

Congress of the United States

Washington, DC 20515

December 30, 2008

The Honorable Samuel Bodman
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave.,
Washington, D.C. 20585

Dear Secretary Bodman:

We are writing to ask what action, if any, the Department is contemplating to prepare to resume purchases of oil for the Strategic Petroleum Reserve (SPR) now that oil prices have rapidly declined and oil purchased for the SPR could now be made at a much reduced price that would benefit taxpayers and add to this important national resource.

As you know, the Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act of 2008 (P.L. 110-232), which was enacted into law on May 19, 2008, mandated that the Department suspend filling the SPR through December 31, 2008, unless average prices dipped below \$75 per barrel for 90 consecutive days. Temporarily suspending the fill of the SPR last summer was intended to remove the additional upward pressure on prices from the Department continuing to take oil off the market at a time when oil prices were soaring to record highs. However, the price of oil has now declined by more than \$100 per barrel since last summer's record high of \$147. At today's prices, once again entering into contracts to fill the SPR would appear to be financially prudent for the Department, and consistent with Congressional goals for this program.

The Government Accountability Office (GAO) has recommended that the Department seek to "acquire more oil [to fill the SPR] when prices are low and less when prices are high." GAO has estimated that had the Department of Energy filled the SPR using a constant dollar value rather than a constant volume between 2001 and 2005 it could have reduced costs to taxpayers by more than 10 percent, or approximately \$590 million.

Resuming the fill of the SPR now would appear to be consistent with the GAO's recommendations to minimize costs to taxpayers. We therefore ask what steps the Department is taking to ensure that the incoming administration is in a position to pursue a SPR oil acquisition strategy aimed at taking advantage of the current lower prices in world oil markets.

Thank you for your attention to this matter. Should you or your staff have any questions, please have your staff contact Morgan Gray on Rep. Markey's staff at 202-225-4012.

Sincerely,


Edward J. Markey
Member of Congress


Peter Welch
Member of Congress