



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

**Congressman Jim Saxton
Ranking Republican Member**

PRESS RELEASE

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OPEC DOLLAR EXCUSE FOR HIGH OIL PRICES DEBUNKED

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WASHINGTON, D.C. -- The OPEC oil cartel's attempt to blame high oil prices on the lower foreign exchange value of the dollar is refuted in a new study released today by Congressman Jim Saxton, ranking Republican member of the Joint Economic Committee (JEC). The new staff study, *The Dollar and Oil*, analyzes a number of factors contributing to high oil prices, including the cartel's supply restrictions and inadequate investments made by members of OPEC. As late as 2004, OPEC maintained a price target range of \$22 to \$28 per barrel. Despite sharply higher world demand and continual price pressures since, the cartel has continued to restrict its oil production even as prices surged well over \$120 per barrel.

"The oil cartel always seems to have an opportunistic and disingenuous explanation for oil price increases at any point in time, and the foreign exchange value of the dollar is merely the latest excuse," Saxton said. "Even with oil prices at sky-high levels, the head of OPEC recently asked, 'Why should we invest in spare capacity that will not be used? We see plenty of spare capacity until 2020.' Obviously, the OPEC cartel is quite satisfied with the current supply and demand conditions in the oil market.

"If OPEC were to ramp up its production capacity and produce more oil, oil prices would fall. The lifting cost of oil in the key Persian Gulf producing states is less than \$5 per barrel, so the monopoly profits generated by the cartel's supply restrictions are truly obscene at current market prices of oil. As the study notes, excessive oil prices caused by the cartel amount to an "OPEC tax" on already struggling economies around the world," Saxton concluded.

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