United States Senate

WASHINGTON, DC 20510

March 9, 2005

The Honorable George W. Bush
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President,

With the price of crude oil having recently surged to near record levels and possibly reaching even higher in the near future, we urge you to act now to reduce skyrocketing prices at the gasoline pump by deferring oil deliveries and releasing a portion of the Strategic Petroleum Reserve (SPR) through an oil swap. The rising price of gasoline is already beginning to place a financial strain on consumers that could threaten the nation's economic security. These increases are made even more troubling by the fact that the summer driving season, which is when demand and prices traditionally rise, has yet to arrive. If left unchecked this summer, these high gasoline prices will continue to burden our economy by taking desperately needed money out of the hands of working families and placing it into the pockets of OPEC.

On Friday, the price of crude oil on the New York Mercantile Exchange (NYMEX) closed at the nearly record setting level of $53.78, and crude oil has been trading at above $50 per barrel since February 22nd. This sustained and extremely high price of oil has already burdened families this winter by increasing the national retail price of heating oil by over 27% this winter. In addition, national average retail gasoline prices have increased over the last week by almost $0.07 per gallon to reach $2.00 and some analysts predict that prices could increase by $0.24 per gallon before gasoline prices fully reflect the recent spike in crude oil prices. It has been projected that such an increase could cost our nation's consumers as much as $90 million per day.

These recent, astronomical price increases have in large part been precipitated by OPEC's decisions to reduce oil production to 27 million barrels per day and to formally abandon its $22-28 price target. These actions represent an attempt by OPEC to enhance profits by institutionalizing drastic oil price spikes. As a result of these higher prices, OPEC's members increased their profits last year by over $86 billion. Recent reports indicate that some OPEC members, such as Venezuela, may be willing to support a new target price of between $40-$50 per barrel.

In spite of the economic threat created by OPEC's market manipulation, the Administration has continued to adhere to its policy of taking oil off of the market and placing it in the SPR. This policy, which further tightens oil markets by taking much needed supplies out of commerce, is slated to take over 7 million barrels of oil off of the market in March and an average of 92,000 barrels per day off of the market during the height of the driving season between April and the end of August, despite the fact that the SPR is currently over 97% full. Instead of exacerbating the economic burdens OPEC has created for working Americans, we

urge you to counteract the cartel's supply cuts and calm the markets by deferring deliveries of oil to the SPR and releasing oil from the SPR through a swap.

Initiating a swap of oil from the SPR to increase the supply of oil is a proven way to reduce the price of gasoline and heating oil. In the fall of 2000, the Clinton Administration announced a swap of 30 million barrels over 30 days, causing crude oil prices to quickly fall by over $6 per barrel and wholesale gasoline prices to fall $0.14 per gallon. Under a swap, the federal government could decide on a set quantity of oil to release from the SPR, and accepts bids from private companies for the rights to that oil. The companies would then bid on how much oil they are willing to return, in addition to the oil they would receive under the swap, to the SPR at a later date.

An oil swap would result in a win-win situation where gasoline prices are lowered and long-term contributions to the SPR are augmented at no additional cost to the taxpayer. The SPR is intended to provide relief at times when working families are struggling to make ends meet. That time is now. The summer driving months are just around the corner. We ask that you use the SPR and safeguard America's economic recovery.

Sincerely,

Charles Schumer

Susan Collins

Barbara Boxer

Carl Levin

Hillary Rodham Clinton

Chris Dodd

Patrick Leahy

Jack Reed

Russell D. Feingold

Byron L. Dorgan

Barbara A. Mikulski

Ron Wyden

Debbie Stabenow

Dick Durbin

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Frank R. Lautenberg

Dianne Feinstein