

The Strategic Petroleum Reserve Modernization Act of 2009

Create Gasoline and Diesel Fuel Reserves. **The Strategic Petroleum Reserve Modernization Act of 2009 requires the Department of Energy to hold at least 30 million barrels of the total 1-billion-barrel SPR inventory in refined petroleum products, such as gasoline and diesel fuel.**

The Strategic Petroleum Reserve (SPR) was established in the 1970s to protect the U.S. economy from oil price spikes caused by oil supply disruptions. In the 1970s, the U.S. was vulnerable to supply disruptions in crude oil, as it was a significant and growing importer of crude oil. However, the country then had significant surplus refinery capacity and did not import significant volumes of refined petroleum products, such as gasoline and diesel. Therefore, SPR managers decided to hold only crude oil in the SPR.

In 2009, our domestic oil market has changed. We are more reliant not only on imported crude oil, but also on imported gasoline and diesel.

At the same time, we have learned that weather-related events are the most frequent source of oil supply disruptions. In its history, the SPR has been used in connection with only one geopolitical event (during the 1990-1991 Iraqi invasion of, and removal from, Kuwait), while it has been used several times in response to hurricanes or other weather events (such as dense fog halting tanker traffic in the Houston Ship Channel).

These more frequent weather events are usually as disruptive, if not more disruptive, to U.S. refinery operations as to crude oil production and imports. Hurricanes Gustav and Ike in September 2008 took much of the U.S. Gulf Coast infrastructure offline, and shortages of gasoline and diesel were experienced throughout the Southeast through October of that year. The SPR was of limited use in mitigating these shortages because refineries affected by the storms were not able to process SPR crude oil into gasoline and diesel.

Including a small volume of refined petroleum products in the SPR would provide a cushion to affected markets while damaged infrastructure is brought back online, or until imported gasoline and diesel could arrive to service the area.

Authorizing the Secretary of Energy to Release SPR oil. **The Strategic Petroleum Reserve Modernization Act of 2009 authorizes the Secretary of Energy to make decisions regarding the drawdown of the SPR.**

Under current law, only the President of the United States can authorize an emergency sale of SPR oil. Experts believe that this requirement creates a disincentive to use SPR oil for the purposes for which it is intended, as the President would not want to alarm the public by announcing that the country is in an oil supply emergency.

Moving the SPR drawdown authority to the Secretary of Energy would allow SPR policy decisions to be made closer to the oil markets that the SPR serves.