Transition Team Question #3

Q: Has DOE ever considered a gasoline reserve? Can we convert a facility to cavern storage of gasoline?

- **Deliverable: Will provide answer as to whether a study has ever been done and if so, what issues would need to be addressed for cavern storage of gasoline.**

A: SPR Cavern Storage of Gasoline

Yes, the Department of Energy has considered various product reserves several times in the past. A formal study of Regional Product Reserves was conducted in 1991 and the feasibility of a home heating oil reserve was conducted in 1998. This issue has been revisited numerous times in informal assessments. With the exception of the establishment of the Northeast Home Heating Oil Reserve, DOE has always concluded that strategic product reserves are not economically justified or necessary. This conclusion has been supported by two major factors. First, storing refined product is much more expensive than crude oil and products have a limited shelf-life and require rotation on a regular basis. Second, the U.S. refining industry is very robust. With such a high concentration of that refining capability located along the U.S. Gulf Coast it has long been assumed that cheaply storing crude oil near those refiners would provide the best protection from the effects of a crude oil supply disruption.

With the recent strikes of Hurricane Katina/Rita in 2005 and Gustav/Ike in 2008, the U.S. refining infrastructure in the Gulf received extensive damage and was shutdown for weeks resulting in regional shortages of refined product. This hurricane vulnerability of the U.S. refining infrastructure has raised concerns (within the IEA and Congress) regarding the need for the SPR to potentially maintain some level of product reserves.

Gasoline can be stored in salt storage cavern facilities, and is being currently being done in Germany and France. The SPR could convert one or more caverns of its storage facility to provide for storage of gasoline; however, this would require significant capital investment to reconfigure the site and develop an appropriate distribution infrastructure.