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ID# 170182

C0001-07

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: AUGUST 28, 1990

NAME OF CORRESPONDENT: THE HONORABLE DOUG BEREUTER

SUBJECT: CONCERNS REGARDING THE PREMATURE RISE OF OIL PRICES DUE TO MIDDLE EAST CRISIS

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION ACT CODE	ACTION DATE YY/MM/DD	DISPOSITION TYPE RESP	C D	COMPLETED YY/MM/DD
FREDERICK MCCLURE	ORG	90/08/28	FM	A	90/08/29 TC
REFERRAL NOTE:					
99 Energy	A	90/09/06 TC		A	90/10/04 WS
REFERRAL NOTE:					
NSC	I	90/09/06		C	/ / TC
REFERRAL NOTE:					
99 DOS	I	90/09/06		C	/ / TC
REFERRAL NOTE:					
LAMCCL	A	90/10/09		C	90/10/09 WS
REFERRAL NOTE: fyi - DOE					

COMMENTS:

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1240

__ MAIL USER CODES: (A)__________ (B)__________ (C)__________

*ACTION CODES:	*DISPOSITION	*OUTGOING *CORRESPONDENCE:
*A-APPROPRIATE ACTION	*A-ANSWERED	*TYPE RESP=INITIALS OF SIGNER
*C-COMMENT/RECOM	*B-NON-SPEC-REFERRAL	CODE = A
*D-DRAFT RESPONSE	*C-COMPLETED	*COMPLETED = DATE OF OUTGOING
*F-FURNISH FACT SHEET	*S-SUSPENDED	
*I-INFO COPY/NO ACT NEC		
*R-DIRECT REPLY W/COPY		
*S-FOR-SIGNATURE		
*X-INTERIM REPLY		

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75,OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

August 29, 1990

Dear Doug:

Thank you for your recent letter to the President regarding increases in the price of oil in the wake of the Iraqi invasion of Kuwait.

We appreciate being apprised of your concerns regarding the price increases and their impact on consumers throughout the country. Please know that I have taken the liberty of providing your remarks to the President's energy policy and national security advisors so that they, too, are aware of your views and recommendations on how the Administration could approach this situation.

Thank you again for your interest in writing.

With best regards,

Sincerely,

Frederick D. McClure
Assistant to the President
for Legislative Affairs

The Honorable Douglas K. Bereuter
House of Representatives
Washington, D.C. 20515

FDM:SLM:

bcc: w/ copy of inc to Dept. of Energy - for appropriate action
bcc: w/ copy of inc to NSC - FYI
bcc: w/ copy of inc to Dept. of State - FYI

Department of Energy
Washington, DC 20585

October 4, 1990

The Honorable Doug Bereuter
U. S. House of Representatives
Washington, D.C. 20515

Dear Congressman Bereuter:

We have received your letter to the President on the oil supply situation related to Iraq's invasion of Kuwait. This letter will update you on conditions in the oil market, and on steps we have taken to mitigate the impact of events in the Middle East on the U.S. economy. We view the problem as one of three parts: short-term, medium-term and long-term.

Current oil supplies on the world market have been sufficient to meet short-term requirements. The shut-off of Iraqi and Kuwaiti oil took place coincidentally at a time when world oil stocks were at high levels. In addition, we estimate that the excess production capacity outside of Iraq and Kuwait could nearly equal the current loss of production from those two countries. The Administration has urged countries in the Middle East, South America, Africa, and elsewhere, with excess capacity, to increase their oil production, as well as producers here at home.

The Department of Energy (DOE) has been actively engaged in responding to the current situation in a variety of ways. For the short-term (next 120 days), we announced, on August 15, 1990, a balanced plan of increasing oil production, fuel switching and reduction in consumption which could offset much of the combined loss of U.S. imports of Iraqi and Kuwaiti oil. Enclosed is a copy of this initial plan of action. We have met with members of the domestic petroleum industry, as well as representatives of oil-consuming industries, in an effort to determine the most effective ways both to increase domestic production and reduce U.S. demand for oil.

In this regard, several projects have already been identified that will enhance domestic production without damaging our environment. We initially approached producers in Alaska about increasing their output, expecting them to lift 50,000 - 100,000 new barrels per day (b/d). After subsequent discussions with them, we now foresee an increase there of roughly 140,000 b/d. The Elk Hills Naval Petroleum Reserve in California is also expected to increase its production by 5,000 b/d. Additionally, the relaxation of State "allowables" will result in increased oil production in the State of Texas. The Texas Railroad Commission has already adopted an emergency rule which is expected to increase production by
20,000 - 30,000 b/d.

The Department of Energy also is encouraging domestic energy conservation and fuel switching by commercial as well as private consumers. This initiative includes helping utilities and industry switch from petroleum to domestic fuels, like natural gas and coal. It also includes a national public information campaign which illustrates simple steps Americans can take to conserve energy by maintaining proper tire pressure, obeying speed limits, using the most efficient car in the household and taking advantage of mass transit and car pooling. We will also seek to take advantage of the 110,000 b/d of currently unused ethanol capacity.

In addition, on September 13, 1990, we announced a balanced package of medium-term measures to obtain further increases in oil supplies, greater efficiency, and more fuel switching over the next 18 to 24 months. Enclosed is a summary of these medium-term measures. If fully successful, these short and medium-term measures will have the effect of reducing our oil import requirements by over 1 million b/d of oil equivalent. This is substantially more than U.S. oil imports from Kuwait and Iraq prior to the embargo.

The Department has echoed the President's call to petroleum industry leaders for price restraint. While past experience has shown the folly of government intervention in the market to price or allocate fuel supplies, we are concerned about the recent increases in the price of petroleum products and the hardships they may be causing. DOE is gathering data on the commercial oil market to track any sharp fluctuations in the marketplace and will provide this information to the Department of Justice, Congress, and the American people.

We stand ready to draw on our Strategic Petroleum Reserve (SPR) to redress any severe oil supply disruption. The Administration has already led consultations with the International Energy Agency to prepare for the coordinated use of government-controlled and strategic oil stocks held by the U.S. and its allies, if it becomes necessary. We will also soon commence a test drawdown of the SPR, as announced by President Bush on September 26, 1990.

The Iraqi invasion points to the need for long-term solutions to energy issues. In July 1989, the President directed the Department of Energy to lead the development of a comprehensive National Energy Strategy. The principal objective of this strategy is to reduce our dependence and that of our allies on unstable supplies of oil. We are well along in completing this task, and will make a report to the President in December, as scheduled.

I appreciate your views regarding these issues. Please be assured that we will continue to monitor the impacts of changing market conditions and report our findings to Congress and the American people.

Sincerely,

for Arlen L. Erdahl
John J. Easton, Jr.
Assistant Secretary of Energy
International Affairs and
Energy Emergencies

Enclosures

[DO]UG BEREUTER
1st District, Nebraska

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS
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Congress of the United States
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Washington, DC 20515

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EXPORT TASK FORCE
Co-Chairman
RURAL CAUCUS
ENVIRONMENTAL AND ENERGY STUDY CONFERENCE

August 21, 1990

F McClure

The Honorable George W. Bush
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I want to share with you my concern and that of many other Nebraskans that the level of price increases that Americans are seeing at the gas pumps is entirely premature. At this point they and I believe there is no excuse for the price gouging that seems to be taking place. And, these excessively high prices are doing severe damage to our ability to hold down the rate of inflation.

I would very respectfully suggest, Mr. President, that it is time for you and Secretary Watkins to meet with the major U.S. and multinational petroleum companies to directly confront them with the issue of price gouging and demand that they lower prices immediately to only reflect the price of the crude oil which is now being sold at the gasoline pump. I would further suggest that, if these companies seem unwilling to set prices in a realistic and equitable manner, that consideration be given to withdrawing from 1.5 to 3.5 million barrels a day from the strategic reserves and selling it on the spot market to force down the prices they are demanding.

It also troubles me that the two oil companies which temporarily brought down their prices received little recognition for that effort. We need to establish a mechanism for public recognition and commendation of companies that are attempting to keep prices down to realistic levels.

Mr. President, I thank you for your consideration of these suggestions.

Best wishes,

Doug Bereuter

DOUG BEREUTER
Member of Congress

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