

Montpelier, VT - Rep. Peter Welch is fighting to lower the price Vermonters pay at the gas pump, urging President George Bush to temporarily suspend purchasing oil for the Strategic Petroleum Reserve (SPR).

With the SPR over 95 percent full and gas prices at record levels, this short-term action will save consumers and taxpayers money.

Welch, along with Rep. Rahm Emanuel and Rep. Ron Kind, urged President Bush to suspend shipments to the SPR in a letter February 8. If he fails to act, Welch announced he has introduced the Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act of 2008, H.R. 5437, requiring the Secretary of the Department of Energy (DOE) to suspend all shipments to the SPR in 2008, or until the average price of crude oil falls below \$50 a barrel.

Ginny Burley, chairwoman of the U-32 School Board, and Roland Bellavance, owner of Bellavance Trucking, joined Welch outside a Gulf station in Montpelier and discussed the effect high gas prices have on taxpayers and Vermont businesses.

"Vermonters' paychecks aren't keeping up with skyrocketing gas prices. We need to take immediate steps to help consumers. We should stop paying record prices to top off a reserve that is nearly full," said Welch. "History shows that the result will be lower oil and gas prices."

Welch, who supported the recent increase in automobile mileage standards and has advocated for increasing renewable energy and efficiency initiatives, added "We also need to continue to move our country's energy policy forward by aggressively developing alternative energy sources and efficiency programs."

Gas prices have skyrocketed more than 70 cents in the last year alone and are up over 110 percent in the last seven years.

The SPR currently contains 695 million barrels and is 95 percent full. Unlike previous decades,

since 2001 the Bush administration has purchased oil for the SPR regardless of market conditions and shipments have continued despite record-high oil prices. Last November, the DOE announced that it had contracted for an additional 12.3 million barrels of oil shipments beginning this year.

Experience shows that suspending SPR purchases will drive down gas prices in the short-term:

A 2003 report by the Minority Staff of the Permanent Subcommittee on Investigations of the Senate Committee on Governmental Affairs concluded that oil deposits to the SPR drove up crude oil prices by tightening supply and reducing domestic stocks.

Independent economists, including a team at Goldman Sachs, have estimated that filling the SPR has raised the cost of oil by at least \$2.25 per barrel, or as much as \$6 per barrel and \$0.25 per gallon of gasoline at the pump.

Following Hurricane Katrina, DOE offered 30 million gallons of SPR oil (only 11 million gallons were actually withdrawn) as part of a larger International Energy Agency release, helping reduce crude prices by about \$5 a barrel.

In late 2000, President Bill Clinton authorized a "swap" of oil in which 30 million barrels were released from the SPR to alleviate the threat of a home heating oil crisis due to low inventories, causing prices to fall from \$37 to \$31 per barrel.

The letter by Welch, Emanuel, and Kind is below:

February 8, 2008

The Honorable George W. Bush
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

We write to urge you to direct the U.S. Department of Energy (DOE) to temporarily suspend purchases of oil for the Strategic Petroleum Reserve (SPR). This action would allow more oil to remain on the market, driving down gas prices for consumers by as much as \$.25 a gallon. This action would provide a short-term stimulus, without requiring Congressional approval, saving consumers money at the pump while also saving taxpayer dollars.

Our country is clearly in danger of recession. Unemployment is up, retail sales are slowing, housing prices continue to slide, and consumers and lenders alike continue to suffer the fallout from the sub-prime mortgage crisis. Average families are feeling the effects more painfully than ever as they experience the worst inflation in 17 years, largely due to rising food and fuel prices. Although the economic stimulus package recently passed by a bipartisan Congress is an important step towards reviving our lagging economy, high gas prices are and will continue to be a drag on the budgets of families and businesses across the country.

Currently the SPR is 95 percent full with 695 million gallons in reserve, approximately the same level it was in August of 2005 when your Administration successfully used a temporary suspension to relieve supply and price crunches following Hurricanes Katrina and Rita. The situation is even more dire today for consumers, however, as gas prices have skyrocketed more than 70 cents in the last year alone. Suspending the SPR fill could provide the type of immediate, targeted relief that we need right now.

Because DOE has only recently signed the contract for 12.3 million barrels of oil to be delivered to the SPR over the next six months, suspending these shipments is a simple step your Administration can take immediately to lower gas prices, put money directly into the wallets of Americans, and save taxpayer dollars. In addition, the Congressional Budget Office has found that every \$10 reduction in the price of a barrel of oil has a \$50 billion stimulative effect on the economy. Additionally, selling this oil on the market rather than putting it into the SPR will earn the federal government about \$6 million per day, or \$1 billion over the course of six months.

Welch offers proposal to cut gas prices

Monday, 18 February 2008 19:00

Although we recognize this action should not be taken as a means of reducing prices in the long run, at a time when the SPR is already 95 percent full, acting now can have temporary benefits that would go a long way towards helping American families who are being squeezed, and also stimulate the economy. We urge you to take this important step.

Sincerely,

Ron Kind
Member of Congress

Rahm Emanuel
Member of Congress

Peter Welch
Member of Congress