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VICE CHAIRMAN JIM SAXTON

PRESS RELEASE

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HEARING: THE STRATEGIC PETROLEUM RESERVE

-- Opening Statement of Vice Chairman Jim Saxton --

I am pleased to welcome our witness, Assistant Secretary Robert Kripowicz, before the Joint Economic Committee (JEC) today. Although it was not planned this way, this hearing on the Strategic Petroleum Reserve (SPR) appears to be especially timely.

The purpose of the hearing today is to examine the SPR in the context of U.S. energy policy. In recent days there has been tremendous interest in the SPR, but a lot of important questions remain unanswered. One such important question relates to the various possible methods of tapping the SPR and whether they would prove effective in the short run and in the long run.

The hearing today is not intended to promote any particular point of view, but merely to examine the underlying facts. These include the amounts of oil in the SPR and home heating oil reserve, the quality of this oil, the mechanics of releases through swaps and their effects on prices and supplies, and the physical removal of the oil from the SPR.

Since last winter I have been on record favoring a release of oil from the SPR to deal with short-run shortages, especially for home heating oil. If market forces were determining oil prices, an SPR release would be problematic, but is less so when the state owned firms of the OPEC countries are exercising their monopoly power. An SPR release would counteract OPEC's anti-market policies -- at least in the short-run -- when inventories are low.

In addition, the use of the oil weapon by some countries makes a counter-action appropriate in the short run. OPEC's restraint of oil supplies reflects the influence of the hard line price hawks within the cartel. Moreover, Iraq also exports a significant amount of oil to the U.S., a factor that could threaten the U.S. yet again.

However, an SPR release is only a temporary measure and is not a panacea. The U.S. must do everything in its power to undermine the OPEC cartel and its monopoly power over supply and prices. The health of the national and international economy is very positive, but it has led to higher demand for oil, and OPEC has moved to fully exploit this development. U.S. consumers and taxpayers are paying a heavy price for this OPEC exploitation.

Even as they put the squeeze on U.S. consumers, several of the hard-line OPEC price hawks and other OPEC members and allies are currently receiving U.S. taxpayer subsidies through the International Monetary Fund (IMF). I have introduced legislation mandating the U.S. executive director of the IMF to oppose new loans to OPEC members and allies who exercise their monopoly power to the detriment of the U.S. economy, but much more pressure on OPEC is also needed. Currently, Venezuela, Indonesia, and Algeria are all receiving IMF subsidies at the expense of U.S. taxpayers.

Fortunately, new exploration and extraction technologies are leading to the discovery of vast new oil deposits that can be tapped in more efficient ways. As the former Saudi oil minister has acknowledged, the OPEC's days are numbered. However, today we are focusing on the short run problem and whether it can be effectively addressed through the SPR. I would like to thank Mr. Kripowicz for his appearance before the Committee today.

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