

THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

00072

INCOMING

DATE RECEIVED: SEPTEMBER 28, 1990

NAME OF CORRESPONDENT: THE HONORABLE JOHN D. DINGELL

SUBJECT: URGES THE PRESIDENT TO MITIGATE THE ECONOMIC EFFECTS OF THE IRAQ SITUATION BY COORDINATING A DRAWDOWN OF THE STRATEGIC OIL STOCKS AND TO INCREASE OIL PRODUCTION FROM SAUDIA ARABIA

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION ACT CODE	DATE YY/MM/DD	DISPOSITION TYPE RESP	C COMPLETED D YY/MM/DD
FREDERICK MCCLURE		ORG	90/09/28	FM	A90110101 TC
99 Energy	REFERRAL NOTE:	A	901005		T I
NSCSITT	REFERRAL NOTE:	I	901004		C I I TC
99 DOS	REFERRAL NOTE:	I	901005		C I I TC
PD Part	REFERRAL NOTE:	I	901004		C I I TC
	REFERRAL NOTE:				

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1230 \_\_\_\_\_  
MAIL USER CODES: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

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*ACTION CODES:          *DISPOSITION          *OUTGOING          *
*                        *                        *CORRESPONDENCE:  *
*A-APPROPRIATE ACTION  *A-ANSWERED          *TYPE RESP=INITIALS *
*C-COMMENT/RECOM       *B-NON-SPEC-REFERRAL *      OF SIGNER      *
*D-DRAFT RESPONSE      *C-COMPLETED        *      CODE = A      *
*F-FURNISH FACT SHEET  *S-SUSPENDED        *COMPLETED = DATE OF *
*I-INFO COPY/NO ACT NEC*                        *      OUTGOING     *
*R-DIRECT REPLY W/COPY *                        *                        *
*S-FOR-SIGNATURE       *                        *                        *
*X-INTERIM REPLY       *                        *                        *
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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE (ROOM 75, OEOB) EXT-2590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS MANAGEMENT.

October 1, 1990

Dear John:

Thank you very much for your recent letter to the President expressing your concerns about the economic impact of increased oil prices on our economy.

As Chairman of the House Energy and Commerce Committee, your insights and counsel are appreciated. Please know that I have shared your comments with the President. Additionally, I have provided your remarks to several of the President's energy policy and national security advisors so that they, too, are aware of your views and recommendations.

Thank you again for your interest in writing.

With best regards,

Sincerely,

Frederick D. McClure  
Assistant to the President  
for Legislative Affairs

The Honorable John D. Dingell  
House of Representatives  
Washington, D.C. 20515

FDM:SLM:

bcc: w/ copy of inc to Dept. of Energy - for appropriate action  
bcc: w/ copy of inc to NSC - FYI  
bcc: w/ copy of inc to Dept. of State - FYI  
bcc: w/ copy of inc to Office of Economic and Domestic Policy -  
FYI

178304

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**U.S. House of Representatives**  
**Committee on Energy and Commerce**  
Room 2125, Rayburn House Office Building  
Washington, DC 20515

September 25, 1990

JOHN S. ORLANDO, CHIEF OF STAFF  
JOHN M. CLOUGH, JR., STAFF DIRECTOR

*F. Med...*

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

We are facing the prospect of a disastrous domestic energy and economic crisis. The potential economic effect of the oil crisis could dwarf the short-term economic cost of both the federal deficit and the Savings and Loan crisis combined.

The Congressional Budget Office has estimated that at its peak, the effect of a \$10 per barrel oil price increase for six months is a 0.7 percent loss in real GNP or a loss of \$35 billion to the economy. A year-long crisis would double those costs. Spot crude oil prices have already risen approximately \$20 per barrel since the onset of the crisis. At current prices, the oil crisis would eliminate any growth in the economy at best, and cause a severe recession at worst.

If this were not serious enough, the current crisis could deepen, and prices could climb higher. Complicating our already difficult crude oil problems, the Nation is constrained by refineries operating at, for all intents and purposes, 100 percent of capacity. Any loss of capacity, such as in the case of a refinery fire or a cold month, would result in further price increases.

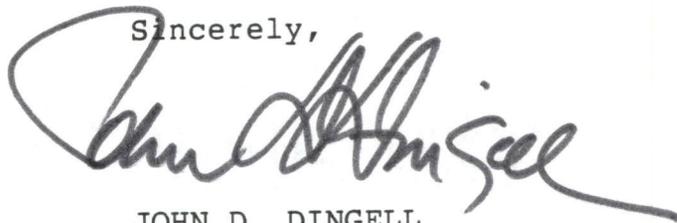
Mr. President, you must take steps to deal with the domestic economic effects of the Iraq situation. In addition, you must prepare for the possibility that the Iraq situation will worsen. The single biggest step you could take to mitigate the economic effects of the Iraq situation is a coordinated drawdown of strategic oil stocks in the United States and our allies, such as Japan and Germany. The drawdown, combined with increased production from nations such as Saudi Arabia, would reduce the physical shortfall resulting from the embargo of oil from Iraq and Kuwait. The diminished shortfall and the demonstrated willingness of the United States to address the oil problem would cause oil prices to fall, minimizing the adverse economic effects of higher oil prices.

Second, you need to emphasize to the American people the need for voluntary conservation. If all Americans take voluntary, low-cost actions to reduce short-term energy use, we could save hundreds of thousands of barrels of oil. Similarly, we need to take all economically and environmentally reasonable steps to increase short-term energy production or fuel switching. In addition, a more active government role needs to be considered. The 55 and 65 mile per hour speed limits must be strictly enforced. While other benefits would flow from long-term actions and a long-term national energy strategy, steps to address our current crisis need to be emphasized.

Finally, as bad as the current oil crisis is, it may worsen. Mr. President, the Administration needs to plan for this contingency right now. If we lose a significant portion of the remaining Persian Gulf oil production for any period of time, we would face severe physical shortfalls. Oil prices would rise drastically, with economic costs rising proportionately. In addition, if such extreme conditions occur we could have severe market dislocations. Both you and I have learned from the 1970's the problems of price and allocation controls. However, even without such programs, the underlying problems of short-term local spot shortages and the problems which result from oil company allocation schemes need to be addressed. You need to consider the potential for a government-wide and industry-wide response to the oil crisis if the situation worsens. I believe you have sufficient legislative authority to take all necessary steps, but if additional legislative authority is needed, I stand ready to work with you, on an expedited basis, on such legislation.

I hope that the need for all of these emergency considerations is not realized. But while we hope for the best, we need to plan for the worst.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Dingell". The signature is fluid and cursive, with a large initial "J" and "D".

JOHN D. DINGELL  
CHAIRMAN