



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
December 12, 2005

OPEC DESCRIPTION OF OIL MARKET AS “BEAUTIFULLY BALANCED” DEBUNKED

**-- Cartel Is Laying Groundwork for Future
Production Cuts --**

Press Release #109-52
Contact: Christopher Frenze
Executive Director
(202) 225-3923

WASHINGTON, D.C. – It is understandable that OPEC is pleased about current oil prices but exploited oil consumers have no reason to agree, Chairman Jim Saxton said today. Saxton’s remarks were in reaction to a prominent OPEC oil minister’s description of the world oil market as “beautifully balanced,” and a statement by OPEC’s president that cutting oil output before March would be “a logical proposal” worth consideration. Saxton’s statement follows:

“Any rational discussion of current oil prices must start with the fact that core Middle Eastern OPEC members can produce oil for less than \$5 per barrel,” Saxton said. “However, OPEC’s collusion and production ceilings have helped create a situation in which oil is selling for many times its production cost. **The bottom line is that OPEC accounts for nearly 70 percent of known world oil reserves, but accounts for only about 40 percent of annual world oil production.**”

“As documented in a recent JEC study, OPEC’s production ceilings, and the cartel’s failure to adequately invest in developing its vast oil fields, have restricted the supply of oil and increased its price. The cartel’s practices have also created a situation whereby unexpected increases in demand, or disruption of non-OPEC oil production, can lead to astronomical price spikes. For example, in recent years, demand for oil has increased much faster than has supply.

“Thus, the machinations of the OPEC cartel have contributed to high consumer prices as well as destabilizing swings in market conditions. The cost of the cartel to American consumers is huge, estimated at a minimum of \$1 trillion according to one study cited by *The Economist*.

“Given the enormity of the consumer exploitation that OPEC has already perpetrated, it is incredible that this cartel is already considering production cuts in the near future. Not coincidentally, OPEC also is preparing to establish a much higher target price range for oil than the one it previously had set.

“For far too long the OPEC cartel has literally had consumers over a barrel. OPEC may consider the current oil price situation beautiful, but as usual beauty is in the eyes of the beholder. From the consumers’ point of view, there is nothing beautiful about the machinations of a conspiracy of government oil monopolists,” Saxton concluded.

For a copy of the recent JEC study, *OPEC and the High Price of Oil*, please visit the JEC website at www.house.gov/jec.

###