

Roll Call

Trump vows to bolster oil industry, but it isn't asking for help

Elvina Nawaguna

April 21, 2020

President Donald Trump said he had directed his administration to find money to support the U.S. oil industry a day after the market price for a barrel of the key domestic petroleum product closed below zero.

The president offered no specific actions the administration might take, as industry experts and its largest lobbying group said the government should not try to interfere in the global market.

“We will never let the great U.S. Oil & Gas Industry down,” Trump tweeted. “I have instructed the Secretary of Energy and Secretary of the Treasury to formulate a plan which will make funds available so that these very important companies and jobs will be secured long into the future!”

While it wasn't immediately clear what relief Trump was seeking for oil companies, he had called Monday night for the purchase of 75 million barrels of crude oil to fill the federal oil stockpile, the Strategic Petroleum Reserve. The Department of Energy did not respond to a request for comment.

The American Petroleum Institute, which represents hundreds of oil and gas companies, has opposed a government intervention in oil markets, emphasizing instead that private lenders should provide liquidity for the industry.

“We appreciate the administration’s focus on addressing this and other supply chain challenges facing the natural gas and oil industry in an effort to ensure long-term U.S. economic competitiveness, support America’s energy workforce and maintain our national security,” API spokeswoman Bethany Aronhalt said in an emailed response.

Gas taxes: Could a tax-by-mile system go from zero to 50?

Volume 90%

“Finding ways to mitigate dwindling storage capacity, ensuring access to capital as the economy recovers, and addressing imbalances in supply and demand will also be crucial as the industry continues to navigate challenges in the months ahead and provides the energy to help the U.S. recover from this pandemic.”

The group has warned that interventions floated by some lawmakers, such as tariffs on oil imports and quotas on domestic production, would be more harmful than helpful.

North Dakota Sen. Kevin Cramer on Monday reiterated his call for Trump to block Saudi tankers delivering oil to the U.S.

“Right now, the highest number of Saudi oil tankers in years is on its way to our shores,” Cramer tweeted Monday evening. “Given today’s crude oil prices, I call on President @realDonaldTrump to prevent them from unloading in the United States.”

The oil on the way from Saudi Arabia has already been contracted, Phil Flynn, energy market analyst with The Price Futures Group, told CQ Roll Call, but Cramer may be suggesting future oil bans.

The price of West Texas Intermediate, the benchmark for U.S. oil markets, for May contracts ending on Tuesday closed at negative \$37.63 on Monday. Prices rebounded Tuesday to around \$11 a barrel but still remained at historic lows as weak demand because of the coronavirus pandemic exacerbates problems caused by global oversupply.

Prices for June contracts are expected to be a bit higher, although worries about low demand could impact them as well.

“What we’re seeing is the remnants of the oil price war,” Flynn said.

He said the federal government and Congress can help stabilize prices if it acts soon, including by buying oil to store in the SPR.

“This should serve as a warning to them if they have any desire to help,” Flynn said, adding that Congress needs to act quickly to avoid a total price collapse again, including for June and July oil contracts.

While several oil-state lawmakers have continued to push for government support, including by buying oil and calling for the U.S. to withdraw military support to Saudi Arabia, Jeffrey Miron, a professor at the Harvard University Department of Economics, said the government should not try to interfere with the market.

“Congress should do nothing about the low oil prices,” said Miron, who directs economic studies at the libertarian Cato Institute. “The world has spent most of the last 50 years worrying about high oil prices; why are we looking a gift horse in the mouth?”