



Gas Prices Climb Toward \$4; Time to Tap Strategic Oil Reserves?

President Obama Says for First Time He Is Considering Opening Reserves to Keep Prices Down

By DAVID KERLEY

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For the first time since fighting in the Middle East sent gasoline prices skyrocketing, President Obama is thinking about tapping the country's oil reserves.

"We're looking at the options. The issue of the reserve is one we are considering," Obama's Chief of Staff Bill Daley said today on NBC's "Meet the Press."

But he added: "It is something that only is done and has been done on very rare occasions."

He is talking about the nation's Strategic Petroleum Reserve. It's along the Gulf coast and is America's oil piggy bank. In underground salt domes, 727 million barrels of oil are stored. The oil is there to protect against a sudden cut off of supply.

"It should be tapped when, physically, the market is lacking oil. And I don't think we're anywhere near that," Roger Diwan of PFC Energy told ABC News.

Despite all the turmoil in the Middle East, there is no strain on demand.

The Libyan oil fields and production have been shut down, but Saudi Arabia has promised to increase production to make up the difference. Still, gas prices in the United States have increased 25 percent in the past month.

Diwan said the White House is sending the right message.

"It's a good idea to signal the readiness to use it. But the conditions for using it are not there yet," he said. "It might help slow some of the speculation, but more importantly signal to the broader market that policy makers are watching."

There is political pressure too. With the economy just starting to rebound, drivers (also known as voters) are complaining about gas prices.

"This is probably not about economics. It's about when the public wants the political system to have an answer for something, they come up with an answer f

or something. And the answer is something called the Strategic Petroleum Reserve," said Peter Van Doren, a senior fellow at the Cato Institute.

Van Doren studied an earlier release from the reserve made by President Clinton in 2000 shortly before an election. He concluded politics played a prominent role, and there was no proof the release of oil actually led to a decrease in gas prices. Food for thought for President Obama.

"This decision would be, I think, have some, a bad odor to it. And so he's probably weighing whether the politics will go north or south," Van Doren said.

As a candidate, Obama was not adverse to a release from the oil reserve in 2008.

And while he's now considering such a move, he certainly didn't seem to be contemplating such a move two weeks ago when he said, "We actually think that we'll be able to ride out the Libya situation and it will stabilize."



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