February 24, 2011

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Obama:

Yesterday, oil prices spiked over $100 per barrel on the New York Mercantile Exchange as unrest continues to spread throughout the Mideast. Last week, oil was trading under $85 per barrel. Barclays Capital has estimated the turmoil in Libya has affected upwards of one million barrels a day of production, or roughly 2 percent of global supply.[1] While this is a relatively modest supply disruption, it has the potential to have a disproportionately dramatic impact on global oil markets and prices paid by American consumers.

While the OPEC nations with available spare production capacity could easily turn on the spigot to more than offset any disruption in Libyan supply, they also profit from oil price spikes and therefore have little incentive to quickly respond with the increased supply needed to calm markets. However, one tool that the United States has at its disposal to protect against the threat of supply disruptions and related speculation in the oil markets is the Strategic Petroleum Reserve (SPR). As we approach the summer driving season, we must carefully consider all immediate options in order to prevent the runaway increase in prices that we saw in the summer of 2008. We therefore urge you to consider leveraging the SPR to respond to these supply disruptions and combat the rapid price escalations resulting from rampant speculation in the oil markets.

Releasing oil from the SPR has a proven record of driving down prices. When President George H. W. Bush deployed oil from the SPR in 1991, oil prices immediately dropped by more than 33 percent. When President Clinton exchanged oil from the SPR in 2000, it again drove prices down by nearly 19 percent. And when President Bush released oil from the reserve in 2005 following Hurricane Katrina, oil prices fell by more than 9 percent.

Even before this recent spike in oil prices, the Department of Energy was forecasting high gas prices this summer. Earlier this month, the Energy Information Administration (EIA) projected that the nationwide average for regular gasoline would be $3.20 per gallon during the summer driving season, with a 10 percent chance that prices would exceed $4.00 per gallon. In addition, consumers are already facing substantially higher home heating costs this winter as well. Consumers heating with home heating oil are projected to spend more than 23 percent more this winter. Average expenditures on propane are projected to be more than 9 percent more.

Right now, the Strategic Petroleum Reserve holds 727 million barrels and is filled to capacity. Releasing even a small fraction of that oil could have a significant impact on

[1] WSJ: http://online.wsj.com/article/SB10001424052748703775704576162002479520710.html

speculation in the marketplace and on prices. It would also remind the world that the U.S. is ready, willing and able to use the SPR aggressively and effectively if needed. The FY2012 budget request already proposes a "$500 million non-emergency sale of SPR oil." Signaling your intent to consider selling oil from the SPR in the near term would send a strong signal to oil markets responding to the unrest in the Middle East.

American consumers are already suffering from high energy prices and the effects of the economic downturn. In the long term, we need to develop clean energy alternatives that can reduce our dependence on oil and insulate us from supply shocks. Clean energy, fuel economy and innovation are American made solutions that will end our dangerous reliance on foreign oil and OPEC. However, in the short term, considering releasing oil from the SPR as we approach the summer driving season could help prevent oil prices from escalating as they did in 2008.

Thank you for your consideration of this request.

Sincerely,

REP. EDWARD J. MARKEY REP. ROSA L. DELAURO REP. PETER WELCH