

WebMemo



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Congress Should Not Tamper with the Strategic Petroleum Reserve

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Congress is about to legislate that the U.S. government stop purchasing oil for the Strategic Petroleum Reserve (SPR). Some believe that this would bring gasoline prices down; in reality, however, shutting down the oil supply to the SPR would jeopardize the security of the United States, and infringe upon the executive authority of the President to ensure the nation's defense, while having no appreciable effect on gas prices. Congress should leave the SPR alone.

A Vital Fuel Reserve. The SPR is a 700 million-barrel emergency store of oil maintained by the national government for a very rainy day: a war or a sudden interruption of the oil supply from one or more of the unstable countries—Venezuela, Nigeria, and the Persian Gulf states—from which the U.S. buys fuel. Established in the aftermath of the 1973–1974 oil embargo, the SPR gives the President a powerful response option should a disruption in commercial oil supplies threaten the U.S. economy. It also allows the United States to meet part of its International Energy Agency obligation to maintain emergency oil stocks and provides a national defense fuel reserve. The Energy Policy Act of 2005 directed the Secretary of Energy to fill the SPR to its authorized billion-barrel capacity.

As President George W. Bush has said, the U.S. is addicted to foreign oil—and the country has yet to cure itself of this condition: It imports 64 percent of the 20 million barrels per day that it consumes, and the habit is growing. Oil accounts for 40 percent of U.S. energy consumption, most of it for transportation. Unless and until the U.S. is no longer hooked

on oil, having a reliable emergency stock is vital, especially in today's volatile world.

Currently, the SPR is 27 million barrels short of its 727 million-barrel target, which would suffice for only 75 days of consumption. In his January 23, 2007, State of the Union Address, the President announced his decision to expand the SPR to 1.5 billion barrels “to further protect America against disruptions to our oil supply.”

The nation's need for an expanded SPR is based on (a) growing U.S. consumption, increased imports, and ever greater international risks and (b) U.S. obligations under the International Energy Program, which requires that the United States maintain a 90-day stockpile of petroleum imports. This is the minimum that a superpower should have for a global emergency.

The Strategic Petroleum Reserve is, first and foremost, a tool of national security policy. It was never intended that the SPR would be used to tamper with the market or to play politics, that its oil would be released in order to bring prices down, or that we would stop filling the SPR to accommodate either the market or short-term electoral interests in the campaign season.

This paper, in its entirety, can be found at:
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Risky Schemes. Regrettably, those who are supposed to be in charge of this policy would like to appear to be “doing something” for the voters about the painful gas price issue. Thus, the Democrat-sponsored Consumer First Energy Act of 2008, Title III, Sec. 301, proposes that oil acquisition for the SPR be suspended. Beyond that, the Democrats are effectively suggesting that the President not resume filling the Reserve—possibly ever.

The legislation’s authors would like to tamper arbitrarily with the market price of oil, suggesting that the President may resume acquisition of oil for the SPR only if the weighted average oil price falls to less than \$75 for three months. The Democrats even want to tamper with existing contracts by instructing the Secretary of Energy to “negotiate a deferral of the delivery of the oil for a period of not less than one year.” Republicans, in the Domestic Energy Production Act of 2008, echo the same theme: They would like to suspend oil acquisition for the SPR for 180 days.

Neither of these approaches will work, and both could be dangerous. Cutting supply to the SPR could jeopardize America’s ability to respond to crises around the world, to fulfill its international obligations, and to protect the homeland and our allies.

Negative Impact. It is unlikely that the availability of the additional rather insignificant quantity of oil at issue—only 70,000 barrels a day—could make a serious dent in today’s skyrocketing oil prices. The U.S. Energy Information Administration has already forecast that, at best, the price of oil might drop by \$2 a barrel, cutting gasoline prices by 4–5 cents a gallon.

Seventy-thousand barrels of oil is only one-20th of what drilling in the Arctic National Wildlife Refuge (ANWR) would produce and possibly only one-50th of what could be produced if exploration and

drilling were allowed along the east and west U.S. continental shelves and in the Gulf of Mexico. Stopping SPR replenishment would be literally penny-wise and pound-foolish, as the result could be a shortage of fuel that denies the U.S. military operational freedom in a crisis. Moreover, congressional tampering with presidential authority to fill the SPR may be unconstitutional as it interferes with the executive branch’s authority to conduct national security policy and defend the country.

The White House spokesman was right when he announced that there are no plans to release oil from the SPR to reduce the price of gasoline: “There is no evidence...that doing that would actually reduce the price of gasoline in any significant way at all. And at the same time, if you are not filling the SPR, you are not making that investment in our national security.”

What to Do. Congress should refrain from tampering with the SPR, for both national security and economic reasons. Such matters of national security are within the constitutional authority of the President. The proposed language in the Consumer First Energy Act of 2008 and the Domestic Energy Production Act of 2008 can do more harm than good to U.S. energy security and will not decrease gasoline prices.

The SPR should be filled to 1.5 billion barrels as the President requested. Congress should not interfere, but if it does, President Bush will be well-advised to veto the legislation.

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