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U.S. POLICY TOWARD OPEC

HEARING

BEFORE THE

COMMITTEE ON INTERNATIONAL RELATIONS HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

WEDNESDAY, MARCH 1, 2000

Serial No. 106–132

Printed for the use of the Committee on International Relations

Available via the World Wide Web: http://www.house.gov/international relations

U.S. GOVERNMENT PRINTING OFFICE
66–052 CC WASHINGTON : 2000

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U.S. POLICY TOWARD OPEC

Wednesday, March 1, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C.

The Committee met, pursuant to notice, at 10:10 a.m., in room 2128, Rayburn House Office Building, Hon. Benjamin A. Gilman (Chairman of the Committee) presiding.

Chairman GILMAN. The Committee will come to order. I am very pleased to convene this hearing on our United States policy toward the Organization of Petroleum Exporting Countries, OPEC, and want to extend a hearty welcome to our witness, Energy Secretary Bill Richardson, whose long, distinguished track record of public service in both the legislative branch and the executive branch is to be commended.

We understand that Secretary Richardson has been particularly heavily traveled over the past few weeks, with numerous meetings with the oil-producing nations and non-OPEC energy officials. In light of his arrival late last night, we are particularly pleased that he could be with us this morning to share his observations and his conclusions on his most recent round of energy diplomacy.

We are fully aware of the challenges facing this Secretary and the Clinton Administration, and they will not be readily overcome. Thousands of households and businesses across New York State and New England and elsewhere are facing sky-high fuel bills that they can't afford to pay in many instances, and many of our citizens on fixed income are choosing between eating and staying warm. It is impacting our economy.

Today we are trying to find some answers for our constituents and for the millions of Americans who are demanding to know why the Administration sat idly by as the nations of OPEC and its major oil-exporting allies raised prices from $11 a barrel in December 1998 to a high of $30 a barrel today. Over a year transpired.

A hearing on OPEC and the Northeast energy crisis on February 10th before this Committee clearly demonstrated that OPEC's goal of reducing its oil stocks was the major reason behind large-scale price increases for heating oil and diesel oil stocks. They have manipulated the oil price in our Nation.

The transportation infrastructure of our Nation is under severe stress, as tens of thousands of small and medium-size trucking firms throughout the Northeast and throughout other areas in our Nation are on the verge of bankruptcy because of a $2-per-gallon diesel oil price, absorbing 20 percent or more of the entire operating budget of each of these firms.

Oil prices today are higher than at any time since the Iraqi invasion of Kuwait a decade ago. Earlier this week it was reported that average gasoline prices across our Nation have risen 6 cents over the past 2-week period, the largest such increase since the 1990 period. We are up to prices per gallon of over close to $1.50 in my region alone.

Production cutbacks decreed by the producer cartel, the Organization of Petroleum Exporting Countries, OPEC, has caused worldwide stocks, including those of our own Nation, to be drawn down to severely low levels. This imbalance has resulted in the sharp climb in heating oil and diesel prices over this past year.

As our dependency on foreign oil has increased over the past decade, the Administration has fallen short thus far in its efforts to persuade OPEC and non-OPEC nations alike to moderate their aggressive policies designed to punish oil-importing countries like our own.

Several key oil-producing nations relied on our country's military for their protection in 1990 and 1991, and those nations in the Persian Gulf still depend on us for their security, but in the view of this Member, a continuation of those present policies put in place at the meetings of OPEC ministers in March and September of last year threatens our relationship, a relationship that many of the OPEC nations presently enjoy with our Nation.

Over the past several weeks, my offices in New York State and here in Washington have received numerous calls and letters asking us how it could be that the very nations we helped in their hour of peril are repaying us with this sky-high energy bill and shocks to our economy that are still being felt throughout the Northeast and the rest of our Nation.

Last month I received one such impassioned letter from two of my retirees, William and Mary Nickels of Warwick, New York, who are trying to make ends meet on a fixed income. They are, like many Americans, tired of our excuses and expecting answers from all of us, and I quote from their letter:

"Similar to the 1970's, when OPEC held us hostage to their demands, our local fuel supplier has raised the price of home fuel to exorbitant levels. True, we realize . . . harsh weather has struck the Northeast; but what caused this to go unnoticed by our government? Wall Street is booming, but retired individuals such as ourselves must make harsh decisions daily relative to the spiraling cost of . . . home heating oil and gasoline. If there is a real shortage of home fuel oil, why hasn't our President or Congress released some of the country's reserve supply to counteract this tyranny? . . . Now this aging veteran is calling upon you to take the initiative and solicit Congress to do the right thing, namely, to bring home fuel oil prices down to a reasonable market level."

Later today I will be introducing legislation entitled the Oil Price Reduction Act, which will begin to respond to the kind of questions and concerns that I see from the Nickels family in Warwick and from millions of other Americans across the Nation. I am inviting my colleagues to join with me in cosponsoring this legislation requiring the President to cutoff assistance, cutoff arms sales to those members of OPEC and other major net oil exporting countries

which are determined to be engaged in oil price fixing to the detriment of our Nation's economy.

Specifically, my bill requires the President, not later than 30 days after enactment, to send the Congress a report containing a description of our security relationship with each OPEC member and any other major net oil exporter, together with information about our assistance programs and government-supported arms sales provided to those nations.

That report would also include a determination by the President to the extent that any of these countries is engaged in oil price fixing, and would further require the President to subsequently reduce or terminate or suspend any assistance or arms sales to that nation determined to be fixing oil prices to the detriment of our economy.

It further requires continued diplomatic efforts by our Nation to convince all major net oil exporting nations that current price levels are unsustainable and will cause widespread economic harm in oil-consuming and developing nations.

This bill is straightforward in its objectives, and should give the Administration and our Secretary ample time in its ongoing energy diplomacy, and also enable OPEC member states to take decisive actions in turning on the spigot, increasing production levels sufficiently to bring prices down to sustainable market levels.

Before turning to my colleagues for their opening statements, I would like to ask unanimous consent that the record remain open for a period of 5 days for incorporating any additional relevant materials and statements related to the ongoing energy crisis. I am pleased to recognize the Ranking Member of our Committee, Mr. Gejdenson.

Mr. GEJDENSON. Thank you, Mr. Chairman.

Mr. Secretary, good to see you again. You probably wish you were back at the U.N. these days, with this little tussle in front of us.

When you were a House Member, you used to go around rescuing Americans who were held hostage. Today you might say we are all being held hostage, and I think the situation here gives you an opportunity to provide a rescue for the general public. I know there is nobody in government service who has a better sense of how to deal with these issues.

I am glad to see that, in today's Wall Street Journal, apparently we are now looking at opening up SPRO, the Strategic Petroleum Reserve, but I have to tell you I think we should have done it a long time ago. While a poker game may not always be the best analogy of life, if we don't ante up, there is really no incentive here for these other countries to increase production.

All of us, I think, can tell you the kind of devastation it is bringing to individuals. From the individuals on Main Street even to Mr. Greenspan, they recognize this poses an important and dangerous threat to our economy. We have got, thanks to this Administration in very large part, the longest sustained economic growth I think in the history of the country, certainly in the history of keeping records on these things. If you look at the impact of previous oil embargoes, you know the kind of economic disruption that occurs there.

Now, with heating oil there is a particular problem. No Energy Secretary or State regulator would allow an electric utility or a natural gas utility to get in a position where homeowners were put in danger.

But what happens with heating oil, which is how 65 percent of my constituents heat their homes, is if there is a cold snap, the natural gas pipeline turns off a lot of their commercial customers who have interruptible service. So just as we were sitting there with the shortest supply ever, just as we were sitting there with cold weather increasing demand, the impact on another energy system, natural gas, forced commercial customers to increase the demand on heating oil.

Now, we have introduced legislation that would establish a Northeast Reserve. I think that makes sense. I think we ought to look at demanding that wholesalers have an adequate supply and reserve, as well. These people profit in our region. It makes sense not to leave us in the kind of situation we were in this year, where even an average winter would have left our homeowners in deep trouble.

Now, if you look at what we have done in the past, when we had the Gulf War and there was a sudden rise in crude oil prices, we got the Administration then to go into the Strategic Petroleum Reserve. We had a significant, $10-a-barrel drop almost overnight, just by the fact that they said they would do it, in the price of crude oil. What we have seen up to date now in heating oil is going to be replayed in gasoline.

Again, if you are the OPEC nations, you are sitting there looking at working less hours in a sense and making more money. Why would they change that policy?

Now, I think the Chairman's proposal is an intriguing one. I think it doesn't work unless we make it multilateral, and clearly the impact is not just on the United States. All of our Western allies are in the same situation, all the developed nations.

I want to take one moment to say that Congress is partly at fault here. When this Administration, time after time, has tried to increase the efficiency of our automobile fleet; when this Administration, with your and the President's leadership, has tried to take initiatives on energy conservation, this Congress has stood in the way. As a matter of fact, it is my understanding that in congressional legislation they prohibited you from even looking at ways to make the American automobile fleet more efficient. Now, that is a mistake that this present Congress has made, and they ought to be called to task for it.

As a friend and somebody I have great respect for, I am trying to get this message across as gently as I can, but your actions are needed here. I think you would be a lot more effective in talking to the OPEC members if you had your hand on that spigot and you were in the process of turning it on, because nothing will get their attention like dumping some of this crude.

Now, the average cost of the crude that you have in the Strategic Petroleum Reserve is about $3 a barrel less than what the market price for crude is right now. I know this would be a shocking thing, but if you sold some of it, you would actually be making a profit for the government; and if you drove the price down, you would be

able to buy it back at a lower price, thereby increasing profits for the U.S. Government, which wouldn't be a bad thing, either.

Sixty-five percent of the country is dependent on truckers that use diesel fuel to bring them their products. When you look at the price of gasoline, which is already starting to increase markedly across the Nation even before the summer driving situation, we have really got to act here. I think at the beginning of the heating oil crisis the response was that it takes too long for this stuff to get in the pipeline. I think the leveraging effect of saying we are going to start dumping crude into the marketplace will do a lot more to get the Saudis' and the Kuwaitis' attention than almost anything else we can do.

As I said at the beginning of my statement, you did an awfully nice job rescuing Americans who were held captive in unfriendly nations during your time in Congress. We want to see you as effective in the executive, rescuing the American economy and the people from this crunch that we have been put under by the OPEC nations. It is great to have you here.

Chairman GILMAN. Thank you, Mr. Gejdenson.

Any other Members seeking recognition? Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much, and welcome back, Bill.

Only my good friend Mr. Gejdenson could do the stretch, the great stretch in his analysis that would end up blaming the Republican Congress for this dramatic increase by our not stressing conservation. Now, just a note, Mr. Gejdenson: This isn't a problem of demand. What we have got is a manipulation of supply.

Mr. GEJDENSON. Will the gentleman yield?

Mr. ROHRABACHER. I certainly will.

Mr. GEJDENSON. I think you are right. There is no question that the fundamental issue is supply, but if we had less demand, it would have the same impact on the imbalance. I think you would probably be on my side on this and agree with me that Congress has prohibited the Administration from looking at ways to increase the CAFE standards for automobiles.

Mr. ROHRABACHER. Reclaiming my time, actually I don't agree with you on that, but I would say that it would be—I would expect that, if Congress wasn't controlled by the Republicans, that you might not be blaming the Republicans at this time in order to deflect the fact that we have an Administration that has had policies that have put us in jeopardy, and have resulted in hundreds of dollars being sucked out of the pockets of the American people.

From this perspective, from where I sit, it looks like we have rising oil prices because of, No. 1, a manipulation of supply by a conspiracy, by a price-fixing conspiracy, an international oil cartel, and also by—and I am sorry, and I will be happy to talk to my old friend and am waiting for your statement on this—but the incompetency of this Administration in terms of the way it has dealt with certain foreign policy issues that have made us vulnerable.

First of all—and, by the way, in California when the price of gas—we really take our driving seriously out in California, and when the price of gas goes up, yes, we are unhappy. But if the price of gas goes up because of market factors, we understand that, but that is not the reason the price of gas has been going up. The price

of gas has gone up because we have an oil cartel that is involved with an international price-fixing conspiracy aimed especially at the United States, but other oil-consuming countries as well.

What makes this even worse is that two of the biggest players in the cartel are countries in which we have American troops stationed for their protection. Saudi Arabia and Kuwait are two countries in which we have American troops stationed there for their protection.

Now, I want to know whether this Administration, and I hope Secretary Richardson will tell us this, has used this leverage and our commitment of blood and treasure to protect these countries, have we used that as leverage to prevent those two countries from engaging in a conspiracy? Saudi Arabia has maximum leverage on this, But they are involved in a conspiracy to suck money out of the pockets of the American people, their very protectors. I want to know what we have done to use that leverage, the protection we afford Saudi Arabia and Kuwait, to end this price-fixing cartel.

Second of all, and again the Members of this Committee have heard this before. I know Secretary Richardson and I may have a disagreement on this, because you have been personally involved in this particular area.

I believe that the policies of this Administration have led to a continuing instability in Afghanistan. The instability in Afghanistan with the Taliban in control there not only have led to these gross violations of human rights and the terrorism that we know of, but it has also prevented a pipeline from being built over these last 8 years through Afghanistan that would have brought Central Asian oil onto the market. That Central Asian oil would have made it impossible for this cartel to control this huge supply of oil, and would have meant that there wouldn't have been this manipulation of the supply of gasoline and oil into the system that has resulted in this massive increase in price.

I am very interested to hear what Mr. Richardson has to say about our policies in Afghanistan that has led to the isolation of Central Asian oil. Again, we are talking about the competence of not only those who are handling the policy but actually the legitimacy and how good that policy is to begin with.

So, Bill, welcome back to Congress. We miss you on this side, but you are on that side now, so we have got to ask you some tough questions.

Thank you very much, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Rohrabacher.

Mr. Lantos?

Mr. LANTOS. Thank you, Mr. Chairman.

Let me first welcome our distinguished Secretary of Energy. His diplomatic skills were obvious when he served as a distinguished Member of my Committee throughout the 1980's when we dealt with the European Community, and we were delighted to see your diplomatic bravura performances in saving the lives of American citizens. I personally want to commend you on your most recent swing through the oil-producing countries, which I can only describe as a major diplomatic achievement on your part, and I want to congratulate you.

I want my friend from California to pay close attention, because his criticism of the Administration I think needs to be put in somewhat of a perspective. Yesterday John McCain in Bakersfield, for the first time, to my knowledge, came out with a statement that many of us of course have made, not now but 9 years ago, that had the previous Administration terminated the tenure of Saddam Hussein at the end of the Persian Gulf War, we would not be in this predicament.

I presume that some of my friends on the other side may agree with that, but I am very happy to see that one of the two Republican Presidential hopefuls at long last has come clean on this issue and recognized that the failure of the Bush Administration to finish the job in Iraq is at the core of this particular difficulty, as indeed many other difficulties in the whole region.

I think it is extremely important to underscore and I am sure, knowing your candor, you did, that the Emir of Kuwait and the King of Saudi Arabia would be living in villas on the French Riviera, had it not been for our very effective conduct of the Persian Gulf War by evicting Saddam Hussein from Kuwait. I think these people need to be reminded, time and time again, that they are now in office because of the decision and the determination and the courage of the American people and the American military and our allies, and we expect far more cooperation from them than we have had over the years, and this is really the moment when they have to come through in a major way.

As you know, Mr. Secretary, as a professional economist in the early 1980's I held hearings on the Strategic Petroleum Reserve, and I do agree that we need to open the Strategic Petroleum Reserve now. I think there is no justification for further delay, and I strongly urge you and the President to proceed without delay to open the Strategic Petroleum Reserve. This will be not only good economically, I think it will be good politically, I think it will stabilize the international situation, and it will certainly bring tremendous relief to tens of millions of American consumers.

I do want to say a word about conservation and efficiency standards. Those of us who have been in the forefront of trying to gain some recognition of this issue on the part of the automobile industry unfortunately find this new period yet another moment when we perhaps can make our case.

It is simply absurd to have gas-guzzling, gigantic sport utility vehicles used for going down three blocks on Rodeo Drive in Beverly Hills to buy some cosmetics. This is not the way to deal with the energy crisis in the Year 2000, and I hope that we will be able to look at CAFE standards, conservation standards, fuel efficiency standards, and our friends on the other side this time around will come along with us and support these long-overdue measures.

I want to commend you, Mr. Secretary, for this past week. I studied carefully your schedule, and from Saudi Arabia to Norway to Kuwait to Venezuela, you have turned in another Richardson performance of extraordinary energy, and I look forward to your testimony.

Chairman GILMAN. Thank you, Mr. Lantos.

Mr. Manzullo?

Mr. MANZULLO. Thank you, Mr. Chairman.

Mr. Secretary, we look forward to your testimony. I represent an area of Illinois that is highly agricultural and has a lot of manufacturing, and I am pretty disappointed in the fact that the United States has used no muscle whatsoever in order to bring relief to the farmers who are paying $1.30, $1.40 a gallon for diesel fuel; to bring relief to the truckers who are paying that type of money for diesel fuel. All that gets added back to the consumer, not only in the price that the consumer is paying at the gas station but also in terms of the amount that consumers are paying.

There is an avenue, I think. I am not sure if I agree wholeheartedly with what the Chairman wants to do, but we give these countries an enormous amount of foreign aid. Russia, for example, receives in excess of $170 to $180 million a year in foreign aid. The American people are very much interested as to why these people are entered into what I consider to be a criminal conspiracy. If these were American producers that got together to do something like this, there would not only be a civil conspiracy action, there would be criminal conspiracy and they would be jailed for doing that.

But why should the American people have to give foreign aid to people who get together in a little room, use the word "production," tie up production, and then to say that it is simply the free market and the law of supply and demand taking place. The law of supply and demand is not taking place? That law never kicks in, whenever there is a cartel that determines the amount of production that is taking place.

I would suggest that this Administration should get very, very tough, and I agree with Mr. Rohrabacher, especially concerning those nations on whose soil we landed troops to protect them during the Gulf War. This is the thanks that we get from Saudi Arabia and Kuwait, when they turn right around and stiff the American people who are paying, I heard, somewhere in California over $2 a gallon now for gasoline.

I think it is time for the Clinton Administration to step up, to take very dramatic action, to do something on behalf of the American people and break the cartel, break OPEC, break it open and say any nation that belongs to OPEC is not going to get our foreign aid. Maybe that is a way to entice them to become responsible.

I look forward to your testimony.

Chairman GILMAN. Thank you, Mr. Manzullo.

Mr. Menendez?

Mr. MENENDEZ. Thank you, Mr. Chairman. I want to thank you and Mr. Gejdenson for continually holding hearings on this issue that I really think is of national importance. I know those of us in the Northeast feel particularly pressed by it, but we believe it is of national importance. I want to welcome our good friend, the Secretary, before the Committee.

Home heating oil prices for my constituents have jumped to nearly double, to about $2 a gallon, in just a matter of weeks. As a result, a typical household will pay $400 or more in a very short period of time, and most families that I represent simply cannot afford such a large fluctuation in their budgets.

Now, I am pleased to see that the President now appears to be considering tapping into the Strategic Petroleum Reserve. How-

ever, by the time his decision comes, it may just simply be too little, too late. Prices are higher now than during the Gulf War when we released from the Reserve.

Consumers, truckers—I have the Port of Elizabeth and Newark, which is part of the Port of New York and New Jersey. We are being strangulated, with independent truckers who simply—many of them have taken their trucks off the road because they cannot sustain their families. They cannot sustain their costs.

This is the economic lifeline for the distribution of products to the greatest consumer base in the Nation. All of the Administration's trade efforts ultimately, when they come to port, which is how we move products through, whether we are exporting our products or importing others, are ultimately clogged when we don't have these truckers moving. They in fact have some incredible, incredible increases in costs. Some of them have simply taken their trucks off the road because they can't afford to operate them.

If the President is going to act, he must, he must act now. We can't afford, I believe, to wait until OPEC's meeting on March 27th. Winter weather doesn't wait for government decisions, and our constituents in the Northeast cannot afford to wait any longer for a solution.

Now, I want to commend Secretary Richardson for his whirlwind OPEC tour, his aggressive efforts, his diplomatic skills, in addition to his knowledge of the energy questions. I believe hopefully they will produce some long-term benefits, because this is an issue that continues to plague us in the future. But we need some short-term responses.

I do believe the United States should leverage its good relationship with many of these countries to ask that they work with OPEC in the short and long term to ensure market stability and close the balance between supply and demand. But many of us on this Committee are increasingly wondering what is the relationship between us and some of these countries, the relationship in which we have used the national resources of the United States and men and women in the safety of these countries, and now find ourselves in a set of circumstances where they in essence undermine the economic security of the United States. Those are very serious public policy, foreign policy questions that are continuously raised by the actions of the OPEC countries.

Last, I think we need to seriously look at how we can protect ourselves in the future from monopolistic OPEC practices. You have heard some of the suggestions here. We must look at the possibility of creating a home heating oil reserve and other measures that cushion future spikes in oil prices. It in untenable for the U.S. economy and U.S. consumers to be held hostage to OPEC, now or in the future. We need to act now to protect our short-term and long-term interests.

Mr. Secretary, I know you have been out there trying to help us, but we need some immediate help in this process. We are enjoying, from the weather forecast this week, some relatively mild weather, but the winter isn't over and the oil prices have already hit and consumers and families have already paid. Notwithstanding LIHEAP and all that, many families simply do not qualify for that,

and yet they are certainly, by no stretch of the imagination, families that are economically well off.

We need help. We need it now. We look forward to your leadership in helping us achieve some of those results now.

Chairman GILMAN. Thank you, Mr. Menendez.

Mr. Chabot?

Mr. CHABOT. Thank you, Mr. Chairman. I will be brief, because some of my colleagues on both sides of the aisle have already, in a very articulate manner, stated some of my concerns, and I know that we all want to get to the Secretary's testimony here briefly.

But I just have to say that the thing that is particularly outrageous about this whole situation which has been orchestrated by OPEC, is that these are the countries that we have gone to bat for, that America has gone to bat for, that we have had American citizens put their lives on the line for, most particularly in the instance of Kuwait, and Saudi Arabia as well, because there is no question I think in most of our minds that had Saddam Hussein not been stopped in Kuwait, he would have gone right into Saudi Arabia next.

So these are these same countries that are now essentially slapping the United States and the rest of the world right in the face. These countries are cavalierly jeopardizing not only the U.S. economy but the economies of nations all across the globe. We should look at every weapon in our arsenal, whether it is the Strategic Petroleum Reserve, whether it is weapons sales, whether it is any type of other foreign aid, as Mr. Manzullo indicated very strongly. This is a critical situation, and any leverage that we have, any leverage at our disposal should be exercised.

Again, I think it is just outrageous, particularly in the instance of Kuwait and Saudi Arabia, what is going on here, and I don't think the United States should stand for it, and we are looking for leadership from the Administration. I think it has been slow. I don't want to be too critical because I think the Congress and the Administration ought to work together on this one, but we hope that we are going to see some strong leadership as quickly as possible.

I want to again thank the Committee Chairman, Mr. Gilman, for proposing legislation. I think it is the right thing to do, and let's move forward with it.

Chairman GILMAN. Thank you, Mr. Chabot.

Mr. Hastings?

Mr. HASTINGS. Thank you very much, Mr. Chairman.

Mr. Secretary, thank you very much for being with us, and I join my colleagues and associate myself with their remarks, offering the accolades so rightly deserved for the work that you did here in Congress as well as the work that you do now.

I introduced legislation yesterday that, if passed, will suspend for one year the 24.4 cent Federal tax on diesel fuel. While this will assist businesses that rely on diesel fuel, and consumers will benefit indirectly, the average American is directly and painfully affected by this oil crisis when they go to fill their gasoline tanks in their automobiles.

I guess ultimately we would be asking you what are your suggestions for us here in Congress and what we can do, as I am sure

you are as interested and probably have more information than most of us as to what we may be able to do to help the American consumer. More importantly, is there an avenue that we are overlooking, and doubtless you may be able to provide us with that information.

While it is easy for us, it appears to me, to talk in terms of what to do with the Strategic Petroleum Reserve that we have in this country, many of us are not even mindful that the authorization for the Strategic Petroleum Reserve expires at the end of this month.

One of the things that is not being factored into this discussion and doubtless will not be today, is that today the President's responsibility to Congress is to assert those countries that are certified or decertified as it pertains to their cooperation in the drug enforcement arena, and some of those countries, for example, Mexico, Nigeria, Venezuela, are countries with whom we have relations as it pertains to oil.

Additionally, the ultimate question I would like to at some point put to you, Mr. Secretary, is what tools do we have at our disposal to pressure the major oil-producing nations to increase the international supply of oil? I heard what the Chairman said, but I could suggest to the Chairman that if his legislation became law and if we were to withdraw military sales, as rightly we should do whether there is an oil crisis or not, if we were to withdraw military sales, other countries would offer the same military materiel that we are offering, and the oil-producing countries would have more money to buy it with if we didn't do something.

The other thing is, we don't have any relations with Libya and Iran, and we have strained relations with other members of OPEC. Therefore we need to be guided by caution in this matter, and I do not believe that it is wise of us to try and determine which Administration did or did not do what others perceive should be done. What the American public wants us to do, is to do something and to do it now to eliminate the potential for degradation in this economy.

Thank you, Mr. Chairman. Thank you, Mr. Secretary.

Chairman GILMAN. Thank you, Mr. Hastings.

Mr. Burr?

Mr. BURR. Thank you, Mr. Chairman. Welcome, Mr. Secretary.

I guess I feel a little bit deficient. I haven't introduced anything, but I guess it is because I didn't think I had to. I always thought that the policy of this country would be a policy that always protected the American people, and I think we have failed as it relates to this crisis.

I have listened to a number of my colleagues give opening statements, and I have got to admit that I wondered whether their opening statements really dealt with the crisis at hand or whether it was a much larger political statement. I think it is time for all of us to focus on what the problem is and who that problem affects. It affects people in every community across this Nation. It affects truckers, it affects farmers. It affects individuals who make a choice between drugs or heat.

I guess the question that I have got today is twofold: What took so long to open SPRO? Why was going there conditional upon the decision to open SPRO? Selling SPRO has been a part of this Ad-

ministration's annual budget to raise revenues and balance the budget they sent to Congress practically every year, some proposal, so I don't see anything sacred.

I would tell you today that the question that we are here to determine is, where has the Administration been for 12 months on this? If we have had a plan, share it with us, Bill. If we haven't, tell us where it is that we will go from your trip. I commend you for your willingness to do that. Share with us why it took so long, and what is the Administration's plan to respond to this today.

I thank you once again, look forward to seeing you next week, hopefully, in the Energy and Power Subcommittee hearing, as well. With that, I yield back.

Chairman GILMAN. Thank you, Mr. Burr.

Mr. Rothman?

Mr. ROTHMAN. Thank you, Mr. Chairman. Mr. Chairman, Ranking Member Gejdenson, thank you for calling this meeting.

Mr. Secretary, it is always a pleasure to be with you. I am in my second term in Congress, so I did not get a chance to serve with you in this body, but I have had wonderful experiences with you and your staff when you were Ambassador to the United Nations, and I know that you are doing a wonderful job in trying to help this country through this very difficult situation and others in your present capacity as Secretary of Energy. I, too, want to lend my commendations and high praise for your aggressive and highly skillful tour of the OPEC countries in order to get relief for American consumers.

Two things: One, I want to also say thank you to the Administration for releasing the emergency funds to support LIHEAP, the Low Income Heating Oil Assistance Program. I come from northern New Jersey. We do not have a high household income, relatively speaking, compared to some others, but nonetheless the LIHEAP program will not help the majority of people in my district, the Ninth Congressional District. So, while it is good that you released those and it will have an effect on those regions of the country with the poorest of the poor of our citizens, it will not have a benefit to working people, let alone middle class people, who are suffering.

I also want to commend your reestablishing the Energy Emergency Office at the Energy Department, and then I want to get to the area where I think we have had some disagreement but I think we are coming to consensus, "we" meaning Members of the Congress and the Administration, and that is releasing reserves from the Strategic Petroleum Reserve, and I am hopeful that you will be commenting about that and we will have good news.

As you know, the prices of a gallon of home heating oil have doubled in the past year. They are more than 40 percent higher than during the height of the Persian Gulf War. Mr. Secretary, we have an Administration who, if not wholly responsible for the largest economic expansion in the history of the United States, certainly it is an Administration that has handled the economics of the country, of our country, extraordinarily and I think history will give credit where credit is due. So I have, as a general matter, confidence that you have a strong handle on what it takes to keep the American economy and the American consumer prosperous, moving forward and growing. I am hopeful that you will take the steps in

the short run, for short-term relief, as well as long-term relief on this home heating oil and the price of gasoline situation.

One other remark, which would be, I too join my colleagues who have suggested that we have leverage, considerable leverage, not total but considerable leverage through military sales and assistance and economic assistance to those OPEC members who, while they perhaps were trying to restore some of the profits they felt they lost when gas prices were extraordinarily and historically low for a long period of time, they have taken their profits.

Now it is time to face reality and face their obligation to their consumers, as well as to the friends in America who bailed them out and saved their lives by putting the lives of our soldiers, our young men and women, at stake to defend them. That is what we did. Now is the time for them to remember, and if they don't remember that and know what it means to be a friend, we will remember that for the future, and we ought to also in the short term deny them the considerable benefits of our relationship with them that they are now enjoying.

Thank you, Mr. Secretary.

Chairman GILMAN. Thank you, Mr. Rothman.

Mr. Houghton? Dr. Cooksey?

Mr. COOKSEY. Thank you, Mr. Chairman.

Mr. Secretary, I think the most fascinating information that could come out of this meeting would be if we could know what your thoughts are about us. As you hear all these politicians on this side of the table, tell us what you think, because I can tell you are taking it in very seriously. You were on this side one time. I really expect you to divulge what you think about us.

But let me just run through some things that I hope you will cover. Home heating oil: home heating oil got up to $58 a barrel 20 years ago. I'm sorry, crude oil was $58 a barrel, home heating oil was $1.30 a gallon. Today, crude is $30 a barrel, home heating oil is $2.10 a gallon; theoretically, it ought to be 75 cents. Can you blame that on OPEC, or is it the wholesalers or the refiners?

Second question: To my friends in the Northeast, we have bountiful amounts of natural gas in my home State of Louisiana. Right now we are producing oil in the deep water off the Continental Shelf, because now we have the technology to produce in 2,000 feet of water instead of 200 feet of water. I know of two pipelines that come in near the Loop, that bring in 300,000 barrels a day. So I would encourage my friends in the Northeast to switch to natural gas, and we will ship you all the natural gas you want. Environmentally, it is the best thing out there, and then you won't be at the beck and call or the whims of a group of people in OPEC.

Another major reason that costs of production, costs of home heating oil are up right now, is because of a bunch of politicians and regulators and bureaucrats. The costs of production in this country are greater than they are elsewhere, but I think it is good that we have taken all these measures to make it cleaner and safer. We don't have many accidents, or major accidents, in our offshore production.

Last summer on my birthday we were in a boat and we went right through the Loop. Have you flown over the Loop or been to the Loop, Mr. Secretary? We went right through it. I don't think

we were supposed to go through. But we went out and caught blackfin tuna and we caught speckled trout all around there, and the waters were wonderful. The oil rigs make great manmade reefs.

I think if we really want to do something about bringing the price of oil down, the most effective way to do it is market forces, and market forces will ultimately discipline these people in OPEC much more effectively than a group of wimpy politicians who may not have all the facts right. I think that they need to be disciplined.

But right now our largest source of oil is Mexico and Venezuela, if I am not mistaken, and yet in 1973 we were producing, according to this document, nine million barrels a day in the States. Now we are producing two million. In 1980, Saudi Arabia was producing nine billion.

So it can be done, but we need to still depend on market forces rather than all of us who are pontificating from up on high. I am anxious to hear your testimony. Generally I think you have done a good job at Energy, and hopefully we can make the right decisions together.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Dr. Cooksey.

We are joined today by a nonmember of our Committee who has a very intense interest in this issue, Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman and Members of the Committee. I thank you.

Mr. Secretary, it is good seeing you. I saw you in Oklahoma when the oil prices dropped from $20 or $21 per barrel down to $8. This is the point I would like to make, Mr. Chairman. No one screamed then. What I am hearing today is the fact that it has peaked up to $30. In the oil patch of this country, what we would like to have is a stable price, $20, $22, somewhere in that neighborhood.

Mr. Secretary, I recorded that message back in Oklahoma. I have been concerned about some of the things I have been hearing from the Administration, exactly some of the things that were not said back then. But the point I would like to make to the Committee is what I have tried to say for several years: We need a national energy policy for the national economic security of our country. When the price dropped from $20 a barrel down to $8, we lost 75,000 oil field workers in America. Where was the voice? I tried, I talked, but they turned a deaf ear.

I came and asked the Chairman to let me attend because now the crisis is reversed, and maybe, just maybe, we will listen. We do not control the destiny of our country. We have become dependent, totally dependent. Yes, we shifted a little bit from some of the OPEC countries and the Arab nations to Venezuela and others, but ladies and gentlemen, don't forget that three or four years ago we wouldn't even let the now-President of Venezuela into this country. We would not give him a visa because he was trying to overthrow that country, and he is a very close ally to Castro and others.

So I am pleading this day, Mr. Chairman, and thanking you for letting me come, but at this time of crisis, when people say let's open SPRO, why did we set up SPRO? I guess being around here a little while gives us a little historical perspective. Mr. Chairman,

you and I have been here. But SPRO was set up after the Arab oil embargo. If we had another war, for national security, we probably wouldn't have more than two months of oil there available to carry out a war. Let's don't be too hasty about starting to say we are going to pull everything out of there at this time.

But I think the Administration, Mr. Secretary, and I have great respect for you, Mr. Chairman and Members from the Northeast, but it behooves us to set up, a national energy policy to have some kind of stabilization for the national economic security of our country. Sanctions will not work in a world of surplus because there is a black market.

We had the U.S. Navy board Russian tankers less than three weeks ago, causing some tension, because they were shipping illegal Iraqi oil. The oil for food program, they are using that to help buildup their weapons. In Iraq today, Saddam Hussein is putting millions upon millions of dollars in his pocket.

Under Secretary Tom Pickering says, let's be more liberal, let them produce more, because the Iraqi people will have better feeling for the United States. My colleagues, there is one person who sits between us, between the Iraqi people and the United States, and that person is Saddam Hussein. He gets all the credit. If our policy is to cause him discomfort so we can overthrow him, we have got the wrong policy in Iraq.

You are the Committee that will have to address that, but I ask you to join me as I have talked to the Speaker about having a bipartisan commission to try to create a national energy policy for the national economic security of our country. Thank you, Mr. Chairman, for letting me attend.

Chairman GILMAN. Thank you, Mr. Watkins. Mr. Delahunt, and I know the Secretary's time is limited.

Mr. DELAHUNT. I just want to make some very brief observations and I want to pick up on what Mr. Menendez said. I respect the gentleman from Oklahoma when he talks about a long-term policy and crafting a vision that takes into account future crises, and what Mr. Menendez said about time being of the essence. We have got to address in the short term what clearly is a crisis.

We have seen the impact in terms of home heating oil and what it has done to our constituents. We have heard it loud and clear from folks in the Northeast and in the northern section. Clearly the price of gas is going up. We heard the gentleman from California talk about what it means in that part of the country.

But really I think we have got to understand, too, that the prosperity that many have worked so hard to achieve over the course of the past nine years is at risk unless it is addressed. While there has been a reluctance to execute or to draw down on the reserve, historically the best evidence is that when that occurs it has an immediate impact on the marketplace itself. I think Mr. Gejdenson referenced what occurred during the Gulf War, when it went down overnight some $10.

So I am anxious to hear from you in terms of the result of your tour and your consultations with these area ministers. I would suggest that unless you are convinced that they are going to take action in the immediate future which will reduce this crisis, that it is time now to draw down on the Strategic Petroleum Reserve.

I yield back.

Chairman GILMAN. Thank you, Mr. Delahunt, and now we are pleased to call on our witness. Mr. Richardson is one witness who needs little if any introduction to his many friends and colleagues who are here with us today. Sworn in as the ninth Energy Secretary in August 1998, he served ably as our Permanent Representative to the United Nations, and was previously a seven-term Member of the House from the State of New Mexico.

We look forward to hearing Secretary Richardson's insights as to how we got into this energy crisis and his specific plans on how we can prevent such crises in the future, and what we are doing to resolve the crisis at the present time. Mr. Richardson.

STATEMENT OF HON. BILL RICHARDSON, SECRETARY, DEPARTMENT OF ENERGY

Secretary RICHARDSON. Mr. Chairman, thank you, and I appreciate the sincerity of the statements of all the Members. Mr. Chairman, thank you for giving me the opportunity to address the current situation in oil markets, to report also on my recent discussions with the energy ministers of key oil-producing countries, and to describe for the Committee the Administration's short- and long-term strategies to address the extreme oil market volatility we have seen over the last year.

First, let me briefly describe today's oil markets. To do so, we have to go back to 1996 and 1997, when OPEC leaders met and decided to substantially increase oil production. Unfortunately, at the time production was increasing, demand started decreasing. Asia was headed into recession, and the world experienced extremely mild winters for two years in a row.

The result was disastrous. Overproduction resulted in a two million barrel per day oil overhang, driving oil prices to some of their lowest levels in history. This was devastating to the national economies of oil exporters, as well as to the economic health of our domestic oil industry, as Congressman Watkins mentioned. The nations of the Middle East lost $50 billion of investment revenue in Asia, at the same time oil revenues to run their governments plummeted.

In Venezuela, for example, 70 percent of annual Federal revenue was at risk. At home in the oil patch, and I used to represent New Mexico, which has considerable oil and gas interests, exploration virtually shut down and wells were shut in.

Today's story is dramatically different. In March 1998, OPEC and non-OPEC producing countries instituted three production cuts. At the same time oil-exporting nations were carrying out these production cuts, world demand for oil was shooting up. Both crude and product stocks are now well below 1996 levels. In other words, inventories are dangerously low.

Extremely tight markets have driven prices up and caused refiners to draw down stocks worldwide. Each day the world is consuming around two million barrels more than it is producing. The exact statistics are, it is consuming 75 million and it is producing 73. We cannot sustain this imbalance between supply and demand without risking serious repercussions for the world economy.

A review of the last several years is important, and this is why I think we have to give it a context in the historical perspective. It is important because it illustrates extreme oil price volatility, boom and bust cycles for both producing and consuming nations.

When oil prices were $10 per barrel, I said they were too low, and I said this on the record several times. In fact I think, Congressman Watkins, I said it in Oklahoma, too. When they approached $30, I said they were too high, and they are too high, and here is why.

Very low prices discourage investment in production, put producers out of business, and increase our reliance on imports. Profit margins for refiners become so small there is little incentive to maintain inventories of heating oil, diesel fuel, and other products. Cheap energy encourages inefficient energy use. High prices, on the other hand, lead to inflation and slow economic growth throughout the world. They stimulate overproduction, which will eventually lead to a collapse in prices down the road, and then the cycle repeats itself.

Volatile markets overall—and we have volatility right now, the roller coaster ride of high prices to low, low prices to high—create a climate of uncertainty for investors and energy producers who can expect neither long-term price stability nor plan for rational investment of capital.

So how, then, can we stop or minimize the impacts of this cycle and introduce some stability into the markets? I think our objective should be, as a Congress and as an Administration, to stabilize the market, to bring stability to oil markets.

First, an observation: The extreme volatility we are witnessing today is testament to the folly of artificial production quotas. Markets, not cartels, should set the price of oil. This bipartisan view has been expressed again and again over the last 20 years, as the Congress systematically removed or severely limited the Federal Government's authority to set oil prices or allocate supply.

Several of you praised this Administration's economic policy, and deservedly so. One of the reasons has been that we have not, as an Administration, intervened in markets, or we have done so very sparingly, and that has produced some very positive results. Both the Congress and the Administration have taken the government out of the oil equation and committed us to the free market principles of supply and demand.

Having said this, we are confronted today with the reality that OPEC and other major oil-producing nations are setting production levels, and that today these levels threaten to encourage inflation and discourage world economic growth. This is unacceptable, and this is why I just returned from my discussions with key energy ministers and key leaders from Saudi Arabia, Kuwait, Mexico, Norway, and Venezuela.

I said we as a government cannot force nations to increase production. Instead, the purpose of my trip was to explain how continued artificial restrictions of supply could hurt the United States and global economies. By the way, we are joined by other international economies in our view. Developing nations, for example, members of the International Energy Agency, and members of the European Community, share our view.

I went there to convince but not to coerce. We presented them with the very latest data from the Energy Information Administration. We shared our documents and our latest information, which showed that global oil and crude stocks are at extremely low levels. We explained our immediate and anticipated domestic problems from low stocks: high home heating oil and diesel prices, public and government anxiety over the reliability of our oil supply, high gasoline prices for the summer.

We urged the ministers to increase production levels, to address global stock level statistics and to understand their manifestations, that is, global economic slowdown, increased inflation, a bad investment environment and, over time, a loss of market share as other producing nations start competing for business from reliable partners.

I believe that my trip has met with a significant measure of success. Before our mission, say some 30 days ago, many energy producing nations believed there was no problem in the oil market, that stock levels were adequate, that prices were fine, that the world economy was not suffering. We are returning today with four joint communiques that I would like to insert for the record, Mr. Chairman, that reflect the common understanding of the following:

Chairman GILMAN. Without objection, the statements will be made part of the record.

[The information referred appears in the appendix.]

Secretary RICHARDSON. Number one, that volatility in oil markets is not desirable, that it is damaging. Stability in oil markets is a shared and desirable goal for both consuming and producing nations. While the communiques varied in substance from country to country, the single point on which all producing countries—Kuwait, Saudi Arabia, Norway and Venezuela—agreed was to reevaluate data on current oil market conditions to help avoid market volatility and preserve world economic growth.

I just recently read that Mexico, a few moments ago, just made a statement in Paris, the oil minister of Mexico, that they would be prepared now to increase production.

In other words, their upcoming decisions on production levels will not be arbitrary. They will take into account the implications of current production levels on the world economy. We believe that this analysis will lead to only one conclusion as the ministers meet on March 27th. I think what is also key, Mr. Chairman, is a meeting tomorrow in London between Mexico, Venezuela, and Saudi Arabia, and today Mexico and Norway meet in Paris, two key producing countries. We believe this analysis will lead to only one conclusion as the ministers meet on March 27th, that there should be substantial and timely increases in production.

Finally, what else have we done, and where should we go from here. I think that is a vital question that many Members of this Committee have asked.

First, the Administration has sought to address the short-term problems of high home heating oil prices by softening the impact on those who can least afford it. The President authorized the release of almost a third of a billion dollars in funds for low income individuals to pay their skyrocketing heating bills, $300 million. I think almost all of your states got some relief.

The President also urged States to address some of the problems that I believe Congressman Rothman mentioned, and that is to deal with the eligibility requirement so that middle-income people that have also been hurt can more adequately tap into these resources.

The President also has asked for $600 million more in Low Income Housing Energy Assistance funds; he is asking for a supplemental to replenish the funds that we have already used, $600 million in energy assistance funds. He is also seeking an additional $19 million from the Congress for low-income home weatherization.

Second, we have addressed the issue of supply through a variety of measures, including increased Coast Guard support for tankers; SBA loans for heating oil distributors and other small businesses, such as truckers and loggers, impacted by high prices; and also by encouraging refiners to produce as much heating oil as safely as possible.

We are also reestablishing an Office of Energy Emergencies at the Energy Department, to coordinate with the States and other Federal agencies not only on heating oil problems but power outages and other energy-related crises, as well.

Mr. Chairman, I have met extensively with heating oil operators, with truckers. I have been to the four states in the Northeast. We have talked to consumers, we have talked to some of the energy people, we have talked to State regulators, we have met with Governors, and we are trying jointly to address this problem. I must say that some in the industry have been, such as refiners and home heating oil operators and truckers, have been cooperating in taking the steps that we believe are necessary to address this crisis.

Third, the President has directed me to study the longer term issue of heating oil supply shortages and price spikes by examining possible ways to reduce regional reliance on heating oil, mainly through the increased use of natural gas. We are also examining the impacts of interruptible contracts on heating oil supply.

Mr. Chairman, specifically what the President has asked me to do is to study, a 60-day study of the possibility of having additional natural gas, to look at alternatives of natural gas to home heating oil in the Northeast. This would mean the possibility of what Congressman Cooksey said, gas pipelines. Natural gas is a clean fuel, and the President is prepared, if such a study determines that this makes sense, to come to the Congress again and deal with the issue of providing the necessary request for infrastructure if this is where the policy is heading. We are also examining the impacts of interruptible contracts on heating oil supply.

Finally, we are tackling head-on the underlying reason for high heating oil, diesel and gasoline prices here in the United States, namely the high price of crude oil, and the boom and bust cycles that are results of artificial production levels. To do, we have utilized one of the few tools the government has at its disposal, and one that I thin this Committee understands the best because you are all active in international issues, and that is international energy diplomacy.

I have described for you the immediate results of my efforts in this regard, but we need to do more. This trip began an intensive

consultative process among nations. I expect this process to continue. I think, as many of you mentioned, each of these nations—Saudi Arabia, Kuwait, Mexico, Venezuela, and Norway—they are our friends. We share many common objectives and national security issues together.

We now share a common interest in stable and secure energy markets and world economic growth, but ongoing, frequent, intense and frank communications is clearly essential between consuming and producing nations, and I have had extensive telephone conversations in the last year and visits with each of these energy ministers, so we have not just addressed the problem recently. We have raised some of these concerns a year ago with these energy ministers, and warned them of the potential effects of what might happen.

Also, at each stop on my trip, the accuracy and timeliness of data on oil markets, production and stock levels, reserve, was at issue. We are confident that our Energy Information Administration data is the best available, but everyone agreed we should do more and do it better. Just last month the Department of Energy convened a meeting in Houston of significant oil market analysts to examine oil data, their adequacy and transparency.

So we would hope the Congress can help us to ensure that, at least in the international community, everybody is working together on the same inventory level data. We intend to push this issue forward, to develop global data regimes to give producing and consuming nations an early warning system when supplies and production levels get out of whack with demand and consumption needs, not to manipulate but to inform.

Finally, we are also seeking to stop the declines in domestic production of oil, increase energy efficiency, and develop alternative sources of energy, and we have had some positive measures to spur domestic production and we are considering additional others. But it is clear that we need the support of the Congress for funding to develop alternative energy sources and increase our energy efficiency. Our research and development investments reflect these goals, and our fiscal year 2000 budget request amplifies the Administration's commitment.

Also, later this month the White House will authorize the release of the Commerce Department's so-called 232 Report which examines the implications of oil imports on national security. It is my hope that a National Economic Council-led process will result in a greater commitment to incentives for increased domestic production.

Mr. Chairman, I appreciate the spirit and the positiveness of you and Members of this Committee to address this crisis jointly. I think we are moving in the right direction. I believe that my trip has been successful. I believe we have a successful dual-track strategy of dealing with some of the crisis domestically. We are moving ahead with initiatives regardless of what OPEC does on March 27th.

I believe that what is needed is a cooperative effort, not to use precipitous action but to move ahead with some of the policies that we are considering, and working with you on others. I believe we can reach our mutual objectives of bringing long-term financial sta-

bility to the markets and relief to many of our constituents, your constituents in the Northeast and Midwest and throughout the country.

Chairman GILMAN. Thank you, Secretary Richardson, and we appreciate the efforts you have been undertaking. However, it has been a year now while the oil-producing nations and their monopolistic control have affected our marketplace.

We all agree that $30-a-barrel oil is causing problems for our economy in general, Northeast in particular. But I am troubled by the fact that the main oil-exporting nations, including the Saudis and Venezuela, appear to be resisting any increases in oil production despite the fact that OPEC has more than 4 million barrels of oil held off the market by these and other countries, and you have stated that they are 2 million barrels short from demand compared to supply, and that they are not ready to adjust that.

I look at the statement from the Public Affairs Office of the Embassy of Kuwait, and they say "The two ministers," in reference to the Scudit Kuwaiti oil ministers, "discussed the current situation and agreed that stability is a common goal. The two ministers agree that price volatility in the oil markets is detrimental to both the producing and consuming nations. They agree that adequate oil supplies at reasonable prices is of crucial importance for sustaining world economic growth, prosperity, and investment in the energy sector."

Yes, they agree to all of that, but what are they doing about it? They are talking now about a further meeting coming up at the end of March, and maybe by June or July they might agree to open up the spigot a little bit. That does not help our Nation. Would you care to comment on that?

Secretary RICHARDSON. Mr. Chairman, let me say that prior to my visit to Kuwait, the Kuwaiti energy minister and other officials there had said that they felt that production cuts might continue. They felt that there was no reason for OPEC to change policy.

We engaged the Kuwaitis extensively. They, as I said, are our friends. I met with the Kuwaiti oil minister several times on my trip.

Chairman GILMAN. What was the last date of your meeting, Mr. Secretary?

Secretary RICHARDSON. About three days ago, Mr. Chairman.

Chairman GILMAN. I am reading from their statement of February 24th that I just quoted from.

Secretary RICHARDSON. I think that statement is consistent with what we achieved. What the Kuwaitis said that they would do, along with the Saudis, along with the Venezuelans, which I think is key and very significant, is that they would review production levels. In other words, they are not quite saying that production increases are going to happen, and I am not going to predict what they are going to do, but I can say to you that I believe the odds are good for production increases to take place.

Now, this final decision is made on March the 27th, and I believe that by these nations, the Saudis, the Mexicans, the Venezuelans, the Kuwaitis, they basically agreed on five points that we were stressing, and the five points is that price volatility hurts producers and consumers; that adequate oil supplies at reasonable levels is

of crucial importance to the world economy; third, that we need greater equilibrium between production levels and consumption; fourth, that serious review of production levels and economic data is needed; and, last, that we need better and more timely information about oil markets.

Chairman GILMAN. Have they promised you, Mr. Secretary, that as of that March 27th meeting they are going to increase production?

Secretary RICHARDSON. No. Mr. Chairman, they act in consensus. They try, until they meet, to develop a consensus. My objective in my trip was to present our views, present them forcefully, so that that consensus that takes place at their meeting would happen.

Now, as I said, we have moved regardless of what they are going to do. But, again, a key meeting will also take place tomorrow between Mexico, which is not a member of OPEC but is a major international producer; Venezuela, which is a member of OPEC; and Saudi Arabia. My talks with the Venezuelans, with the Mexicans, with the Kuwaitis, with the Saudis, were extremely positive.

Chairman GILMAN. Have they made promises, these Saudis and Mexicans and Venezuelans, that they will increase production?

Secretary RICHARDSON. As I mentioned, I just saw a statement that Mexico made that they would; that they think OPEC should. Now, Mr. Chairman, I have to be very careful about making predictions. Now, I have made a prediction. I believe that production will increase, based on my discussions. But, again, March 27th is the date when they all meet, the 10 members of OPEC. They will make their collective decision. But I think the signs are good, they are positive. That is good for us.

Now, the next issue is going to be how much production and the timeliness of that production. That is something that we are also working with them, also.

Chairman GILMAN. Two questions: What if they don't raise production? What specifically will you do or what can you do to move this forward?

Secretary RICHARDSON. Mr. Chairman, I don't want to speculate here because I do believe that production will be increased. There were a lot of questions by many Members of this Committee about the Strategic Petroleum Reserve, what is our current thinking on it.

The President yesterday said that the issue of the oil swap is being looked at, and that release from the Strategic Petroleum Reserve is still on the table. What I have said in response to questions in the past is that under the statutes, the Strategic Petroleum Reserve can be drawn only for reasons of a national energy shortage due to severe interruption in the supply of oil.

I have not recommended that we sell from the Strategic Petroleum Reserve. The SPRO is on the table but, as the President said, he is not ruling out any contingency. While I have the authority to take these steps, he gives me the direction. I think it is important that we be prudent, that we not overreact, that we see the trends in the next few days and what OPEC does, that we work together on this.

As I said, I stepped off a plane last night, and you are the first group I am seeing——

Chairman GILMAN. Which we appreciate.

Secretary RICHARDSON. I will see the President later this evening and I will discuss the results of my trip, but I did want to share with you our latest information, and our latest information is I think we have to be prudent. We have to play it smart. I think we are taking adequate steps domestically and internationally. We have a long-term strategy, and it is important that we work together.

Chairman GILMAN. Mr. Secretary, what long-term policies are you putting in place to ensure that we will never again find ourselves in this crisis?

Secretary RICHARDSON. First, on the international side, Mr. Chairman, continued energy diplomacy engagement. OPEC is most likely going to continue. There are several producer nations outside of OPEC that we work very closely with, like Mexico, like Norway. We will continue engaging Norway, talking to them about the importance of free markets and financial stability.

On the domestic front, I mentioned several initiatives: spurring domestic production, and we need the Congress' help in getting us additional Low Income Energy Assistance, weatherization funds. We are looking at the future, in the Northeast, of the possibility of gas pipelines there. We are studying, although I cannot endorse it at this time, the reserve in the Northeast that Congressman Gejdenson mentioned. We are studying that. I will say to you that our data 2 years ago showed that it might not be cost-effective, but we are studying it. We are looking at ways perhaps that States might take control over some of these LIHEAP funds, give the States more flexibility, but again, this requires study that we are doing right now.

Chairman GILMAN. Mr. Secretary, I just want to remind you that my sanctions bill is intended to give you some leverage with your friends in the event they are not going to be cooperative.

Mr. Gejdenson?

Mr. GEJDENSON. Thank you, Mr. Chairman.

There are other cartels out there. There is a coffee cartel. They get together sometimes. They can set prices. But obviously the impact on the economy is very limited because it doesn't affect everything we do.

In the same sense, de Beers controls the price of diamonds, but there is an easy solution here. You buy less diamonds. For industrial uses you may shift to other abrasives or cutting tools.

When it comes to oil, it is so central to our economy that I think, frankly, we must have a more significant response. If the value of the American dollar had dropped or risen by 300 percent, as has happened to the price of oil, you can bet your life that the government would either be buying or selling dollars, trying to mitigate that steep rise or fall because of the obviously devastating impact on our ability in international sales and purchases. So if we saw a rapid rise in the dollar, we would go into the marketplace and sell some dollars; if we saw too big a drop in the dollar, we would come back and buy some dollars.

So I really don't understand, Mr. Secretary, your hesitance while we are having these very nice discussions with these other countries. We are very hopeful that your persuasive ways, and they

have always been persuasive, are effective here; but your kind words would be that much more effective if you had your hand on the spigot and it was open.

You can turn to them and say, "Look, we've got these bad guys in Congress who are unreasonable. They don't want to give you the time to respond, so in order to prevent them from doing worse, we are opening the spigot a little." We have seen that work in the past. You certainly have the authority. We did it during the Gulf War. As a matter of fact, Congress mandated you sell some oil to help balance the budget in 1996, so we have been in SPRO before.

The other thing we ought to do is look at a broader energy policy, which we frankly haven't had since the Reagan Administration came to town in 1980. It seems to me that you ought to do two things: you ought to open this reserve and establish a home heating oil reserve; and you ought to come up and give it to Congress for not focusing on energy conservation.

I hope my friend from California is paying attention. There are two parts to this equation. Part of this is what the oil-producing nations make available to us and how we use SPRO to balance that. I think, frankly, we have been too slow in responding to the shortage they created. I think we should have opened SPRO.

The other part of the problem, though, is that Congress has stood in the way of energy conservation, alternative fuels, and increasing the efficiency of American automobiles. You ought to be up here hammering us to demand that in this crisis, before our short-term memory wanes. If prices level out, we will forget the need to deal with energy efficiency.

Anybody who reads the paper can see that the American automobile producers are capable of making cars that get 80 and 90 miles to a gallon today with some of these combined fuel systems, not dream cars of the future but cars that can be here. We ought to press this Congress, House and Senate, to come forward with energy conservation measures.

I have got one question: Why on God's green earth would you not add to your leverage by just opening that spigot a little, and come here—SPRO's legislative authority runs out at the end of March—come back here and ask us for the authority to buy when it is cheap. We didn't buy enough when it was $10 a barrel, and we ought to sell when it is high.

You say it is not an emergency, but we are never going to have enough LIHEAP funds to reach the average citizen. We are not going to be able to somehow fudge what this does to the rest of the economy. Open the spigot. Keep talking. I think it gets their attention.

As they used to say about the farmer and the donkey; he had the carrot and the baseball bat. They said, "What's the bat for?" "First I've got to get his attention, and then I give him the carrot." We need a little bit of the baseball bat with our friends to get their attention. Why don't you open up SPRO?

Secretary RICHARDSON. Congressman, let me just say one thing. We do have an energy policy. It is also in writing, and it is a good energy policy, and we have been following it.

We have had a successful economic program under this Administration. One of the tenets has been that every time the government

intervenes in price areas, it doesn't work. Now, with the SPRO, with the SPRO you are intervening and you are manipulating markets.

Now, I am going to stress to you, the President has not taken this off the table, but it is used for national supply disruptions. Now, the swap issue is something that is also being considered, so we do have tools. Now, what I believe makes sense is to let the results of our energy diplomacy work, and so far the signs are good.

Now, we do have a policy. I can't agree with you more about alternative sources of energy. We have not gotten the support from the Congress we deserve. The weatherization funds have been cut. We want to improve the efficiency of the energy system. We have a comprehensive electricity deregulation bill before the Congress that would improve the reliability of our electric system. I have been to your State, where there were some blackouts. We need that reliability in our system. We have to expand future energy choices.

We have taken a number of steps to spur domestic production. I would like to put them on the record, because they involve——

[The response in detail to this appears in the appendix, on page ??, as insert A.]

Mr. GEJDENSON. Let me let you put that on on somebody else's time. I hate to interrupt you, but I think you have been here long enough that you have probably interrupted a Secretary or two.

I would agree with you if this were the normal marketplace, possibly. This isn't the marketplace working. This is an organized manipulation of supply. So, some guys walk along, they are lucky, they think they have got a good policy. We were lucky for a while in energy.

Now we are at a point where OPEC is testing its muscle again, and the question for us is, if this were the free market working I would say yes, it will work out. But if you increase production here at these prices and OPEC sees this really works well, they will just drop production a little more, and so they can play this in the short term.

The only defense we have in the energy area is your hand on that spigot, and I think you ought to at least appear to be more ready to use it. When those guys meet at the end of March it will be helpful, and I think the article in the Wall Street Journal today is helpful in that area. But, think about the Treasury for a moment. If some other country were trying to manipulate the value of the dollar for their trade advantage, you can be darn sure if there was a 300 percent change in the value of the dollar compared to the Euro or the yen, we would be out there trying to make sure there wasn't as erratic a movement because of the damage to our economy.

It is the same thing here. This isn't marketplace forces. This is manipulation. We have got to be ready to defend ourselves. It is a great pleasure to see you again.

Chairman GILMAN. Thank you, Mr. Gejdenson. Again, that is why sanctions are so important.

Mr. Rohrabacher?

Mr. ROHRABACHER. First of all, I would like to commend the Chairman for being the only one that seems to have put forward a real policy, an alternative to the policies that have brought on

this crisis. So thank you very much, Mr. Chairman, for holding this hearing.

I commend our good friend, Bill Richardson, for coming here today. The fact is, as he said, this is his first meeting after getting off the plane from his trip to the oil-producing regions. Bill, we know you are very tired, and I think it is very gracious of you and speaks very well of you that you have come here to talk to us.

With that said, I am sorry that I have to be a little pointed in some of the questions that I am going to be asking. But, quite frankly, the fact that you have been on top of this for a year, and we have ended up in this situation, does not speak well of your or the Administration's ability to do your job. You have said you have just spoken to these oil producers and you got a commitment for them to review production levels. I mean, that is pathetic. It is pathetic.

Look, these are people who we have troops stationed in their countries in order to defend. It was just a few weeks ago we had a service here in Washington, D.C. in memory of the 260 Americans who died during the Gulf War. The Kuwaiti Ambassador, who is a friend of ours, a friend of yours, a friend of mine, a very fine man, was at that memorial service.

How can we remember the 260 American lives that were lost, how can we still have our troops there protecting these people, while they are engaged in a conspiracy, in an international price-fixing conspiracy to shaft the people of the United States. We didn't even use that as leverage, and from what you said, we haven't used that as leverage to get them to change their ways. Now, what is it? Have we at all used our leverage in this area of their national security to protect the interests of the American people, or haven't we.

Secretary RICHARDSON. Congressman, let me say that in my talks with these energy ministers, these countries that are our friends, we are very frank.

Mr. ROHRABACHER. Yes.

Secretary RICHARDSON. Now, I am not going to divulge internal conversations, but I think that these nations value their relationship with the United States. They know that international problems have been created from the production cuts.

Now, all I am saying is, they will be meeting on March 27th. They have not made any decisions. I believe they are leaning forward on increasing production and recognizing that volatility is extensive, that world economies are being damaged, including our own.

I do think that the Chairman's bill—we would oppose it. We don't think that sanctions——

Mr. ROHRABACHER. Bill, let me just be very fair with you; this reflects not only on you but on the Administration's policies. These people are tough people. They are rugged. They know what is in the interest of their people, and they are aggressively pursuing those interests. The fact is that when we are not aggressive and we do not make demands, we get run over.

What is happening here today to our people throughout this country, whether it is the Northeast or whether it is our people out in California paying $2 a gallon for gasoline, they are getting run

over, and by people who we have ended up defending, we spent our blood and our treasure defending. It is a sin against our own people to not be aggressive and champion those interests.

Let me say your analysis, your statement, talks about a cycle, repeatedly talking about the cycle. It is not a cycle that has resulted in higher prices. It is a conspiracy that has resulted in higher prices, a price-fixing conspiracy by a cartel.

My good friend, Mr. Gejdenson, I will not take this opportunity to blame the American people because they want a little bit bigger car or a sports utility vehicle, in the face of a conspiracy by an oil cartel that is aimed at damaging the well-being of the American people. It is not the time to chastise the American people for wanting to buy a car that is a little bit more comfortable.

The fact is, we are being screwed by people that we have defended, and we have got troops there defending them right now. Who is watching out for the interests of the American people?

One last thing—and I am sorry, Mr. Gejdenson—there is one last thing I wanted to get into. Bill, you were very active on this Afghan front, whether it was your policy or whether it was the policy of this Administration and you were just being a good soldier.

The fact is, the Taliban are still in power, and the instability that the Taliban have brought with their support for terrorism and their fascist policies toward women, is the reason that we don't have an oil pipeline that has brought the Central Asian oil into the world market. It permits these oil producers like Saudi Arabia, who bankrolls the Taliban, it permits the Saudi Arabians to keep the prices high.

Frankly, again, it shows a lack of professionality or a lack of competency on the part of this Administration to permit that going on. So please feel free to answer this. Thank you.

Secretary RICHARDSON. Mr. Chairman, I have had a lot of conversations with Congressman Rohrabacher on Afghanistan, and he knows the area well. You are accurate, the Taliban is impossible to deal with. They repress women, they practice terrorism, they harbor individuals like Osama bin Ladin. They have not moderated their policies, and it is very hard to talk to them about any pipelines.

We have pursued, as you know, the Bakujahan pipeline that goes through Turkey, an ally, that involves Azerbaijan and involves Georgia, Turkmenistan, and the Trans-Caspian Gas. Our policy is firmly rooted in finding routes in that area that are pro-Western, multiple pipelines, and I believe this policy is working. I was there with the President in Istanbul when we signed some agreements.

But I think to work with the Taliban right now on some of these pipelines, given, as you mentioned, their very, very difficult attitudes toward anybody in the world—their hostile attitude—it would be a big problem.

Chairman GILMAN. Thank you very much.

Mr. Hastings is gone. Mr. Rothman? Mr. Delahunt?

Mr. DELAHUNT. Yes, thank you, Mr. Chairman.

I think I can read between the lines, Mr. Secretary, that you have some optimism in terms of action by the OPEC nations on March 27th. I also have to agree, however, with others, particularly Mr. Gejdenson, who I think has stated so well that we are running

out of time. What I guess I would suggest or what I would ask is, if you can, give us a measurement of your level of optimism.

Secretary RICHARDSON. Congressman, I am guardedly optimistic that OPEC will increase production.

Mr. DELAHUNT. How guarded are you, Mr. Secretary? On a scale of 100?

Secretary RICHARDSON. How about from one to ten?

Mr. DELAHUNT. One to ten.

Secretary RICHARDSON. I would be guardedly optimistic, nine out of that ten.

Mr. DELAHUNT. Those are pretty good numbers, Mr. Secretary.

Secretary RICHARDSON. In other words, I am reasonably optimistic. The reason for this, Congressman, is I think the Administration's energy diplomacy. The President has been active on this issue, the Administration has been active, we have explained our position. I think using sanctions would be——

Mr. DELAHUNT. I am not talking about sanctions. In fact, I had a colloquy here with Mr. Gejdenson and the Chairman regarding the amount of aid, and I think it is important because it has been stated here. The amount of nonmilitary aid that this country provides to OPEC nations I dare say is minimal. We shouldn't delude ourselves, that there is very little leverage in terms of the level of nonmilitary foreign assistance that we give to these nations.

I have been handed from staff, via the Chairman, information that out of the eleven countries that comprise OPEC, only four receive some aid and it is primarily military. I would agree with the Chairman about cutting off arms sales. I think we should do it anyhow. I think it makes a lot of sense. But, as Mr. Gejdenson points out, you would have to have multilateral agreement to achieve that.

Chairman GILMAN. If the gentleman will yield to the Chair, what we failed to put on that list we gave to you is the amount of trade, we have with them. Most of them have a significant amount of trade with us, to their benefit. We want to give the Secretary of Energy some leverage while he goes and tries to talk with them and reason with them. He can blame the Congress for feeling a little more bitter about all of this than he does. Thank you.

Mr. DELAHUNT. I tend to agree with the Secretary. I don't think sanctions would work. But I think what would work, and I would hope that if your guarded optimism fails to materialize, that you will draw down on the SPRO. I think that is absolutely critical and absolutely important to do, because I think that will pierce the bubble of speculation that is going on now, and I think we would see a rerun of what occurred when President Bush drew down during the Gulf crisis.

I yield back. Would you care to make a comment, Mr. Secretary?

Secretary RICHARDSON. Congressman, I am going to repeat what President Clinton told the Nation's Governors yesterday, and that is, the oil swap and drawdown, the sale of SPRO, is on the table and he is reviewing those options. I have told you that on this drawdown I have reservations, because I think it should only be used in a national supply emergency.

I am also interested in what OPEC will do in March, and what in fact some of the key nations will do tomorrow. These are signals

that we are watching. If they make a decision on March 27th that is detrimental to America's interests, then I think the President has a number of options. But I am not threatening them. I just explained our position. We were very forthright and clear about what is in our interests. In fact, Congressman, I know that many of you care about developing nations and the European Community. They share our view, too, so it is not as if we are alone.

Mr. ROHRABACHER. [Presiding] Mr. Manzullo?

Mr. MANZULLO. Thank you. I appreciate your taking the time to come, Mr. Secretary. I just want to say that I have looked at these joint statements between you and the heads of energy from four different countries, and in all candor, what it says, Minister Rodriguez of Venezuela reiterated his country's "commitment to continue to analyze." I mean, this is nothing. I mean, you went to them, you did the best you could, and you know what you are telling the American people? Is that the American people have to step up to the plate to do several things.

Number one, the first thing that is going to happen is when inflation gets spiked, Greenspan is going to increase the interest rate, and the American consumer is going to pay more in interest to borrow because of the international criminal conspiracy on the part of the oil-producing nations.

The second thing is, the President is going to come to us and ask for a supplemental, which presumably will be off budget. The American people are going to have to step to the bat, not only will we pay more in gasoline prices, we will pay more in interest prices, and then a supplemental means it will probably go off budget, more money being eaten out of the budget surplus that is due.

The third thing is this: Why not use these tools? Saudi Arabia is an applicant for WTO. Algeria is an applicant for WTO. Why don't we tell these countries, "If you want to get into WTO, you cannot engage in an international criminal conspiracy to fix the world oil prices." I mean, why don't we use that as a tool?

Why don't we use this as a tool? Why don't we say, "If you want the IMF to come in and bail you out," such as we did with Russia and Mexico and, I believe, Venezuela, why don't we use some tools on that? We go around the world bailing people out everywhere, and you know who catches it on the chin? The American taxpayer. Always, it is always us, not them. It is always us.

When you refer to Mexico and Venezuela and Norway and Saudi Arabia and Kuwait as our friends, if they are our friends and our friends stick it to the American consumer to double the price of gasoline, to pay more interest on loans, to have a supplemental take money out of our surplus, then what do our enemies do to us?

I think the answer is very simple here. I mean, again, Indonesia, a member of OPEC, an oil-producing nation, what do we do? IMF money goes in there and bails them out. I think the American people are sick and tired of bailing these people out.

What about the issue of foreign aid? Can't you go to Russia, though not a member of OPEC but certainly part of that cozy group of people, and say, "Look, here we give you hundreds of millions of dollars in foreign aid"—and I am not talking about Nunn-Lugar money to dismantle their rockets, I am talking about money that we give many of these nations in terms of foreign aid—and

say, "Look, we are going to cut you off. You cutoff the production of oil, and we will cutoff the foreign aid going from the American taxpayers to you."

These are four tools that I have presented that we could use. You went there, Bill, with no tools. You went there to use diplomatic language, and you know what you got? Analyze this. Saudi Arabia will continue to review the oil supply and demand levels. Kuwait reaffirmed its intention to enhance mutual cooperation. Norway, the two ministers discussed energy cooperation and science and technology cooperation.

Bill, you came back with nothing. All of your hard work—and you were a good and honest and hardworking Member, and it has been my pleasure to serve with you for four years in the House. No one works harder than you. But you went there with no tools and no ammunition. Could you comment on some of the suggestions that I have given to you?

Secretary RICHARDSON. Congressman, I came back with quite a bit. You didn't read the rest of the statements. With Venezuela, which was my last meeting, I believe that we had the language that we sought out, review of production levels, volatility, that what we need to have is, high prices are bad, low prices are bad.

They have their own processes. OPEC operates in a consensus. They are meeting in March, at the end of March. I believe by the presence of the Energy Secretary, representing the President of the United States, taking the case of the American people and the Congress to these countries, I think the message is strong enough.

Now, did I threaten? No. Did I coerce? No. I think that our arguments were convincing. All I can tell you, Congressman, is 30 days ago I think your staff could provide you with what these nations were saying. OPEC was saying that production cuts were probably going to continue. They were saying that in the second quarter, demand was going to lower, and that therefore no changes were needed. Now we have the key members of OPEC, including its leaders, saying that they are going to look at production levels.

Mr. MANZULLO. But you have no promise, you have no incentive. They may or may not do that. What is the plan of the Administration to end OPEC, to end the criminal conspiracy that controls the production of oil? Is there any plan to end it, to dismantle it?

Secretary RICHARDSON. That would be a problem, Congressman. You know that.

Mr. MANZULLO. Why would it be a problem, when we are giving these people money, when we are bailing them out on a day-to-day basis?

Secretary RICHARDSON. I think, just for the record, because this has come up a lot, in terms of assistance to OPEC nations, what we are talking about, total American assistance to all countries, and this Committee has these statistics, is $23 billion. When we are talking about aid to OPEC, we are talking about less than $300 million in economic, military and agricultural assistance.

Now, we do have military relations, arms supply relationships, and there is no question, I will also say, Congressman, that I felt when I talked to the Saudis, when I talked to the Mexicans, to the Kuwaitis, the Venezuelans, the Norwegians, they felt very strongly

that it was important to have a strong relationship with the United States. I think that——

Mr. MANZULLO. Then you should have just said, "If you want to be strong with us, get out of your international criminal conspiracy," so you could meet on fair ground.

Secretary RICHARDSON. March 27th is an important date. They will all convene, and I am optimistic, guardedly optimistic that they will increase production. The key will be the level and the timing of that increase.

Mr. ROHRABACHER. Thank you very much. Thank you, Mr. Manzullo, and thank you very much, Mr. Secretary.

Ms. Lee?

Ms. LEE. Thank you very much, Mr. Chairman.

Thank you, Mr. Secretary, for your presentation and really for your very bold leadership. Let me just mention a couple of things with regard to the cost of gasoline in California.

According to the California State Automobile Association, Northern California gasoline prices have shot up by approximately 12 to 17 cents per gallon in just the past two weeks. The average price of a gallon of regular unleaded gas at self-service pumps soared 12 cents to $1.71 in San Francisco, just four cents shy of the record $1.75 reached last August. Northern California, I believe, has some of the highest prices of gasoline in the country.

Now, this past weekend was very interesting. I saw lines of cars at gas stations where the prices were a bit less, and people are getting very angry. I sense frustration. The American public, especially in Northern California, doesn't really understand why the cost of gasoline is so high.

I wanted to ask you, how do you think we need to present this to the American public in layperson's terms so they can really understand why the cost of gasoline is so high, so that their frustration level can either be minimized or so they can really kind of understand what is going on?

Then, second, I just wanted to ask you a question about Nigeria. Given the fact that they could increase their output, and of course Nigeria is going through now some very, I think, positive changes in terms of their government, but there is still some civil unrest and there are still some difficulties, what should our policy be toward Nigeria as it relates to what we can do in terms of our assistance to help them produce more oil?

Thank you very much.

Secretary RICHARDSON. Congresswoman, you have been very constructive in your two questions. Here is how I would answer your constituents.

I would say to them, the high price of gasoline or the high price of home heating oil was caused for three reasons: one, the high price of crude oil; second, an unexpectedly cold winter, especially in the month of January; and, third, transportation problems in delivering some of the home heating oil. I would also say to them that low inventories in U.S. stocks have caused increases in gasoline.

I would also say to them that your Administration, our Administration, is addressing the short term and long term on the international front with energy diplomacy, explaining forcefully the importance of free markets, of price stability, of having increases in

production based on the need for financial stability in the markets. I would also explain that we are taking steps with refiners, with home heating oil operators. We have got to get refiners to pump more crude. We have got to find ways to postpone maintenance that refiners are making, so that they don't spend their time on maintenance and home heating oil can be delivered.

We believe that in California your market is a unique gasoline market. You have very strict environmental regulations and limited supply options, but the underlying problem for you is the high cost of oil. If we get increases in production, we believe that costs will recede.

Now, I am conscious of the increases in the price of gasoline. We expect that when our Energy Information Agency releases its report sometime soon, that in the short term there may be some further increases, but we expect if OPEC increases production, that prices will stabilize. Nobody wants high gasoline prices. The price of diesel, I think the President has also talked about, with the Members of Congress that met with him on issues relating to the diesel fuel tax. That is being considered, although that presents some problems, the Highway Trust Fund and other factors. But I would explain to your constituents that we are aggressively addressing the problem.

The second question, which is an excellent one, we are very excited about what is happening in Nigeria. It is a democratic government. They are bringing their energy—they are a huge energy resource, especially in oil—they are cleaning up some of the problems there, corruption and others. They are taking aggressive steps to privatize. They are bringing their oil into the market. Early indications are that Nigeria would be cooperative with us on increasing production.

They are a member of OPEC. The OPEC Secretary General, Mr. Rilwan Lukman, is from Nigeria, and the contact we have had with Nigeria on this issue so far, and I am going to have further contact, has been very positive. So we are very excited about what is happening in Nigeria.

Mr. ROHRABACHER. You are welcome, because Mr. Manzullo took a couple extra minutes, if you would like another question.

Ms. LEE. Thank you very much, Mr. Chairman. Let me just respond with regard to Nigeria.

Do you see any efforts that we need to mount in the Congress to assist the Administration, given the enormous crisis really that we are in, in terms of our energy crisis now? Or is this an effort that you think the Administration and yourself can actually work out?

Secretary RICHARDSON. I would ask the Congress to adopt our numbers for alternative energy, for climate change, our budget numbers. Help us promote energy efficiency, more efficient fuel vehicles. Give us the money we need on weatherization; the Congress cut us in half on weatherization.

Give us the supplemental for Low Income Energy Assistance. The President has three times tapped the Low Income Energy Assistance, more than any other President, and we are asking for $600 million more. This is money that helps poor people. There are poor people. I have met with them in the Northeast. I have been

in Maine, I have been in New Jersey, I have been in Boston. I plan to go to Rhode Island and Connecticut. We had a summit in Boston, of Governors, of local officials, of consumers, to try to address the problem, and I do see progress.

Mr. ROHRABACHER. Thank you very much, Mr. Secretary.

Mr. Cooksey?

Mr. COOKSEY. Thank you. Mr. Secretary, I have gone from saying I thought you were doing a relatively good job at DOE to thinking you are doing a great job at DOE, after your testimony, as long as you adhere to the principle of market forces. I have a lot more confidence in market forces than I do politicians. I think that cartels will always collapse in the face of market forces, in spite of what the politicians will do.

My other problem is with politicians. I notice that 13 Members or 15 Members of this Committee are from the Northeast, and they are good friends of mine. Mr. Gejdenson is a great friend. We have a lot of fun riding each other about certain things or teasing each other about things. But they are wrong in trying to come in and do some of the things that they are proposing. I feel that this is a tendency that politicians have where they are playing to their home media, and it is just not, the facts.

But I would assure my friends from Connecticut and New York and from the Northeast that spring will be here soon. When spring is here, the demands on petroleum and the home heating oil prices will come down, and we won't have to draw anything out of the Strategic Petroleum Reserve, which is in my State. I understand it has 570 million barrels in it. It is there for a reason and I think it should stay there. So basically my message to you is, keep the faith in the face of all the criticism by my colleagues on this side and the ones on the other side.

I would point out, I made one misstatement earlier. The United States is producing six million barrels of oil a day in 2000; we were producing nine in 1973. But that two or three million barrels a day is about the deficit that we have in this country.

I would also point out that if you adjusted gasoline for inflation from 1979 or 1981, we should be paying $2.50 a gallon today instead of $1.50 or $1.60 a gallon.

The bad news for the politicians in the OPEC countries, is that there are more poor people in their countries than there are in ours, because democracy and market forces still will prevail over dictatorships and cartels. The thing that disturbs me today is that some of my colleagues are trying to make us a cartel, are trying to make us a bully, and it will not work in the face of market forces.

Secretary RICHARDSON. Congressman, your words are music to my ears. I hope that doesn't hurt——

Mr. COOKSEY. Did you say music or amusing?

Secretary RICHARDSON. Music.

Mr. COOKSEY. A lot of my colleagues think they are amusing.

Secretary RICHARDSON. Our policy is that market forces in energy and oil should dictate prices, and I believe again that the success of this Administration's economic policy is, we have applied that across the board.

Now, on the Strategic Petroleum Reserve, which is in your State and in Texas, we made a wise decision a year ago. We replenished it through what is called the RIC sale, exchange with the Department of the Interior. We have 10 million barrels more there because of this policy of proceeding when the price was low, and it is replenished. It is being managed very well, especially in your State and in Texas.

Now, let me just say something. We are concerned about high gasoline prices. While inflation-adjusted numbers suggest gasoline prices are not that much higher than in the 1970's, we still need to work to get them down. The best way to do that is by lowering crude oil prices, and that is what we are trying to do.

Congressman, I will also say to you, I would like to just mention for those from energy-producing States, we have taken steps with the Federal royalty payment, less paperwork, increased technology in drilling, so that our drillers, through the Department of Energy programs, can drill more effectively, efficiently, with the latest technology.

We are aggressively pursuing that, and we will try to take additional steps to help our domestic production—I think that is one of the messages from this problem—at the same time that we also properly fund alternative sources of energy, solar, wind, biomass, natural gas. This is the time to invest in those energy sources, and we are trying to do that through our electricity restructuring, deregulation bill, by having a renewable mandate of 7.5 percent, our funding for many of these energy conservation efforts, our joint projects with the Big Three in Detroit to produce a more energy-efficient vehicle. We have had some breakthroughs in that area.

We need the Congress' support, especially in Low Income Energy Assistance, weatherization. These are programs that help poor people, and what we need to do is have the States and the Federal Government raise the eligibility requirement so that more middle class and more average people can be helped, too.

Mr. COOKSEY. Can I make one closing statement, Mr. Chairman? The red light just went on.

As a physician, I have to deal in the facts more so than a politician does, and I hope these facts are correct. I have been told that the largest retailer in this country today is Citgo, and I was also told that the controlling stock in Citgo is in the hands of the government of Venezuela. It is also my understanding that my colleague was correct about Chavez, who tried to overthrow the democracy in Venezuela a few years ago. Now he has been elected in the democratic process. But also he was in China last week doing deals with the Chinese and the Cubans, for whatever it is worth.

Thank you, Mr. Chairman. Thank you for being here. It has been a good session.

Mr. ROHRABACHER. Thank you very much, Mr. Cooksey.

Mr. Payne?

Mr. PAYNE. Thank you very much, Mr. Secretary. It is good to see you, and the fact you came right off the plane and came right here, you are certainly in the right business. You are the Secretary of Energy, and so you have to have a lot of energy, I guess, so we compliment you for being here.

I know you are important but I didn't know that we need to blame you for treatment of women in Afghanistan. Maybe you are responsible for the North Irish talks falling off, too. I mean, you are more important, evidently, all of a sudden, than I ever thought you were. I always thought you were important, but I hear all the world problems are because of you—my Chairman here.

But I think that you hit on the issues. One, we need to really become more fuel-efficient. We need to have some subsidy to build natural gas lines to the Northeast. The Northeast, where I live, is where we are hurting from the high cost of home heating fuel, and that is because there have never been pipelines to the Northeast for natural gas. So I would like to see the Administration look into that so that we could avoid these problems in the future.

In addition to that, I think that when the prices are low, for example, the airlines have increased their fares because they say, prices went up to $30, went up from $10 to $30, but when they were $10, they didn't reduce their fares. I don't know how, what is good for the goose is supposed to be good for the gander. If the prices are low, it would appear to me that that savings should be passed on to the consumer. When the prices go high, they then roll it back to the consumer. I can't blame you for that, either, but maybe I should.

I think that the only answer to this problem is that we come up with alternative fuels, that we do research, that we have cars, as you have mentioned—Japan is putting out a car that can do 70 miles per gallon. We need to be able to do the same kind of thing.

I think, just in conclusion, I probably really don't have a question, but I didn't get a chance to make an opening statement either, and the fact is that the cartels are going to do the same thing, whether it is next year or the following year. I don't care if we have got 25,000 troops or no troops in Saudi Arabia or Kuwait, or if Norway drops out of the European Union, cartels are going to come around and they are going to say, "Let's hold up" or "Let's pump up."

We don't grow wheat, and everybody buys our wheat for bread around the world, we don't grow twice as much wheat as we could. We could double the production of wheat and, therefore, that should drop the price of bread. But we don't. We just do enough wheat to keep prices of bread where they are. Bread prices haven't gone down, although we have turned the technique around, of being able to produce more. We have got new strains of seeds. But we don't see a doubling of the production of wheat. We don't see the price of beef going down, although we shoot them up with hormones and everything, they get twice the size in half the time.

So I think that the economic forces of the world are really going to be what is going to be, and the people that pump oil and gas, they are going to slow up when they want to slow up, they are going to pump it up when they want to pump it up. It is no different in that industry. It just hurts us more, and it hurts me tremendously up in the Northeast. I wish it wasn't that way, but that is the way the world is. They are not going to grow any more sugar than they are growing, because sugar could come down 50 percent of what the cost is.

So I think we are really asking, because it impacts on us negatively and I wish it wouldn't happen, I think we are looking for miracles, but that is really not the way the world works. You have got a product you want; you want to keep guzzling. My friend said we should have bigger cars, Americans should have the right to have these big old gas guzzlers, and that is true, if they want to pay for it and they want to buy them. But you can't tell the guy who has got the oil in his country that he should reduce his costs so that Americans can have gas guzzlers cheaper.

It doesn't make sense. I mean, it would be great if we had a magic wand and the world worked that way. I know this is the greatest country in the world, but we can't make the world just make everything so convenient, so if we decide we want bigger, more gas-consuming cars, they should therefore drop the price so we could do it.

So I am on your side. I think you are doing the right thing. I think the Administration is doing the right thing. I wish, though, that we would put more money really in serious research and technology so that we can make cars more fuel-efficient, so that we can get natural gas up to our places. We can even help countries like Nigeria, that flares the natural gas, even assist them to contain the natural gas, build pipelines, so that that natural gas could be used as an alternative for home heating fuel.

I just want to compliment you on the fine job you are doing, and ask that you keep the talks going. As long as people are talking, that is positive. I want you to go back, talk some more to them. I listened to what you said. I really don't know what you accomplished, but I want you to keep the talks going, because as long as that is happening, I think that we are on the right track.

Mr. POMEROY. Will the gentleman yield?

Mr. PAYNE. Yes, I yield.

Mr. POMEROY. I have to run to the Floor, but I did want to make the point specifically relative to the incredible hit this will have on farmers, and so your talks and your efforts to leverage progress are extraordinarily important. North Dakota State University estimates this will increase production costs significantly, adding literally thousands of dollars to farmers' costs at a time when prices are so low we have a crisis in agriculture. So I will send you more information, Mr. Secretary. I just wanted to get that point in before I had to run to the Floor. Thank you.

Secretary RICHARDSON. Congressman, I want to thank you for your statement. You mentioned at the beginning the importance of natural gas, and I think before you came I mentioned that the President has asked the Energy Department to do a 60-day study of diversifying energy supplies in the Northeast, including converting factories and other major users from oil to other fuels such as natural gas, in order to free up oil supplies for use in heating homes.

We also have a request to Congress to develop new technologies that would protect against market failures, promote reliability through more efficient technology, especially in natural gas distribution, transmission and distribution technology. So we are looking forward, and I appreciate you have a lot of diplomatic experience yourself. You know that you have to be careful, many times,

in that the United States is the world's only superpower, that you use your leverage carefully and guardedly. This is what we are trying to do.

But we will keep these conversations going. As I said, I think my talks were successful. I am guardedly optimistic that there will be an increase in production. We will know on March 27th. But we have a strategy regardless, and we have made considerable progress since 30 days ago, so I think we are moving forward, and I thank you for your comments.

Mr. LEACH. [Presiding] Thank you, Mr. Payne.

First, Bill, let me also welcome you back to the Hill. You have many friends up here. But I would like to comment about these talks, and in a sense it is positive always to be talking, but there is something that isn't very strong about the United States of America discussing with a cartel concerns about pricing and supply issues, when we are being bamboozled by that cartel, and I would like to talk to you for a second about law.

It is my understanding, and I apologize for being late in coming, that there was earlier discussion that under domestic law a cartel of this nature would clearly be illegal. I would like to make it very clear, from a congressional perspective, under United States law today this kind of cartel is illegal.

We have an act passed a generation ago called the Foreign Sovereign Immunities Act. What that act very precisely suggests is that when a government acts as a corporation, it comes under United States corporate law, which means United States antitrust law. Very interestingly, although until recent years it wasn't extensively applied, the Common Market has comparable antitrust laws as the United States. Articles 85 through 90 of the Treaty of Rome are every bit as strong as the Clayton and Sherman Acts.

I would like to suggest that it is clear-cut that if matters are not in a timely fashion brought into line, the option of the United States is to bring an antitrust action, and that type of action is of towering significance. It is the rule of law, it isn't the rule of anything else. In fact, one might argue that not to bring an antitrust action would be for an Administration to not uphold the rule of law. So I would like to just suggest to you that when you talk with other countries, that this is an option that is being urged upon you by Capitol Hill and thoughtful purveyors of concern on this issue.

Now, I don't personally think that this is something that necessarily should elicit comment, because I think comment can be very unhelpful, but I will tell you that this is in the arsenal of the United States. It is in the arsenal of our Common Market partners. It is something that, when you talk about discussions, ought to be in the discussion framework with our allies as well as with the oil-producing countries.

Now, having said that, because I am not eager for a response that would either be dismissive or too alacritous in support, I want to raise one other issue that I think the Administration has not been as quite on top of as I would like them to be, but they have not also been totally opposed. But when you look at alternative energy sources, we don't just have wind and solar. We have a renewable source that derives from the earth, and it is called gasohol, which is at the moment largely a corn-based product.

Coming from the Midwest, I would hope that this would be an understood kind of concern, and it relates to issues the Administration is going to be making policy decisions on in the not too distant future, relating to EPA and California. I would hope the Department of Energy would be in a position to weigh in on the side of the development of this alternative market as a national interest issue. Would you care to comment on that?

Secretary RICHARDSON. Mr. Chairman, let me say that I have visited your State. We have noted, in the bio energy area, this is a great potential in your State and the Midwest. On ethanol, the Administration I think has a strong policy. We support the tax credits provided to ethanol, so we have a strong alternative fuels program at the Department.

Before you got here I was trying to say, to the Committee and to the Congress, please fund these, because we get big cuts in them at the end of the year. We are requesting a 45 percent increase in funding for gasohol, biomass, bio fuels for the year 2001. What we want to do is develop cost producing technologies in this area. The technology that is happening in this area is very exciting.

So we hope that you can support us in this effort on research and new technology, but we share that view, especially in the area of bio energy. We are very bullish about this, and we ask for your help.

Mr. LEACH. I appreciate that, but let me make it very clear. I am asking for your help, and I want to be very specific, Mr. Secretary. The EPA in the very near future is going to be making significant decisions, seminal decisions, relating to an application from the State of California, on whether California is obligated to use more ethanol. Will the Department of Energy be weighing in on that decision?

Secretary RICHARDSON. Yes, we will be weighing in.

Mr. LEACH. Thank you.

I have a list of other Members, and in the order of appearance I am told Mr. Crowley is next, but I am willing to go by whatever order the Minority prefers in this. Mr. Crowley is recognized.

Mr. CROWLEY. Thank you, Mr. Chairman.

First of all, Mr. Secretary, let me thank you for staying here. I know you have a busy schedule, and I know you once sat in these shoes that I now have, and I appreciate your sticking around for a question from a freshman Member of the House.

I represent a district that takes in parts of Queens in New York City and the Bronx. The average annual income in my district is about $30,100 a year. My notes indicate to me that although 12 percent of American homes are heated by oil, in New York State it is nearly 40 percent of all homes that are heated by oil, and in my district it is actually 46 plus percent of the homes that are heated by oil, some 108,000 homes.

A little math that I have done: the average bill was about $200 a month, it is now well over $400 a month. LIHEAP funding for New York is approximately $72 million. My district alone, per month, will see an increase, and these are conservative figures, of over $23 million in spending, just a little math I have done here, doubling it. You cost that over four to five months, and you are seeing over $1,000 that is coming out of the pockets of people who

don't make much money, and probably multiply that a number of times over for congressional districts, depending on what state you are in.

The question that is asked me a great deal when I have been out in town hall meetings is, didn't anyone see this coming? Did not anyone in the Department of Energy or anywhere in this Administration see what might possibly be happening? One of the solutions we have talked about is the creation of a separate home heating oil reserve, and also talking about opening SPRO.

The concern I have is that while the President continues to study the option of doing that, we will be in spring. The crisis will have, for the most part, ended as it pertains to home heating oil, not necessarily as it pertains to the price of gas, and diesel fuel particularly, and what effect that will have on the cost of products that are being shipped across this country.

Despite the comments of my good friend from Louisiana about switching to natural gas, of the many people in my district who represent the 46 percent, an overwhelming majority of those individuals are well over 65 years of age and I dare say are not interested at this point in making those types of changes to their home, and won't do that in the future, either.

That is the crisis we are facing right now. Individuals who had a little extra money to maybe take care of some family members no longer have that. Before, I know another colleague mentioned people actually making decisions about paying their heating bills, or purchasing prescription drugs, purchasing proper food. These are realities in my district.

My first question, did no one see this coming? I appreciate the work you have done. I have been following it, and I know the hard work you have been engaged in and the Administration is engaged in. But did someone in the Administration not see this coming and not react sooner?

Secretary RICHARDSON. Congressman, you know last year we had tremendous surpluses, inventory surpluses, and it wasn't until late last year that we started seeing very low stock levels. I was aware of this, and I was alerting the OPEC ministers, and they said, "Well, we're going to be meeting. We'll deal with that."

The cold snap in January aggravated the markets, and we reacted immediately. I think as you said, we have dealt with LIHEAP. In your specific case, we found in New York there were serious transportation problems, and we worked with the Coast Guard to make sure that ships had priority, vessel traffic that would deliver some of this home heating oil to your specific part of New York.

Let me just say on the natural gas issue, what we are suggesting is natural gas for large users, not necessarily for homes. What we would like to do is, with home heating oil operators, and you have many that are small business people who have real cash-flow problems, that we are helping. We started a new loan program, an emergency loan program with the Small Business Administration for truckers, for loggers, and they should try to get in on some of these problems.

We have also gotten refiners to postpone some maintenance work so home heating oil supplies can be more rapid. We have also

worked with several states for Clean Air Act waivers for several days, so that home heating oil can move more rapidly and efficiently in those areas. Several states requested that, including I believe New York, so what we would like to do is continue working with you.

I think another thing, Congressman, that we need to do at the Federal and State level, is some of your constituents, because of income, may not be eligible for LIHEAP funds, for weatherization funds. We need to look at what constitutes the poverty level, the middle class. The President has urged that states that have the primary responsibility look at eligibility standards. So Low Income Energy Assistance, that the President has reduced three times, $300 million; your state has gotten, I think you said, $76 million.

Mr. CROWLEY. Right. Mr. Secretary, if you add up four months at $23 million in my district alone, we have more than the LIHEAP for the entire State of New York. That is also part of the problem. There is not enough money in LIHEAP coming to New York.

Secretary RICHARDSON. Right. We have asked for $600 million more in a supplemental, and we hope that is taken up soon, and that will be to address some of the problems that you have. We are also worried about the summer, possibly excessive heat. We are concerned about outages, and we want to be sure that the reliability standards of our utilities are strong so that we don't have these problems also in the summer, and your constituents would be vulnerable then, too.

Mr. CROWLEY. Mr. Chairman, just one final followup.

I know you have been to several States in the Northeast. We would like to get you to New York and to Queens and the Bronx specifically at some point, if you can.

Secretary RICHARDSON. Sure.

Mr. CROWLEY. A lot of people want to see you.

Secretary RICHARDSON. Sure. I didn't know I would be welcome.

Mr. CROWLEY. You are very welcome. Thank you very much. Thank you, Mr. Chairman.

Mr. LEACH. Thank you very much, Mr. Crowley.

Mr. Meeks?

Mr. MEEKS. Thank you, Mr. Secretary, for your testimony. I, too, want to compliment you on the job that you have been doing as Secretary of Energy.

I just have a quick question. We talk about the marketplace and it controlling the economy and supply and demand, and most of the testimony that has been heard today and most of the questions are all focused primarily on the OPEC nations. I am wondering what—and I think dialogue, I agree with Mr. Payne that dialogue is tremendously important—I am wondering what dialogue have we had with the oil-producing nations who are not members of OPEC, about getting them to increase production and doing some certain things so that we can balance this thing out and give OPEC some level of competition so that they don't have the dominance that they have on the oil market right now.

Secretary RICHARDSON. Congressman, that is an excellent question. I have spent a lot of time talking to two countries that are not members of OPEC but have been tracking OPEC production and other levels, Mexico and Venezuela—I am sorry, Mexico and

Norway. I have been to Norway twice in the last three weeks. They are a key producer. They are the second largest exporter of oil in the world, I believe.

Mexico is possibly our number one producer. Mexico, Venezuela, Saudi Arabia, depending on shipping schedules, each one is number one every month, but Mexico has recognized that their economy is very tied to ours. They have been responsive on the production issue. I think just this morning the energy minister of Mexico said that Mexico felt that production needed to be increased. Norway is meeting Mexico, I believe tomorrow or today, to discuss possible additional production levels.

So we have engaged nations outside of OPEC that are producers. There are also other nations within OPEC that we have been talking to, that I didn't mention. There are other Gulf states. Nigeria is a key member, Indonesia. The International Energy Agency, the IEA, is comprised of several nations. It is based in Paris. The member nations, I would like to submit for the record, have stated their concern about high oil prices, their need for increased production.

The European Community, and many developing nations, I know you are very active on the developing world. Africa, there is great need for lower prices in Africa, several countries there. In fact, in Egypt, where I visited just a few days ago in North Africa, Egypt has associated themselves with our position for the need for more production, that prices are too high. So we have engaged other countries and we are going to continue doing that.

Chairman GILMAN. [Presiding] Mr. Sherman?

Mr. SHERMAN. Thank you, Mr. Chairman.

There has been discussion of OPEC collapsing. I don't think it is going to collapse. It is a conspiracy in restraint of trade. I should point out that the United States once used its governmental power to restrict or encourage a reduction in farm production for the purpose of increasing prices, but that was never with the goal of increasing world prices.

You have talked about heating oil aid for the poor, Mr. Secretary. I would point out to you that there are poor people in warm places, and they are dependent upon gasoline to get to work. Public transportation is not a viable option for many poor people in states such as the one you represented and the one that I represent. I would hope that there would be equal attention to providing gasoline vouchers to the poor as to providing heating oil vouchers for the poor.

I join you in hoping that later this month we are going to see increases in production, but I would hope that there is a back-up plan. Unfortunately, all the back-up plans I can think of, because using the Strategic Petroleum Reserve is a very short-term and limited thing that we could do, involve changing some of the foreign policy of the United States.

I would hope that our friends in Indonesia know that we might choose to support independence movements in part of Indonesia, if they are waging war against American consumers. I would hope that Saudi Arabia and Kuwait would recognize that the American people are not going to be willing to continue to station ground troops in their area to continue to defend them from Saddam Hussein, if they are waging war against us; that our position on border

disputes between the Emirates and Iran could be influenced by the fact that the Emirates continues to wage war against the American consumer.

Up until now, American foreign policy, and I have said this before, is best described as saying, "We would like the honor of defending other countries for free, and in return for that honor we will sacrifice our own economic position." I don't know if we can continue to ignore the fact that OPEC is waging war against the American consumer.

Mr. Secretary, there are a few oil-producing countries that get aid from the United States in significant amounts. Now, it is interesting that our chart shows that Iraq is getting $7 million of U.S. aid, which seems like a waste of $7 million, since whatever food goes to Iraq is under Saddam's control.

But looking at more significant oil exporters, you have indicated that there are four that are receiving significant U.S. security aid, trade aid, or direct aid, or in Nigeria's case is eligible for debt relief aid, and those four are Nigeria, Mexico, Russia, and Indonesia. You have indicated that some of these countries have paid lip service to the idea that maybe oil production should be expanded.

But I would like you to review, for each one of those four countries, Nigeria, Mexico, Russia, and Indonesia, whether those countries are currently producing oil as quickly as they can, given physical constraints, or whether there are governmental policies, either with the government acting as sovereign or the government acting in its proprietary capacity. Which of those four countries is producing oil as quickly as it can, and how many more barrels would be on the market today if all efforts of those four countries to restrict oil production were released and eliminated?

Secretary RICHARDSON. Congressman, very few countries in the world, OPEC or not, right now have sufficient excess capacity to supply American needs. I think we have to move very carefully as we seek to address production levels and supply at the same time that we encourage development in some areas.

Let me go country-by-country. Nigeria is a member of OPEC, so they abide by the OPEC decisions. But they have, as you know, because of their internal situation, because of capacity problems, I don't think they have been able to produce at full capacity. They, in their statements and their discussions with us, have acted very responsibly, and I believe that on increased production, they would be sensitive to the needs of other nations in Africa and the United States.

Mr. SHERMAN. But are they producing as much oil today as they could?

Secretary RICHARDSON. No, they are not, because you know they had a serious civil war there.

Mr. SHERMAN. No, I want to say as they could. I mean, are they producing as much as they can, given their physical and political and security problems, or are they restricting oil production in order to help OPEC achieve its pricing objectives?

Secretary RICHARDSON. No, I think with them, they don't have the capacity, so what they are doing is consistent with their capacity to produce.

Now, the others you mentioned, Mexico is not a member of OPEC but has been abiding with the OPEC pact. Mexico I believe has been extremely responsible, recognizing the need of international demands. I was in Mexico about 10 days ago, and the energy minister and I agreed that prices were too high. I believe earlier this morning Mexico made a statement saying that they would favor increased production, so that is very positive.

Mr. SHERMAN. But they are not producing as much as they physically can at the present time?

Secretary RICHARDSON. The answer is yes with Mexico.

Mr. SHERMAN. In adherence to OPEC's desire to wage war against the American consumer, the Mexican government is preventing oil production today from being as high as it otherwise would be?

Secretary RICHARDSON. Mexico is abiding by the OPEC pact. Mexico is not a member of OPEC, but it has agreed with the OPEC position. But of all the countries that I visited, because of the tie-in to the Mexican economy that we have and Mexico has, Mexico has been, I believe, quite responsive. But also they have had serious budget problems when prices were $10, and they are balancing their needs. But I would say Mexico has been responsive to the international economy and they are not——

Mr. SHERMAN. Their rhetoric has been responsive but they have not increased production in the last few weeks in order to——

Secretary RICHARDSON. No, but Congressman, they can't. They can't until they formally meet as OPEC and non-OPEC members. This is why this is all very sensitive. They can't independently act of each other because they have——

Mr. SHERMAN. Mexico is not a sovereign country? It doesn't have the right to change its government policy and increase oil production? Their loyalty to OPEC exceeds their loyalty to their NAFTA partner, and they feel bound to participate? Their rhetoric is good, but their practice is to participate with this OPEC squeeze?

Secretary RICHARDSON. I just look at what the energy minister has told me and what he said this morning, and I am encouraged that they say that OPEC and they would be ready to increase production.

Russia, you mentioned Russia. Russian oil and gas infrastructure is in bad shape. They could deliver more, and we could benefit if we encouraged investments in Russian energy infrastructure upgrades. We have tried to get the Russians to have what are known as production-sharing agreements, where issues like transparency and other factors operate more efficiently for our investors. But, as you know, Russia has had difficulty in getting some of their economic problems straightened out.

Congressman, you asked me another country?

Mr. SHERMAN. Going back to Russia, I realize that they need a lot of investment, longer term, but today are they producing as much oil as they practically can with today's——

Secretary RICHARDSON. No.

Mr. SHERMAN. Is their government preventing their enterprises from producing oil?

Secretary RICHARDSON. No, I think it is just a matter of their economic condition.

Mr. SHERMAN. The final question was Indonesia. Are they underproducing as part of the OPEC effort?

Secretary RICHARDSON. Indonesia is a member of OPEC. I believe our information is that Indonesia first of all has been sensitive to our concern for increased production. Whether they are operating at full capacity because of their, as you mentioned, internal problems, the answer I will supply for the record. I do not believe so.

[The response in detail to this appears in the appendix, on page ??, as insert B.]

Chairman GILMAN. Thank you, Mr. Sherman.

Mr. Secretary, we want to thank you for your appearance today and your patience. I welcome the opportunity to meet further with you to discuss the legislation I am introducing today, that would reduce, would terminate and suspend assistance and arms sales to countries determined by the President to be fixing oil and gas prices to the detriment of our own economy. I think it could be to your benefit to have this measure before you as you go to discuss and negotiate with the oil-producing nations. You can blame it on these bad guys here in the Congress, but we think it is an important vehicle for you to make use of. I will send you a copy of our bill after we introduce it later today.

We thank you once again, and we hope you will continue in your efforts to provide a better energy policy for our Nation. The meeting stands adjourned.

[Whereupon, at 12:50 p.m., the Committee was adjourned.]

A P P E N D I X

March 1, 2000

Opening Remarks for Chairman Benjamin A. Gilman
U.S. Policy Toward OPEC
Wednesday, March 1, 2000

I am very pleased to convene this hearing on U.S. Policy Toward the Organization of Petroleum Exporting Countries, OPEC, and would like to extend a warm welcome to our witness, Energy Secretary Bill Richardson, who has a long and distinguished track record of public service in both the executive and legislative branches.

I understand the Secretary has been particularly well traveled over the past few weeks, with numerous meetings with key OPEC and non-OPEC energy officials. In light of his arrival late last night, we are particularly glad he could be with us this morning to share his observations and conclusions on his most recent round of energy diplomacy.

As we are well aware, the challenge facing the Secretary and the Clinton Administration will not be easily overcome. Thousands of households and businesses across New York and New England are facing sky high fuel bills they cannot afford to pay. And many of our citizens on fixed incomes must choose between eating and staying warm.

Today, we will try to find some answers for our constituents and for millions of Americans who are demanding to know why this Administration sat idly by as the nations of OPEC and its major oil exporting allies raised prices from $11 a barrel in December of 1998 to a high of $30 a barrel today.

A hearing on "OPEC and the Northeast Energy Crisis" on February 10 before this Committee clearly demonstrated that OPEC's goal of reducing its oil stocks was the major reason behind large-scale price increases for heating oil and diesel oil stocks.

The transportation infrastructure of this country is under stress, as tens of thousands of small to medium-sized trucking firms throughout the Northeast region are on the verge of bankruptcy because of $2 per gallon diesel oil prices, absorbing 20 percent or more of their entire operating budgets.

Oil prices are higher today than at any time since the Iraq invasion of Kuwait a decade ago. Earlier this week, it was reported that average gasoline prices across the country have risen six (6) cents over the past two-week period, the largest such increase since 1990.

Production cutbacks decreed by the producer cartel, the Organization of Petroleum Exporting Countries, OPEC, have caused worldwide stocks, including those in the U.S., to be drawn down to very low levels. This imbalance has resulted in the sharp climb in heating oil and diesel prices over the past year.

As our dependency on foreign oil has increased over the past decade, the Administration has fallen short, thus far, in its efforts to persuade OPEC and non-OPEC nations alike to moderate their aggressive policies designed to punish oil-importing nations.

Several key oil-producing nations relied on this country's military for their protection in 1990 and 1991, and these nations in the Persian Gulf still depend on the U.S. for their security. But in the view of this member, a continuation of the present policies put in place at the meeting of OPEC Ministers in March and September of last year threatens the relationship that many of the OPEC nations enjoy with this country.

Over the past several weeks, my offices here and in New York have received many calls and letters asking how it could be that the very nations we helped in their hour of peril are repaying us with sky-high energy bills and shocks to our economy that are still being felt throughout the Northeast and the rest of the country.

Last month, I received one such impassioned letter from two retirees, William and Mary Nickels from Warwick, New York, who are trying to make ends meet on a fixed income. They are, like many Americans, tired of excuses and expecting answers from us.

And I quote from their letter: "Similar to the 1970's, when OPEC held us hostage to its demands, our local fuel supplier has raised the price of home fuel to exorbitant levels. True, we realize...harsh weather has struck the Northeast area; but what caused this to go unnoticed by our government? Wall Street is booming, but retired individuals such as ourselves must make harsh decisions daily relative to the spiraling cost of ...home heating oil and gasoline. If there is a real shortage of home fuel oil, why hasn't our President or Congress released some of the country's reserve supply to counteract this tyranny?...Now this ageing veteran is calling upon you to take the initiative and solicit Congress to do the right thing, namely, to bring home fuel oil prices down to a reasonable level..."

Later today, I will be introducing legislation, the "Oil Price Reduction Act," which will begin to respond to the questions and concerns from the Nickels in Warwick and from millions of other Americans across the country.

And I would call on my colleagues to cosponsor this legislation, which will require the President to cut off assistance and arms sales to those members of OPEC and other major net oil exporting countries which are determined to be engaged in oil price fixing to the detriment of the U.S. economy.

Specifically, the bill requires the President, not later than 30 days after enactment, to send the Congress a report containing a description of our security relationship with each OPEC member and any other major net oil exporter, together with information about our assistance programs and government-supported arms sales provided to these countries.

The report would also include a determination by the President, to the extent any of these countries is engaged in oil price fixing, and would further require the President to subsequently reduce, terminate or suspend any assistance or arms sales to that country determined to be fixing oil prices to the detriment of the U.S. economy.

It further requires continued diplomatic efforts by the U.S. to convince all major net oil exporting countries that current price levels are unsustainable and will cause widespread economic harm in oil consuming and developing nations.

The bill is straight forward in its objectives and should give the Administration ample time in its ongoing energy diplomacy, and also enable OPEC member states to take decisive actions in increasing production levels sufficiently to bring prices down to sustainable levels.

Before turning to my colleagues for their opening statements, I would like to ask unanimous consent that the record remain open for a period of five (5) days for incorporation of additional relevant materials and statements related to the ongoing energy crisis.

Opening Statement of Representative Sam Gejdenson
Ranking Member
Committee on International Relations
March 1, 2000

Mr. Chairman, like you, I welcome our distinguished Secretary of Energy, and former colleague, to the Committee today. As you and the Secretary know, the people of the northeast have experienced a home heating oil supply and price catastrophe this winter. If they had been hit by a hurricane instead of a crippling oil shortage driven by the market manipulations of OPEC, I believe they could have counted on a more aggressive federal response.

I respect Secretary Richardson very much and applaud his leadership at the Department of Energy. He and other administration officials have been telling us that the Strategic Petroleum Reserve (SPR) should only be used to address a supply crisis or to stave off serious economic repercussions. Well, I'd say that when heating oil stocks in New England are less than half what they were last year, then we have a serious supply crisis. And I want to point out today that we are seeing evidence of spreading economic consequences of record gasoline and diesel prices. The inflationary pressures exerted by these prices threaten to undermine economic growth and the expansion of which this Administration - and this Member - are so proud.

As we all know now, OPEC's decision to reduce worldwide production by 6% has had an enormous influence on the United States, with the greatest impact materializing this winter. In late January and early February, as storms socked the northeast and temperatures plummeted 20% below normal, most consumers began to receive heating oil bills more than twice as high as the previous year.

The average price of heating oil in Connecticut grew from less than 80 cents per gallon in February 1999 to a record high of $1.98 in the beginning of February 2000. According to the Connecticut Office of Policy and Management, some Connecticut consumers were paying as much as $2.25 per gallon, but constituents have told me that they were paying even more. A woman in Putnam called to complain that she was charged $2.66 per gallon.

The people living in eastern Connecticut are particularly dependent on heating oil. Nearly 65% of the homes there are heated with oil. So for many, the heating oil crisis is not an abstract exercise in economics, it is a matter of survival.

Although prices have stabilized somewhat, this crisis is not over yet. Heating oil stocks remain critically low, and they continue to drop. In the last month, they have fallen by 11 million barrels -- 200,000 barrels alone in the last week for which data is available. Therefore, we still run the risk of another heating oil price spike if the weather turns colder again before spring. The picture is equally bleak for other petroleum products.

The low supply of crude that contributed to the tight supply and high cost of heating oil is affecting diesel, kerosene and gasoline. Gasoline stocks, for example, have dropped 32.9 million barrels or 15% nationwide since last year. According to AAA, gasoline stocks are lower today than at any point in the previous 20 years.

Even if OPEC resumes higher output after it meets later this month, the extra supply may arrive too late to provide relief to consumers during the summer months when gasoline demand is highest. For this reason, I believe that consumers can expect a summer gasoline crisis unless this Administration takes independent action - and soon.

The Consumer and Producer Price Indices delineate a marked ascent in the cost of fuel oil. From January of 1999 to January 2000, the cost of home fuel oil soared 32.1 % for consumers while gasoline went up by 32.4%. For producers of finished goods, the cost of gasoline rose by 65% and the cost of fuel oil jumped 77% over the same period. Meanwhile, the cost of jet fuel for intermediate producers grew by 106%.

Americans are seeing the real life effects of tight supplies at the pump. According to the most recent Lundberg survey, the average price for a gallon of gasoline is $1.46 nationwide while diesel costs $1.64 per gallon. In February, diesel prices in New England were as high as $2.12 per gallon. In eastern Connecticut this week, gas prices range from $1.50 to $1.60 for regular unleaded.

The adverse impact of higher fuel costs has been most severe to date in the transportation and shipping industries. In the face of higher diesel and jet fuel costs, truckers and other shippers are adding fuel surcharges of 4% and more to their rates. I have attached the surcharge rate sheets from Roadway and Yellow Freight - the nation's second and third largest freight companies respectively - that document the effect of higher diesel prices. Make no mistake, this will translate into higher prices for consumers.

Indeed, the American Trucking Associations estimates that 10% of the final price of every good reflects the expense of transportation. As a result, the same people who are paying high heating oil bills in my district could soon pay higher prices for nearly everything else they purchase. Trucks move 6.7 billion tons of goods annually -- 60% of all freight in this country. Moreover, 70% of the nation's communities depend on trucks exclusively to deliver the goods they consume. Higher diesel fuel costs either get passed on to consumers in the form of higher prices, or companies absorb the costs, profits fall and, in the worst case scenario, companies go out of business.

Consumers are also seeing the increased cost of fuel in airfares. Most major airlines have tacked on a $20 per passenger surcharge for each round trip ticket to reflect the tripling of jet-fuel costs - from about 35 cents to $1 a gallon - over the last year. Analysts anticipate that these surcharges will only recover about one-third of the additional costs. As a result, they forecast a

first quarter loss for many airlines. I have also attached an article from the February 22, 2000 edition of *USA Today* that highlights the adverse impacts of higher fuel costs on airlines and passengers.

These factors have caused concern among some economists. Federal Reserve Chairman Alan Greenspan was prompted to say the other week, "[I] recognize that the inventory levels worldwide...are exceptionally low. And even though we are moving into a period when normal pressures begin to ease, we're starting from a very low base. And...yes, I am concerned about what's happening to oil prices..." The Chairman said separately, "I've been through too many oil shocks to take them un-seriously."

In spite of the supply crunch and emerging evidence of more widespread adverse economic impacts, the Administration has refused to take the one step that would provide meaningful relief to consumers -- releasing oil from the Strategic Petroleum Reserve (SPR). I have repeatedly requested the Administration release oil from the SPR, and I remain thoroughly mystified by the President's reticence to take this action.

Drawing down the reserve is not unprecedented. During the Gulf War, the last time crude prices were this high, the relatively modest release of 17 million barrels from the SPR reduced prices by nearly $10 per barrel. More recently, the government has sold off SPR oil for budgetary reasons.

Surely, if the SPR is designed for any purpose, it is to address the sort of emergency we have experienced in the northeast and what we are now experiencing as a nation. Unfortunately, we are now treating the SPR as if it were the latest acquisition for the Smithsonian Institution. Perhaps, that is where the SPR belongs - in a museum, a history museum.

In addition to releasing the SPR, we should take other longer-term steps, including establishing a northeast heating oil reserve and setting forth requirements for wholesale suppliers to maintain an adequate reserve supply. We must also continue to promote energy efficiency and reduce our dependency on foreign oil. At the very least, we should study increasing Corporate Average Fuel Efficiency (CAFÉ) standard for vehicles, especially sport utilities and light trucks which make up a growing percentage of all vehicles on the road. Moreover, we should increase investment in research and development designed to make renewable energy resources, such as solar and wind, more competitive with conventional sources. Notwithstanding these measures, we must release oil from the SPR.

I appreciate the diplomatic efforts that Secretary Richardson has undertaken in meeting key representatives of the OPEC member nations over the past few weeks. I also wish to thank him for appearing before this Committee so soon after returning from his mission. I look forward to your testimony Mr. Secretary, and I hope to hear encouraging news.

Statement of the Honorable Paul Gillmor
At a hearing on U.S. Policy towards OPEC
House International Relations Committee
March 1, 2000

Mr. Chairman, I want to thank you for calling this important hearing today so that our panel can hear about the Clinton Administration's response to rising fuel prices from the Secretary of Energy. Many people in my congressional district have contacted me to express their concerns and I want Secretary Richardson to know how important this issue is to them.

Rapidly rising oil prices are a factor that have increasingly drained the pocketbooks of all Americans. These higher prices have had a particularly devastating effect on farmers and small businesses dependent on lower transportation costs, independent truck drivers who cannot "pass along" fuel costs, and the working poor who cannot avoid paying extra in order to get to and from work. Gasoline prices, in my district, stand at about $1.45 per gallon and, according to industry analysts, may rise to $1.70 per gallon.

While OPEC holds about 40 percent of the worlds oil supply, the U.S. imports half of its crude oil from its member countries. The American Petroleum Institute has argued that OPEC's restrictive three-tier production cutback quotas, instituted in March of 1998, propelled prices from $12 per barrel almost one year ago to over $29 per barrel today.

Not only has OPEC removed roughly 4.3 million barrels of crude oil per day from production, it has also gotten non-OPEC producing countries, like Mexico, to reduce oil production and drive up the price. Clearly, OPEC activities are flirting with negative threats to our economy.

While our country could tap into our emergency oil supply in the Strategic Petroleum Reserve, more likely the solution lies in getting OPEC and its allies to increase their production. In an increasingly global economy, increasing production seems the most prudent course to take and is likely similar to the one our world neighbors would be seeking if our generous food production and aid supply suddenly evaporated.

I understand that Secretary Richardson has been busy traveling to Mexico and the Middle East to apply pressure and elicit support for lower production controls. I look forward to hearing the results of his conversations with leaders in these areas. I am concerned that his February 26 meeting with the Saudi Oil Minister yielded only a promise to study the situation. Certainly, the people in Northwest Ohio do not need voluminous reports and happy photos to see that gasoline prices are not only high, but also crippling. They do not want their country giving them a knife to use in the gunfight of the international marketplace.

Again, Mr. Chairman, I thank you for this hearing and look forward to discovering where the Administration plans to go from here.

Department of Energy
Washington, DC 20585

Prepared Oral Statement of U.S. Energy Secretary Bill Richardson before the House Committee on International Relations March 1, 2000

Thank you for giving me this opportunity to address the current situation in world oil markets, report on my recent discussions with the energy ministers of key oil producing countries, and to describe for the Committee the Administration's short and long-term strategies to address the extreme oil market volatility we have seen over the last year.

First, let me briefly describe today's oil markets. To do so, we must go back to 1996 and 1997, when OPEC leaders met and decided to substantially increase oil production. Unfortunately, at the same time production was increasing, demand started decreasing. Asia was headed into recession and the world experienced extremely mild winters for two years in a row.

The result was disastrous. Over-production resulted in a two million barrel per day oil overhang, driving oil prices to some of their lowest levels in history.

This was devastating to the national economies of oil exporters, as well as to the economic health of our domestic oil industry.

The nations of the Middle East lost $50 billion of investment revenue in Asia, at the same time oil revenues to run their governments plummeted In Venezuela, for example, 70 percent of annual federal revenue was lost. At home in the Oil Patch, exploration virtually shut down and wells were shut in.

Today's story is dramatically different. In March, 1998, OPEC and non-OPEC producing nations instituted three production cuts. At the same time oil exporting nations were carrying out these production cuts, world demand for oil was shooting up.

Both crude and product stocks are now well below 1996 levels, the last time we had sustained high prices. Extremely tight markets have driven prices up and caused refiners to draw down stocks worldwide. Each day, the world is consuming around two million barrels more than it is producing.

We cannot sustain this imbalance between supply and demand without risking serious repercussions for the world economy.

A review of the last several years is important because it illustrates extreme oil price volatility -- boom and bust cycles for both producing and consuming nations. When oil prices were $10 per barrel, I said they were too low, when they approached $30, I said they were too high. Here's why.

Very low prices discourage investment in production, put producers out of business, and increase our reliance on imports. Profit margins for refiners become so small there is little incentive to maintain inventories of heating oil, diesel fuel and other products. Cheap energy encourages inefficient energy use.

High prices, on the other hand, lead to inflation and slow economic growth throughout the world. They stimulate over-production, which will eventually lead to a collapse in prices down the road. The cycle repeats itself.

Volatile oil markets overall – the roller coaster ride of high prices to low, low prices to high -- create a climate of uncertainty for investors and energy producers, who can expect neither long-term price stability, nor plan for rational investment of capital.

So how then can we stop -- or minimize -- the impacts of this cycle and introduce some stability into the markets?

First, an observation: the extreme volatility we are witnessing today is testament to the folly of artificial production quotas – markets, not cartels, should set the price of oil. This bipartisan view has been expressed again and again over the last twenty years, as the Congress systematically removed or severely limited the federal government's authorities to set oil prices or allocate supply. Both the Congress and the Administration have taken the government out of the oil equation and committed us to the free market principles of supply and demand.

Having said this, we are confronted with the reality that OPEC and other major oil producing nations are setting production levels, and that today, these levels threaten to encourage inflation and discourage world economic growth.

This is unacceptable, and why I have just returned from my discussions with energy ministers and key leaders from Saudi Arabia, Kuwait, Mexico, Norway and Venezuela. As I said, we as a government cannot force nations to increase production. Instead, the purpose of my trip was to explain how continued artificial restrictions on supply could hurt the U.S. and global economies.

We went there to convince, not coerce. We presented them with the very latest data from the Energy Information Administration, which showed global oil and crude stocks at extremely low levels. We explained our immediate and anticipated domestic problems from low stocks – high home heating oil and diesel prices, public and government anxiety over the reliability of our oil supply, high gasoline prices for the summer.

We urged the ministers to increase production levels to address global stock level statistics and to understand their manifestation – global economic slowdown, increased inflation, a bad investment environment. And, over time, a loss of market share as other producing nations start competing for business from reliable partners.

I believe we met with a significant measure of success. Before our mission, many energy producing nations believed there was no problem in the oil markets – that stock levels were adequate, prices were fine, the world's economy was not suffering.

We are returning with four joint communiques which reflect a common understanding of the following:

Volatility in oil markets is not desirable – it is damaging. Stability in oil markets is a shared and desirable goal for both consuming and producing nations. And, while the communiques varied in substance from country to country, the single point on which all producing countries -- Kuwait, Saudi Arabia, Norway, and Venezuela – agreed, was to reevaluate data on current oil market conditions to help avoid market volatility and preserve world economic growth.

In other words, their upcoming decisions on production levels will not be arbitrary – they will take into account the implications of current production levels on the world economy. We believe this analysis will lead to only one conclusion as the ministers meet on March 27th -- there should be substantial and timely increases in production.

Finally, what else have we done and where should we go from here?

First, the Administration has sought to address the short term problems of high home heating oil prices by softening the impacts on those who can least afford it.

The President authorized the release of almost a third of a billion dollars in funds for low income individuals to pay their skyrocketing heating bills . . . asked for $600 million more in Low Income Housing Energy Assistance funds . . . and is seeking an additional $19 million from Congress for low income home weatherization.

Second, we have addressed the issue of supply through a variety of measures including: increased Coast Guard support for tankers . . . SBA loans for heating oil distributors and other small businesses impacted by high prices . . . and encouraging refiners to produce as much heating oil as safely possible. We are also re-establishing an Office of Energy Emergencies at the DOE, to coordinate with the States and other federal agencies, not only heating oil problems, but power outages and other energy-related crises as well.

Third, we are seeking to address the longer-term issue of heating oil supply shortages and price spikes by examining possible ways to reduce regional reliance on heating oil, mainly through the increased use of natural gas. We are also examining the impacts of interruptible contracts on heating oil supply.

Finally, we are tackling head-on the underlying reason for high heating oil, diesel and gasoline prices here in the U.S. – namely, the high price of crude oil, and the boom and bust cycles that are the result of artificial production levels.

To do so, we have utilized one of the few tools the government has at its disposal – international energy diplomacy. I have described for you the immediate results of my efforts in this regard, but we need to do more. This trip began an intensive consultative process among our nations. I expect this process to continue. We now share a common interest in stable and secure energy markets and world economic growth -- but ongoing, frequent, intense, and frank communication is clearly essential between consuming and producing nations.

Also, at each stop on my trip, the accuracy and timeliness of data on oil markets – production and stock levels, product levels, reserves – was at issue. We are confident that Energy Information Administration data is the best available, but everyone agreed we should do more and do it better. Just last month, the Department of Energy convened a meeting in Houston of significant oil market analysts to examine oil data adequacy and transparency.

We intend to push this issue forward: to develop global data regimes to give producing and consuming nations an "early warning system" when supplies and production levels get out of whack with demand and consumption needs -- not to manipulate but to inform.

Finally, we are also seeking to stop the declines in domestic production of oil, increase energy efficiency, and develop alternative sources of energy. Our research and development investments reflect these goals and our FY 2001 budget request amplifies the Administration's commitment.

Also, later this month, the White House will authorize the release of the Commerce Department's so-called "232 Report" which examines the implications of oil imports on national security. It is my hope that a National Economic Council-led process will result in a greater commitment to incentives for increased domestic production.

Thank you for inviting me to testify and I look forward to your questions.

JOINT STATEMENT BETWEEN
VENEZUELA'S MINISTER OF ENERGY AND MINES
ALI RODRIGUEZ
AND
U.S. SECRETARY OF ENERGY
BILL RICHARDSON

London, United Kingdom
February 29, 2000

Minister Rodriguez and Secretary Richardson met on February 29, 2000, in London, United Kingdom. They reaffirmed the important economic and energy relationship between Venezuela and the United States. The ministers discussed Venezuela and the United States' strong bilateral and multilateral ties in the energy sector, including through the Hemispheric Energy Initiative, as well as the current situation in the oil markets.

With respect to the oil markets, the ministers agreed that adequate oil supplies at reasonable prices are of crucial importance. They agreed that price volatility in world oil markets is detrimental to both producing and consuming nations and that greater equilibrium between oil production levels and consumption will help to avoid this volatility and preserve economic growth.

In this regard, Minister Rodríguez reiterated Venezuela's commitment to continue to analyze, with the other oil producing and exporting countries, the current oil market situation, economic data and production levels to prevent abrupt oscillations, preserve growth, prosperity and investment in the energy sector.

The two ministers agreed to continue their dialogue on developments in world oil markets and enhanced energy cooperation between their two nations.

Kingdom of Saudi Arabia
Ministry of Petroleum and Mineral Resources

PRESS RELEASE

JOINT STATEMENT OF THE KINGDOM OF SAUDI ARABIA'S MINISTER OF PETROLEUM AND MINERAL RESOURCES ALI AL-NAIMI AND UNITED STATES SECRETARY OF ENERGY BILL RICHARDSON

Minister Ali Naimi and Secretary Richardson met on February 26, 2000 in Riyadh, Saudi Arabia. The United States and the Kingdom of Saudi Arabia reaffirmed their strong friendship that has been built over the last sixty years. The two ministers reaffirmed the strong strategic and economic relationship between the Kingdom of Saudi Arabia and the United States of America.

The two ministers exchanged views on the world oil market, new investment opportunities in the energy sector, and science and technology cooperation between their two governments. Minister Ali Naimi emphasized the commitment of the Kingdom of Saudi Arabia to world oil supply security and the importance it attaches to the U.S. market. Secretary Richardson underscored the strategic importance of the Kingdom of Saudi Arabia as a dependable, reliable and secure oil supplier of the United States and to world markets.

The two ministers agreed that price volatility in world oil markets is detrimental to both producing and consuming nations, and that greater equilibrium between oil production levels and consumption will help to avoid this volatility and preserve economic growth.

Minister Ali Naimi reiterated that the Kingdom of Saudi Arabia will continue to review the oil supply and demand levels to ensure market stability, prevent oil price volatility and avoid harming the world economy.

Secretary Richardson welcomed the Kingdom of Saudi Arabia's recent efforts to advance private sector investment in its energy industry.

The two ministers reiterated their commitment to strengthen cooperation in science and technology, energy research and efficiency. In that regard, Secretary Richardson welcomed the Kingdom of Saudi Arabia's upcoming science and technology mission to the Department of Energy's national laboratories.

The two ministers agreed to continue their dialogue on developments in the world oil market, economic opportunities in the energy sector and science and technology cooperation.

Public Affairs Office
Embassy of the United States of America
Kuwait City, State of Kuwait

February 24, 2000

COMMUNIQUÉ BETWEEN THE MINISTER OF OIL OF THE STATE OF KUWAIT
AND THE SECRETARY OF ENERGY OF THE UNITED STATES OF AMERICA

H.E. Shaikh Saud Nasir Al-Sabah, the Minister of Oil of the State of Kuwait, and the Honorable Bill Richardson, the Secretary of Energy of the United States of America, met in Kuwait City on February 24th, 2000 to discuss means for strengthening ties of cooperation in the energy field between the two friendly countries and to review the latest developments in the global oil market.

The two ministers discussed the current situation in the oil market and agreed that stability is a common goal.

The two ministers agree that price volatility in the oil markets is detrimental to both producing and consuming nations. It was also agreed that adequate oil supplies at reasonable prices is of crucial importance for sustaining world economic growth, prosperity, and investment in the energy sector.

The two ministers agree that oil price levels and price volatility should not jeopardize world economic growth. In this regard, the State of Kuwait reiterated its commitment to maintain stability in the world oil markets for the interest of producing and consuming countries by continuing to analyze the current oil market situation, economic data and production levels to prevent adverse oil price volatility and preserve world economic growth.

The two ministers reaffirmed their intention to enhance mutual cooperation in the energy field and to continue the exchange of views regarding developments in the world oil market.

Joint Statement between Norwegian Minister of Petroleum and Energy Marit Arnstad and U.S. Secretary of Energy Bill Richardson
Oslo, Norway
February 27, 2000

Norwegian Minister of Petroleum and Energy Marit Arnstad and U.S. Energy Secretary Bill Richardson met in Oslo, Norway, February 27, 2000. They reaffirmed the important and longstanding relationship between Norway and the United States, as allies and partners in promoting world energy security.

The two ministers discussed energy cooperation and science and technology cooperation, as well as the current situation in the oil markets. They expressed concern that the tightening supply situation could feed inflation and slow economic growth.

The United States recognized the crucial role that Norway plays in sustaining U.S. and world energy security. Through their membership in the International Energy Agency and their strong bilateral relationship, Norway and the United States pledged to continue their shared efforts on a range of energy issues, including promoting energy efficiency, addressing global climate change, and ensuring a stable and secure supply of petroleum to world markets.

As the second-largest exporter of oil, Norway will continue to play a role in ensuring market stability and sustaining world economic growth. In that regard, Norway will continue to analyze the current oil market situation, economic data and production levels.

INSERT A

COMMITTEE: HOUSE INTERNATIONAL RELATIONS

DATE: March 1, 2000

WITNESS: Secretary Bill Richardson

INSERT FOR THE RECORD

The Department of Energy has taken a number of steps to spur domestic oil and gas production.

Starting in 1998, when oil prices were low, we took action to help producers by:

- Appointing an internal Emergency Oil Task Force to assess effects of low oil prices on domestic production (December 1998).
- Implementing an $23 million industry cost-shared program to improve oil recovery from high potential reservoirs.
- Implementing a technology program to assist small independents with specific production problems.
- Directing the filling of the Strategic Petroleum Reserve with royalty oil from the Central Gulf of Mexico.
- Launching a large-scale pilot program to decrease production costs through the use of new energy efficient technologies and motor replacements.
- Implementing a prototype online permitting system that cans save producers millions in administrative costs.
- Working with the Department of Commerce to put in place a small business loan guarantee program.
- Arranging a meeting of oil and gas producers with the President's National Economic Council to give them the high-level attention they deserve.

More recently, the President has proposed a package of tax incentives to increase domestic production. These include changing the tax code to allow for 100 percent expensing of geological and geophysical costs and to enable the industry to expense delayed rental costs.

Other recent actions include:

- Investing in oil and gas technology research and development through the

innovative use of national labs, making them partners with the private sector.

- Pursuing expanded access to oil and gas resources -- this includes continued work with the Department of the Interior to inventory and examine ways to increase access to high priority resource areas such as the Rocky Mountains.

- DOE is working with the Department of the Interior to examine the continued need for offshore royalty relief, specifically in ultra-deepwater and/or marginally economic fields, after the Deepwater Royalty Relief Act expires in November 2000.

INSERT B

COMMITTEE: **HOUSE INTERNATIONAL RELATIONS**

DATE: **MARCH 1, 2000**

WITNESS: **SECRETARY BILL RICHARDSON**

INSERT FOR THE RECORD

Capacity figures should be considered as rough estimates and not taken as firm data. EIA estimates that Indonesian crude oil sustainable production capacity is currently about 1.35 million barrels per day. The latest data EIA has available puts Indonesia's January 2000 crude oil production at 1.30 million barrels per day. So EIA estimates that while Indonesia is producing close to full capacity, there still is a little room for increased production.