United States Senate
WASHINGTON, DC 20510

April 1, 2004

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

Dear Mr. President,

In the wake of OPEC's decision to proceed with 1 million barrels per day worth of oil production cuts, we urge you to act now to reduce skyrocketing prices at the pump by deferring oil deliveries to the Strategic Petroleum Reserve (SPR). The rising price of gasoline is holding up the nation's economic recovery, and is even serving to undermine the stated intentions of the Administration's tax credits. In fact, in many parts of the country escalating gasoline prices threaten to completely nullify last summer's child tax credit for the average family. 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.

Since January alone, oil prices have climbed more than 15 percent, resulting in extraordinarily high prices that burden the economy of the United States and produce budget surpluses for OPEC's largest and most influential producers. OPEC's continued manipulation of the global oil market has translated into record gasoline prices in the United States, with prices reportedly up 29 cents per gallon since December and averaging a record high of $1.80 nationwide. With American oil inventories hovering around lows not experienced since the mid-1970's, there is also reason to believe that in the absence of strong action intended to increase the available supply of oil on the market the price of gasoline and heating oil heading into next winter will remain high. The increases in gasoline costs that have been experienced since last July indicate that the average two-car family is paying almost $25 more a month on gasoline alone.

The Administration has heralded its tax credits for putting money back into the hands of American families. However, it now appears that whatever money has been placed back into the pockets of working families, OPEC is now taking out. It is vitally important that the Administration halt this alarming trend by making use of any tools at its disposal to immediately quell ongoing gasoline price increases. This Administration, however, has maintained a policy of adding oil to the Reserve, taking more than 100,000 barrels of oil per day out of the market place. The SPR currently holds over 650 million barrels of oil, which means that it is filled to 93 percent of its capacity. Continuing to fill the SPR in light of the current oil supply situation will further limit oil supplies leading to sustained high gasoline prices, and in light of the SPR's current level does not properly balance America's economic security needs against the goal of filling the SPR. The SPR is intended to provide relief at times when working families are struggling to make ends meet. Such a time is clearly upon us.

Your Administration has previously, during the winter of 2002-2003, deferred deliveries of oil to the SPR in order to stabilize rising prices caused by tightness in world oil markets. The oil inventory levels leading to that decision were virtually identical to conditions today. In December of 2002, the US oil supply (excluding the SPR) had 278 million barrels. Recent supplies have been listed at 281.1 million barrels (excluding the SPR).

In addition, it has been demonstrated by a March 2003 report by the minority staff of the Senate's Permanent Subcommittee on Investigations that filling the SPR when oil supplies are tight has an impact on prices. For example, in late 2001 and early 2002, about 25 million barrels of Brent crude oil were deposited into the SPR despite tight supplies on world markets. In a 1-month period in mid-2002, crude oil price increases caused by SPR deposits spiked the U.S. spot price of home heating oil by 13 percent, jet fuel by 10 percent, and diesel fuel by 8 percent. As a result, US consumers got hit with additional crude oil costs of between $500 million and $1 billion. These price hikes generated the kinds of economic impacts the SPR was designed to prevent.

You have been repeatedly urged on previous occasions to stem the tide of gasoline price increases by using the SPR, however the Administration has still not intervened. The summer driving months are just around the corner. We ask that you stop filling the SPR and put America back on the track to economic recovery.

Sincerely,

Charles Schumer

Barbara A. Mikulski

Debbie Stabenow

Tom Harkin

Jack Reed

Jay Rockefeller

Harry Reid

Jim Jeffords

Herb Kohl

Ron Wyden

Joe Lieberman

Barbara Boxer

Byron L. Dorgan

Russell D. Feingold

Frank R. Lautenberg

Dick Durbin

Dianne Feinstein

Jim Jeffords

John Edwards

Hillary Rodham Clinton

Patrick Leahy

Chris Dodd

Mark Dayton

Paul Wellstone

Barbara Boxer

Carl Levin

Paul Sarbanes