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Dear Member of Congress:

As you visit with your constituents over the next two weeks, you will likely face questions regarding the cost of gasoline and other fuels. While there are no easy answers, I hope this update on the oil and natural gas industry and its efforts to meet Americans' energy needs proves useful for your response to their concerns.

Oil and gasoline prices have been rising in recent weeks. World crude oil prices, which account for more than half of the cost of a gallon of gasoline, touched a two-month high of \$67.90 per barrel on April 3. Nationwide, regular gasoline averaged \$2.59 per gallon as of April 3. As we approach the peak driving season and begin to institute seasonal fuel requirements to meet clean-air mandates, retail prices have increased 35 cents per gallon since the beginning of the year.

The fuel prices consumers are paying reflect continued geopolitical concerns in oil-producing regions in the Middle East, Africa and South America from which our nation imports much of our oil needs. There are also lingering refinery and production impacts from last summer's hurricanes.

An added factor this year is the end of the oxygenate requirement on May 5, leading to the phase-out of MTBE. While refiners are working day and night to meet this requirement, they face complicated challenges in switching to ethanol, which has numerous logistical difficulties in its transport. Unlike MTBE, ethanol cannot be shipped through pipelines. Ethanol is also currently more expensive than gasoline, and imports face a 54 cent per gallon tariff.

These factors place further pressure on a gasoline marketplace in which demand is already chasing an increasingly tight supply. Our industry and employees are doing their best to provide certainty in the marketplace. We are doing our part by investing in new technology, expanding refinery capacity, and applying new recovery means to existing oil fields, but we cannot do it alone

For these efforts to have a significant impact, they must be matched by positive government actions to address the supply side of the equation. Simply put, too many of our nation's best prospects for oil and natural gas production are off-limits to exploration and development. Additionally, we need an expedited lease and permitting process.

Equally as important, government must resist the temptation to turn to harmful interference in the marketplace in attempts to provide perceived short-term relief. Intervention masks what the market is trying to tell us; in this case, that demand is high and supply is tight. We cannot afford to ignore these signals. The only effective short-term answer to our energy situation is for government to join with industry to encourage the wise and responsible use of energy by all consumers.

If America is to maintain its economic growth, it is imperative that we all work together to reach workable long-term solutions. For more information please visit our website ([www.api.org](http://www.api.org)), or call Jim Ford, API Vice President of Government Affairs, at (202) 682-8210.

Sincerely,

A handwritten signature in black ink, appearing to read "Red Cavaney", is positioned below the word "Sincerely,".