

June 1, 2012

WASHINGTON, DC –Today, Rep. Peter DeFazio (D-OR) asked President Obama to support an immediate investigation into the suspicious “scheduled maintenance” by refineries that restricted supply and has pushed West Coast gas prices more than 50 cents per gallon higher than the national average. DeFazio’s letter comes as the Justice Department’s Oil and Gas Price Fraud Working Group considers the request for an investigation.

“I am asking the president to send a clear message to the oil and gas industry that his administration is serious about reining in abuses in our energy markets,” said DeFazio. “His support would also help motivate refineries on the West Coast to increase refinery capacity and provide the most immediate relief to nearly 50 million Oregonian, Californian, and Washingtonian consumers. Another six to eight weeks of near-record gas prices on the West Coast would be devastating to families and small businesses. I hope he will join me in publicly supporting an immediate investigation into rising West Coast gas prices and the suspicious reduction in California refinery production.”

The Justice Department cannot disclose details of pending or potential investigations; however DeFazio’s May 17th letter was referred to representatives of the Working Group, including the Commodity Futures Trading Commission, the Federal Trade Commission, the Department of the Treasury, the Federal Reserve Board, and the Securities and Exchange Commission. The letter is also being reviewed by the criminal, civil, and antitrust divisions of the Department of Justice.

BACKGROUND

In mid-May, DeFazio requested that the Justice Department’s Oil and Gas Price Fraud Working Group investigate the recent decline in West Coast oil refinery production as gas price jumped throughout the region.

In February a large fire broke out at the BP oil refinery in Cherry Point, Washington. The Cherry Point refinery is the largest oil refinery in Washington and the third largest on the West Coast. It processes approximately 230,000 barrels of crude oil each day and provides 85 percent of the jet fuel used at the Sea-Tac International Airport.

The Associated Press found that five of California's twelve oil refineries reduced production just before the Memorial Day holiday because of "scheduled maintenance" while the Cherry Point refinery remained closed. Cherry Point refinery restarted operations just after Memorial Day.

According to AAA, the average price of regular gasoline in Oregon has hovered at \$4.30 while the national average price has dropped to \$3.70.

LETTER

May 31, 2012

The Honorable Barack Obama

President of the United States

1600 Pennsylvania Ave.

Washington, D.C. 20005

Dear Mr. President:

I am writing to seek your assistance in providing immediate gas price relief for millions of West Coast consumers by publicly supporting an investigation into reduced refinery capacity in the State of California and high prices on the West Coast.

On April 21, 2011 Attorney General Holder announced the creation of the Oil and Gas Price Fraud Working Group to monitor oil and gas markets for potential violations of criminal or civil laws to safeguard against unlawful consumer harm.

I applauded your administration's leadership on this issue and commended Attorney General Holder for his public commitment to have the Working Group be "...vigilant in monitoring the oil and gas markets for any wrongdoing so that consumers can be confident they are not paying higher prices as a result of illegal activity."

Unfortunately, West Coast consumers are not confident that they are paying a fair price for gas. As national gas prices drop below \$3.70 per gallon, West Coast consumers are paying \$4.22 per gallon – more than 50 cents higher. Even when gas prices dropped by seven cents per gallon on the East and Gulf coasts in the last week, prices dropped by a penny on the West Coast.

Millions of Oregonians, Californians, and Washingtonians are understandably frustrated and angry as analysts predict near-record high gas prices may continue for the next six to eight weeks. Continued high gas prices on the West Coast – while the rest of the nation begins to enjoy some much needed relief – is costing jobs, impacting small businesses, and making life even more difficult for already economically distressed families.

On May 17, 2012 I sent a letter to the Oil and Gas Price Fraud Working Group requesting an immediate investigation into rising gas prices on the West Coast. Specifically, I requested the Working Group initiate an investigation into the recent decline in California oil refinery production following a fire at a BP-owned refinery in Washington state – one of the largest refineries on the West Coast.

While the BP refinery facility stood idle, at least five California refineries coincidentally reduced production because of "scheduled maintenance." The substantial decline in refinery production over such a short period on the West Coast is suspicious at best and predatory at worst. Why five California refineries would plan maintenance for the beginning of the summer when Americans drive the most, when refined oil is at the highest demand, when there is no physical shortage of crude oil, and when the third largest refinery on the West Coast is not producing – is difficult to explain.

One obvious reason is that oil companies know they can make more money by making less gasoline – even if that comes at the expense of American consumers and small businesses.

I recently learned my letter to the Oil and Gas Price Fraud Working Group was referred to representatives of the Working Group, including the Commodity Futures Trading Commission, the Federal Trade Commission, the Department of the Treasury, the Federal Reserve Board, and the Securities and Exchange Commission. I also understand my letter is being reviewed by the criminal, civil, and antitrust divisions of the Department of Justice.

I am encouraged that the Working Group is taking action on my request and hopeful that the Working Group will eventually uncover whether any violations of criminal or civil laws, such as collusion to manipulate prices, have been committed.

But more immediate action is needed. While I understand it is not Department of Justice policy to disclose the details of pending or potential investigations, I urge you to publicly support an investigation into West Coast gas prices.

Such an announcement would send a clear message to the oil and gas industry that your administration is serious about reining in abuses and criminal violations in our energy markets. It would also help motivate refineries on the West Coast to increase refinery capacity and provide the most immediate relief to nearly 50 million Oregonian, Californian, and Washingtonian consumers.

Another six to eight weeks of near-record gas prices on the West Coast would be devastating to families and small businesses. I hope you will join me in publicly supporting an immediate investigation into rising West Coast gas prices and the suspicious reduction in California refinery production.

Thank you for your prompt attention to this matter.

Sincerely,

Peter DeFazio

Member of Congress

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A radio actuality file is attached to this email. You can also access the file here: http://defazio.house.gov/index.php?option=com_content&view=article&id=244&Itemid=77

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