THE WHITE HOUSE

WASHINGTON

GOVERNORS OFFICE 8TH FLR

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April 30, 2004

Dear Governor Napolitano:

Thank you for your letter regarding gasoline prices. The Administration shares your concern about the impact of high gasoline prices on consumers and the economy.

Among the key factors contributing to higher gasoline prices is a tight crude oil market. The President has said oil producers should not take actions that will hurt consumers. The Administration is working actively on behalf of the American people and is stressing to big producers that high energy prices are unacceptable. We do not comment on the substance of these discussions, but they will continue. Other factors contributing to higher prices are low gasoline product inventories, higher demand due to the economic recovery both in the U.S. and around the world, limited refining capacity, and the impact of new fuel specifications to increase environmental protections.

Another important thing the government can do in the near term is ensure that markets work as effectively as possible, and ensure that anticompetitive conduct is not influencing prices. In that regard, the Department of Energy will continue to monitor the markets and energy supplies and keep industry, consumers and policy makers informed. Furthermore, the Secretary of Energy and the Federal Trade Commission are prepared to conduct inquiries, where appropriate, into significant price increases, as they did in the summer of 2003. If price increases result from conduct that violates antitrust laws, we are confident that the Federal Trade Commission will take enforcement action.

In addition, the Administration will also continue to work with Congress to implement the solutions contained in our National Energy Policy. OPEC's announcement last month reinforces why we must reduce our dependence on foreign sources of oil. The high gasoline prices reflect a shortage of supply, increasing demand, and insufficient or old pipeline and refinery capacity. These fundamental problems were largely ignored over the last decade, and will not be fixed overnight. The President identified these problems in his National Energy Policy and has been calling on Congress to pass an energy bill for nearly three years. More specifically, Congress must act on fiscally responsible energy legislation that:

- increases domestic supply (such as responsible production in ANWR)
- promotes efficiency and conservation (for example, hybrid vehicle tax credits)
- increases flexibility in the Nation's fuel supply
- invests in new technologies such as gasoline-free hydrogen vehicles

While Congress has yet to send the President an energy bill, the Administration has taken the initiative to improve the state of America's energy sector through a number of executive actions that do not require congressional approval. For example, the Administration has reformed the "new source review" regulations to allow for badly needed improvements and expansions of the Nation's petroleum refineries, raised Corporate Average Fuel Economy (CAFE) standards for SUVs, vans, and pick-up trucks, and promoted the increased use of domestically produced ethanol.

The President will continue to make energy policy a top priority for his Administration because he understands how important energy is for our economy, our national security, our families, and our businesses.

Again, thank you for taking the time to share your concerns.

Sincerely,

Stephen Friedman

Stephen Friedman
Assistant to the President
for Economic Policy

The Honorable Janet Napolitano
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cc:

The Honorable Jim Doyle
The Honorable Jennifer M. Granholm
The Honorable Bob Holden
The Honorable Joseph E. Kernan
The Honorable Gary Locke
The Honorable Ruth Ann Minner
The Honorable Bill Richardson
The Honorable Kathleen Sebelius
The Honorable Thomas Vilsack