

Bush holds personal talks with Crown Prince Abdulla

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The President remarked of the important personal relationship he holds with the Crown Prince of Saudi Arabia, in the context of discussing rising oil prices. Bush also reiterated to reporters the importance of passing the Republican energy bill (1).

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Reporters next asked Bush if he thought oil prices could be any lower than they are today. The President responded with his usual eloquence:

{start_quote}BUSH: That depends on the supply and demand. One thing is for certain: The price of crude is driving the price of gasoline.{end_quote}

Then it seemed as though he remembered what his press people told him to say:

{start_quote} The price of crude is up because not only is our economy growing, but economies such as India and China's economies are growing.{end_quote}

The Crown Prince agreed to increase production to help ease the pressure on financial markets. Exact production levels were not discussed; however, it may not be realistic to suggest that crude prices would return to last year's \$37 dollars a barrel or less compared to \$54 dollars a barrel today. The significant increases in crude prices over last year will continue to cut into profits, and continue cost cutting trends (2).

But will increased production drive down prices significantly? Adel Aljubeir, the foreign affairs advisor to the Crown Prince indicated that there actually "is no shortage of crude oil," and that "[i]t would not make a difference if [Saudi Arabia] put an extra 1.5 to 2 million barrels of oil on the market (3)."

More oil is not the long term solution. Increased production (domestic or foreign) must be matched with increased conservation, technological advances, and energy alternatives (fuel cells). The implementation of conservation, technology, and energy alternatives would break any economic and security ties to Saudi Arabia.

Reference:

1. President Speaks to Press Pool
Prairie Chapel Ranch
Crawford, Texas
11:05 A.M. CDT

2. Bush and Saudi Prince Discuss High Oil Prices in Ranch Meeting

3. Bush Urges Saudis to Boost Oil Production