STRATEGIC PETROLEUM RESERVE

BACKGROUND

The Strategic Petroleum Reserve (SPR) is the world’s largest supply of emergency crude oil. Administered by the U.S. Department of Energy, these federally-owned oil stocks are stored in massive underground salt caverns along the Texas and Louisiana coastlines of the Gulf of Mexico. Caverns located along the Gulf Coast, the SPR’s oil can be distributed to nearly half of all U.S. refineries using interstate pipelines or barges.

HISTORY

In 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC) imposed an oil embargo against the United States, triggering an energy crisis that sent the U.S. economy into a recession. To mitigate damage from any future shortages of oil, President Gerald Ford signed the Energy Policy and Conservation Act of 1975, which established the SPR.

BENEFITS

The SPR is a tool used to alleviate the market impacts of both domestic and international disruptions, caused by weather, natural disasters, labor strikes, technical failures/accidents, political disputes or conflicts. U.S. leaders also have the option of filling the SPR during times of demand destruction (in order to minimize the shut in of U.S. oil production) through the use of exchanges or an appropriation from Congress to purchase oil directly. The SPR fulfills the nation’s obligations under the International Energy Program, which requires member countries to hold the equivalent of 90 days of net imports of oil and petroleum products as a reserve stock.

USE

With a storage capacity of up to 713.5 million barrels, as of February 2023, the SPR currently holds approximately 371 million barrels of crude oil. That amount of crude oil, refined into motor gasoline, could fill about 580 million sedans.

Decisions to withdraw crude oil in the event of an energy emergency are made by the President under the authority of the Energy Policy and Conservation Act and done through a competitive sale. The SPR is always drawdown ready, which means it stands ready to release crude oil to the market within 13 days of Presidential direction; this is the time it takes to conduct the sales process, award contracts and to arrange the logistics for oil transportation. In addition, the SPR comprises 60 salt caverns. Each cavern is roughly cylindrical in shape with an average diameter of about 200 feet and a height of 2,550 feet, which is large enough for Chicago’s Willis Tower to fit inside with room to spare.

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