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May 21, 2018

The Honorable Steven Winberg
Assistant Secretary
Office of Fossil Energy (FE)
U.S. Department of Energy
Forrestal Building
1000 Independence Avenue, SW
Washington, DC 20585

Dear Assistant Secretary Winberg,

The Strategic Petroleum Reserve (SPR) is intended to protect American consumers from unexpected supply disruptions and price spikes in oil markets. It has a proven history of helping American consumers when it has been deployed following natural disasters, geopolitical conflicts, or other disruptions to energy supplies.

The SPR currently contains 662 million barrels of sweet and sour crude oil, according to data released by the Department of Energy (DOE) on May 11, 2018.[1] However, over the past three years, Congress has passed several laws mandating future oil sales from the SPR: the Bipartisan Budget Act of 2015, the Fixing America's Surface Transportation Act of 2015, the 21st Century Cures Act of 2016, the Tax Cuts and Jobs Act of 2017, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act of 2018.[2] In total, these bills mandate the sale of 266 million barrels (what percentage is that?) of crude oil from the SPR through 2027, which would leave only 396 million barrels of unobligated oil.

On November 18, 1974, the United States signed the Agreement on an International Energy Program, which was most recently amended on February 17, 2018.[3] According to the Agreement on an International Energy Program, the United States has an obligation to hold emergency oil

[1] *Strategic Petroleum Reserve Inventory*, U. S. Department of Energy (Apr. 27, 2018), https://www.spr.doe.gov/dir/dir.html.
[2] Robert Pirog, *Memorandum: Mandated SPR Sales*, Congressional Research Service (May 4, 2018).
[3] *Agreement on an International Energy Program*. International Energy Agency (Feb. 17, 2018), https://www.iea.org/media/about/IEP.pdf.

stocks equivalent to at least 90 days of net oil imports, which the in case of severe oil supply disruption can be released to the market as part of a collective action. The Energy Policy and Conservation Act of 1975 (EPCA) gives the U.S. president the power to make rules as necessary to implement the U.S. International Energy Program.

The EPCA also created the Strategic Petroleum Reserve. Congress found that "the storage of substantial quantities of petroleum products will diminish the vulnerability of the United States to the effects of a severe energy supply interruption" and accordingly established a public reserve "for the storage of up to 1 billion barrels of petroleum products."[4] This public reserve was intended to both help insulate American consumers from a repetition of the economic disruption that ensued after the 1973 oil embargo and "carry out obligations of the United States under the international energy program."[5]

As a member of the International Energy Agency (IEA), the United States' responsibility to maintain emergency oil stocks is delineated in Chapter I, Article 2 of the Agreement on an International Energy Program and expanded on in the Annex to that agreement. In 2017, the United States imported a daily net average of 3.73 million barrels of crude oil and petroleum.[6] To meet its IEA responsibilities equivalent to 90 days of net oil imports, the U.S. must have a stockpile of at least 336 million barrels in its reserves.

While the legislatively mandated drawdown and sale of SPR oil will be carried out intermittently over the next ten years, I am concerned that the scope of these obligations may impair DOE's ability to deploy the SPR to protect American consumers. The mandated drawdown is especially concerning if a major disruption to global or national energy supplies were to occur and require a large emergency drawdown of SPR oil to avoid significant price spikes.

To further understand the current status of the SPR, I request answers to the following questions by June 1, 2018:

1. If the United States needed to deploy a significant quantity of oil from the SPR this year to respond to a supply or price emergency, how does the Department believe that could affect our international obligations given the large quantities of SPR oil that have already been obligated for sale through legislation?
2. Does DOE believe that our international commitments could be satisfied using only privately held oil stocks? If so, please provide the rationale for this view.

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[4] 42 U.S.C. § 6231(a) and (b).
[5] 42 U.S.C. § 6231(b).
[6] *U.S. Net Imports of Crude Oil and Petroleum Products*, U. S. Energy Information Agency (Apr. 30, 2018), https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mttntus2&f=a.

3. The Secretary of Energy is required to report annually to Congress and the President on the status of the SPR.[7] No report was submitted in 2017. Why? When will the required report be submitted?
4. If there is an emergency that prompts a large-scale sell-off of SPR crude oil, is the Secretary of Energy confident in his ability to replenish SPR stocks quickly enough to meet mandates?
5. If an emergency that prompts a SPR sell-off occurs before the legislatively mandated drawdown in any given year, can the barrels of oil sold off due to that emergency also count toward the mandated drawdown?
6. Has the DOE begun or completed any analysis since January 2017 on reducing the size of the SPR, selling off additional volumes of oil from it, or liquidating it entirely? If so:
    a. What is DOE's rationale for examining these options?
    b. Who directed the Department to examine these options?
    c. What has been concluded, if anything, as a result of this analysis?
    d. Please provide any documentation on these deliberations, including emails, memos, meeting minutes, or other records that concern the question of reducing or liquidating the SPR, including analysis of which sites would be drawn down, and associated costs with maintaining SPR storage if caverns are only partially full or empty.
    e. Has DOE communicated with the IEA to determine whether or not such potential actions would contravene the Agreement on an International Energy Program? If so, when and how did those communications occur, who was involved, and what was their substance?
    f. Would the United States be disciplined or penalized by the Governing Board of the IEA if found to have violated the emergency reserve obligations set forth in the Agreement on an International Energy Program?
    g. Unlike other IEA members, the United States has never used leasing agreements (known as "tickets")[8] to meet its IEA commitments. Is this tactic being discussed?
    h. The United States has never required that private companies hold stocks on behalf of the federal government to meet its IEA commitment. Is this tactic being discussed? If so, what analysis has the Department done on whether, in the event of a supply or price emergency, it could direct private oil stockpiles to be deployed in order to protect consumers?
    i. Are there any other strategies that DOE is considering for meeting its IEA commitments while still liquidating or significantly reducing the volumes of publicly held oil in the SPR?

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[7] 42 U.S.C. § 6245.
[8] *Explanation of Stockholding Tickets*, International Energy Agency, https://www.iea.org/netimports/explanations/stockholdingtickets/.

These concerns are only heightened by the Trump administration's incoherent foreign policy, which, combined with continuing instability in the Middle East, has roiled and increased uncertainty in oil markets. Moreover, following the December 2015 repeal of the oil export ban, U.S. crude oil exports have skyrocketed — from 1.1 million barrels daily in 2017 to 2.3 million barrels daily as of April 2018.[9] This massive increase in the export of domestically produced oil leaves American consumers more vulnerable to potential supply disruptions and international price increases.

With President Trump's foreign policy decisions increasing uncertainty in the oil markets and growing turmoil in the Middle East, a robust SPR is needed to protect consumers. History shows that when the SPR has been accessed in response to supply or price emergencies, it has helped consumers by driving down short-term prices.

I look forward to your prompt reply. Should you have any questions, please contact Lindsey Griffith in my office at 202-224-2742.

Sincerely,

Edward J. Markey

Edward J. Markey
United States Senator

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[9] *U.S. Exports of Crude Oil*, U.S. Energy Information Agency (Apr. 30, 2018), https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mcrexus2&f=a.