors: Berley, Todd.*