



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

Congressman Jim Saxton
Ranking Republican Member

PRESS RELEASE

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OPEC SUPPLY CUTS SHOULD BE ENDED -- CARTEL'S OIL PRICE FLOOR SPIKES --

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WASHINGTON, D.C. – The oil cartel’s production restrictions have maintained high crude oil and gasoline prices in recent years, and should be ended immediately, Congressman Jim Saxton, ranking member of the Joint Economic Committee (JEC), said today. The Organization of Petroleum Exporting Countries (OPEC) is meeting tomorrow to review the effects of its earlier decisions to cut back oil production. Although other factors have also contributed to high oil prices, none is more important than the oil cartel’s decisions to restrict oil output. Congressman Saxton made the following statement on the cartel’s activities:

“Although OPEC controls 70 percent of the world’s oil reserves, it accounts for only about 40 percent of world oil production. Currently, OPEC’s oil production is about the same level of 30 years ago, despite significant growth in OPEC oil reserves and in the global economy. OPEC’s bias against expanded oil production has led to inadequate investment in oil production capacity for many years.

“The OPEC cartel is ripping off consumers for hundreds of billions of dollars. The large Persian Gulf OPEC members can produce crude oil for less than \$5 per barrel from ample reserves. Only OPEC’s production ceilings explain how a commodity that can be produced so cheaply ends up costing so much. It now appears that OPEC’s price floor has moved from the \$22-\$28 per barrel range to \$50 or even higher. As the Federal Trade Commission has noted, ‘OPEC is a functioning cartel whose activities would be illegal if undertaken by private companies.’

“In recent years the Joint Economic Committee has published a number of studies and reports examining the operation of the oil cartel. Last month, I released the latest of these reports analyzing the market manipulation of OPEC entitled, *OPEC Strategy and Oil Price Volatility*. This report reviews the underdevelopment of OPEC oil reserves, noting that there are more producing oil wells in Brazil than in all of the Middle East.

“The recent OPEC production cuts only aggravate the longstanding restriction of cartel oil production, and worsen the vulnerability of the oil market to other problems such as geopolitical instability, terrorism threats, and periodic production disruptions elsewhere. OPEC should end its production ceilings and permit market forces to operate.”

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