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JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

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OPEC CONSPIRES TO KEEP OIL PRICES TOO HIGH

-- OPEC Costs Consumers More Than \$1 Trillion --

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WASHINGTON, D.C. – The Organization of Petroleum Exporting Countries (OPEC) has unduly restricted its production of oil and is a major factor explaining high oil prices, according to a new study released today by Chairman Jim Saxton. The study, *OPEC and the High Price of Oil*, examines the cartel's oil reserves, production costs, collusive practices, and failure to adequately develop its vast oil fields.

“OPEC accounts for nearly 70 percent of known world oil reserves, but accounts for only about 40 percent of annual world oil production,” Saxton said. “Restrictive OPEC practices, in the face of rising demand for oil, go a long way to explaining why oil prices are high. OPEC collusion and production quotas, combined with a bias against adequate development of its existing oil resources, have made a major contribution to the current situation.

“The bottom line is that production costs for oil in the Middle East are less than \$5 per barrel, but largely due to OPEC the price of oil is many times that amount. There are issues such as refinery capacity, but these cannot explain the huge discrepancy between the production cost of crude oil and its price. As respected energy economist M.A. Adelman noted last year, ‘the real problem’ is a ‘strong but clumsy monopoly of mostly Middle Eastern exporters cooperating as OPEC.’

“The machinations of this cartel lead to higher consumer prices as well as destabilizing swings in market conditions. OPEC also has made us much more vulnerable to the potential impact of other factors such as natural disasters on our energy supplies, as we have seen in recent months. The cost of the cartel to American consumers has been huge, estimated at a minimum of \$1 trillion according to one study cited by *The Economist*.

“As the new JEC study points out, the OPEC cartel's collusion is reflected in its lack of transparency. Basic information about oil production is treated as secret by the cartel of member governments. The fact that these governments score very poorly on Transparency International's corruption index is not surprising.

“It is alarming that these governments control such a large proportion of world oil reserves. Much more transparency in OPEC oil production is needed, as noted by the International Energy Agency and others. Obviously, the U.S. must reduce its reliance on the OPEC cartel as a source of oil,” Saxton concluded.

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

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