



Trump's Budget Delivers Big Oil's Wish: Reducing Strategic Petroleum Reserve

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President Donald Trump's newly proposed budget calls for selling over half of the nation's Strategic Petroleum Reserve (SPR), the 687 million barrels of federally owned oil stockpiled in Texas and Louisiana as an emergency energy supply.

While most observers believe the budget will not pass through Congress in its current form, budgets depict an administration's priorities and vision for the country. Some within the oil industry have lobbied for years to drain the SPR, created in the aftermath of the 1973 oil crisis.

Leading the way has been ExxonMobil, which lobbied for congressional bills in both 2012 and 2015 calling for SPRoil to be sold on the private sector market. The Trump administration says selling off oil from the national reserve could generate \$16.58 billion in revenue for U.S. taxpayers over the next 10 years.

But EnergyWire's Peter Behr reported that the Trump SPR budget proposal would potentially violate U.S. commitments as a member of the International Energy Agency.

“As a member of the International Energy Agency, the United States must store enough petroleum to equal at least 90 days of U.S. crude imports, according to DOE,” wrote Behr. “The SPR held the equivalent of 141 days of imports as of last September, so cutting the supply in half would apparently put the United States below its commitment to global stockpiles, an insurance policy against a major loss of crude supply from conflict or natural disasters.”

Trump's budget plan would not only reduce the SPR storage to a level of 260 million barrels, it would shut down two of the four SPR sites.

Lobbying to Draw Down Oil Reserves

Exxon, as well as the American Petroleum Institute (API) and the Independent Petroleum Association of America (IPAA), have long lobbied for a drawdown of SPR's supply, according to lobbying disclosure records reviewed by DeSmog. They supported two key bills, proposed but never passed by Congress: H.R. 4136 in 2012 and S. 1231 in 2015.

H.R. 4136, lobbied for by Exxon, API, and IPAA, says that the Strategic Petroleum Reserve can only be tapped if more federally owned public lands and waters were leased to the oil and gas industry. S. 1231, the Strategic Petroleum Reserve Modernization Act of 2015, called for a Department of Energy study of the SPR “to determine options available for [its] continued operation,” to be completed 180 days after the bill's passage.

(b) REPORT.—Not later than 180 days after the date of enactment of this Act, the Secretary shall submit to the appropriate committees of Congress a report that describes—

- (1) the results of the study under subsection (a);
- (2) the costs associated with maintaining the Strategic Petroleum Reserve;
- (3) the costs associated with extending the operating life of the Strategic Petroleum Reserve; and
- (4) cost-effective options for, alternatives to, or structural modifications of the Strategic Petroleum Reserve that would adhere to, and account for, the international obligations evaluated under subsection (a)(1).

Credit: Congress.gov

Exxon was the sole company to lobby for S. 1231, advocating for it across seven quarters in 2015 and 2016. While Exxon lobbied to make SPR oil available on the open market, the company actually purchased 500,000 barrels of oil from the reserve in 2014, under the auspices of a test auction called for by then-U.S. Secretary of Energy, Ernest Moniz.

After the 2014 test bid, Moniz also advocated for a drawdown of the SPR.

“The value of the SPR is its capability to move significant and incremental barrels into the global market, in effect, moving beyond the framework of import protection,” Moniz said at the U.S. Energy Information Administration's 2015 annual conference. “We need to ensure that in an oil emergency — a global disruption — we are actually putting incremental barrels into the market and not effectively shutting in our own production. The more incremental oil from the SPR we can move into our own markets, the more foreign cargoes can be rerouted.”

In addition, nearly a decade before the test auction, Exxon was granted permission to buy six million barrels of oil from the SPR in the aftermath of Hurricane Katrina.

Heritage Foundation Push

The Heritage Foundation, a long-time grantee of ExxonMobil and conservative think tank with GOP ties, advocated for emptying the SPR in its report, “Why Congress Should Pull the Plug on the Strategic Petroleum Reserve,” written by Nick Loris in 2015.

“[T]he SPR is unnecessary in the first place. Private inventories and reserves are abundant, and open markets will respond more efficiently to supply shocks than federally controlled government stockpiles,” wrote Loris, who began his career as an associate for the Charles G. Koch Charitable Foundation. “Congress should authorize the Department of Energy to sell the entire inventory, using the revenues solely for deficit reduction.”

The Heritage report also calls for the U.S. to withdraw from the International Energy Agency, a necessary next step if the Trump budget passes in Congress with the SPR proposal intact.

“Disengaging from the IEA’s Agreement on an International Energy Program would not stop the U.S. from working with IEA member countries that promote free markets in energy, but it would stop the U.S. from committing to ineffective and unnecessary energy obligations,” Loris wrote.

Heritage also published a more recent report in 2016 titled, “Blueprint for Reform: A Comprehensive Policy Agenda for a New Administration in 2017,” to which Loris again contributed. That report calls for bottoming out the SPR little by little over the next decade, paralleling the Trump budget proposal.

“Congress should authorize the Department of Energy to liquidate the entire inventory, using the revenues solely for deficit reduction,” reads the report's section on Department of Energy budget suggestions, referring to Loris' 2015 report. “So as not to disrupt oil markets, DOE should sell the SPR oil by auctioning periodically an amount not exceeding 10 percent of the country’s previous month’s total crude production until the reserve is completely depleted.”

As EnergyWire reported in March, more than 30 Heritage Foundation staffers worked for Trump's White House transition team. And while Loris has stayed at Heritage, he maintains close ties with those now in the White House, including his former boss, Paul Winfree.

Winfree works as the White House director of budget policy and deputy director of the Domestic Policy Council. According to Heritage, he played a key role in drafting Trump's proposed budget. He also formerly served as director of income security for the U.S. Senate Budget Committee under then-Sen. Jeff Sessions (R-AL), who currently serves as U.S. Attorney General.

Well before Heritage began advocating for depleting the SPR, the Koch Industries-funded libertarian Cato Institute also wrote in support of selling off the reserves back in 2001.

“Line of Defense”

However, not everyone is on board with the proposed move to drain the Strategic Petroleum Reserve, calling it a national security threat. Securing America’s Future Energy (SAFE), an advocacy group in favor of weaning the U.S. off of its “dependence on oil and promoting responsible use of our domestic energy resources,” has come out against the SPR proposal.

“The SPR is America’s only formal short-term line of defense against oil supply disruptions and price spikes — the current trend of seeing this resource as a revenue generator is misguided, as is

risking drawing it below International Energy Agency (IEA) compliance volumes,” SAFE president and CEO, Robbie Diamond, said in a press release. “Furthermore, the SPR only works if it can get its petroleum to market quickly and efficiently in the event of a supply emergency. SAFE recommends that the SPR not be drawn down for general government spending, as reducing it to such low volumes undermines the ability to use the SPR for its intended purpose.”