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Congressman
Dennis J. Kucinich
Chairman, Domestic Policy Subcommittee

For Immediate Release:
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Kucinich Sends Letters to CEOs of 7 Major Oil Companies

Chairman of Domestic Policy Subcommittee Demands To Know Why Gas Prices Could Reach $4 Per Gallon This Driving Season

WASHINGTON, D.C. (April 10) — Congressman Dennis Kucinich (D-OH), Chairman of the Domestic Policy Subcommittee, today sent a letter to the Chief Executive Officers of seven major oil companies, demanding answers for the cause of new record highs in the price of gasoline.

"Consumers in some parts of the country face the prospect of $4 per gallon for gasoline this summer," said Kucinich, who is the chairman of the Domestic Policy Subcommittee on the Oversight and Government Reform Committee. Kucinich's subcommittee has jurisdiction over the Department of Energy.

"As we approach this year's peak driving season, my subcommittee endeavors to know how the actions of the major oil companies play a role in raising the price of gasoline.

"We seek to learn how the realities of decreasing refinery capacity, decreasing gasoline inventories, rising oil company profitability and increasing market concentration in the oil industry may be the root cause of new record-high gasoline prices.

"Gasoline prices are stealing away the little discretionary income available to many Americans in this distressed economy. The federal government must act now to resolve these high prices.

"Congress can no longer sit on the sidelines and watch as escalating prices continue to take a heavy economic toll on consumers and risk further harming our economy."

Previously, Kucinich introduced the Gas Price Spike Act, which would institute a windfall profit tax on gasoline, diesel, crude oil and home heating oil. The bill would not increase the cost of gasoline because the proposal does not tax the price of gasoline -- it only taxes excessive profits of refineries and distributors. Any attempt to increase prices to recover the lost revenue in taxes is simply taxed at 100% making the price increase worthless.

The letter was sent to CEOs of the following companies:

- BP
- ConocoPhillips
- Chevron
- Valero Energy Corporation
- Exxon Mobil
- Tesoro Corporation
- Shell Oil

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The text of the letter reads:

Gasoline prices in California have recently experienced a considerable spike, far outpacing movement in the national price average. As we head into the summer driving season and the likelihood of higher gasoline prices, possibly reaching $4 per gallon, the Domestic Policy Subcommittee of the Oversight and Government Reform Committee requests your assistance in understanding the causes of this price disparity.

News reports have indicated that refinery profit margins on the West Coast have increased substantially, from an average of $17 per barrel over the past five years to $39 per barrel currently.

The number of refineries in California has fallen by more than half since the early 1980s, but more important, the remaining refineries have not increased supply capacity to keep pace with consumer demand. West Coast refineries ran at about 76% of capacity in 1985. Outages at one refinery were easily compensated for by increased production at other refineries. Now, West Coast refineries are running at nearly 92% of capacity, leaving little room even for maintenance without spiking prices due to lack of supply. Current inventory supplies may have fallen to only 17 days. That is below the very low level of inventory supply reached in May of 2006, when the state's gasoline prices hit a new record of $3.38 per gallon. At that time, California had about 18 days of gasoline supply on hand, well below the national average at that time.

The oil industry has experienced increasing concentration of market share in the past two decades. In 2006, the three largest refiners controlled about 50% of the state's market, with the top seven controlling 81 percent. Chevron alone controls 25% of the state's refining capacity.

As we approach this year's peak driving season, the Subcommittee wishes to know how these factors of decreasing capacity, decreasing supply, rising profitability and increasing market concentration may be related to cause new record highs in the price of gasoline. I request that you provide the Subcommittee with detailed answers to all of the following questions:

1. What is your strategic plan to raise the supply of gasoline for the onset of the peak driving season, which is only weeks away?
2. What steps are you planning to take, and when do you plan to take them, to bring back online refining capacity that you have removed from production? When do you plan to have attained maximum refining capacity?
3. What steps are you planning to take, and when do you plan to take them, to find supply other than your own production to bring your inventory to the national average of up to 30 days supply?
4. What steps are you planning to take, and when do you plan to take them, to import either the precursors for CARB gasoline or the identical product, from outside of the state?
5. What are you projecting your refinery margins to be during peak driving season?

The Subcommittee also has concerns about the oil industry's resistance to deploying technological measures to adjust for the well-known effects of temperature on gasoline, particularly in summer and in warmer states including California. As you are aware, gasoline expands as it warms, and the amount of energy in a gallon falls, thus providing less value per gallon. Industry standards have long assured that retailers pay only for the fuel they receive by setting a 60 degree standard and adjusting for the effects of warmer fuel. However, as recent news stories have reported, the benefits of temperature adjusted fuel pricing have not been extended to the average consumer. In fact, one potential provider of temperature adjusted pumps, Gilbarco Veeder-Root, announced its reversal of a decision to market such pump equipment in California, citing complaints from the oil industry.

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1. What, if any, objections does your company have to the certification and use of temperature adjusted pumps at gas stations in the United States?
2. What steps have you taken in the absence of temperature adjusted pumps to ensure consumers are not paying for units of energy they aren't receiving?
3. Would you object to a federal law phasing in temperature-compensated gasoline sales in the United States?

In addition, the Subcommittee is concerned about market barriers for alternative fuels, such as E85 fuels. Recent news reports have highlighted corporate requirements that restrict or discourage service stations from offering E85 fuels. Among those practices are limitations on advertisements of E85, requirements for separate islands for E85 pumps, and allowing stations to offer E85 only after applying and obtaining a contract exemption. Deployment of E85, which would reduce demand for petroleum and relieve high prices, is part of larger effort to conserve fossil fuels.

1. What requirements do you place on your dealers (such as requiring they carry all grades of your branded gasoline, and restricting them from advertising products not produced by your refineries on roadside signage) that practically affect the ability of dealers to store, dispense and advertise E85?
2. What do you estimate the costs to be to your dealers to make E85 available, with your current requirements referenced above?
3. What changes in the physical plant of your dealers would be required for your dealers to carry E85?
4. Would you be willing to allow stations an exemption to rules requiring that they carry all three grades of branded gasoline, so they could utilize their midgrade fuel tanks for E85 or other renewable fuels?
5. What steps are you taking or do you intend to take to speed up the deployment of E85?

The Subcommittee would appreciate that you provide detailed and documented answers to all of these questions by April 25. If you have any questions, please do not hesitate to contact me or Jaron Bourke, Staff Director of the Subcommittee.

Sincerely,
/K/
Dennis J. Kucinich
Chairman,
Domestic Policy Subcommittee

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