



A One in a Never Event 1/(2/23)

When John Lichtblau and I first had discussions about a strategic crude oil reserve with Henry Jackson, the prevalent view by government was that a political disruption would never occur. U.S. production had peaked, while demand was still growing aggressively. This, we believed at the time, would lead to a growing dependency on middle east supplies.

We had salt caverns right in the heart of our refining center and we believed it was essential to fill the caverns with crude oil. Senator Jackson agreed, and he became the author of the legislation. We had no idea at the time that just two years later we would be facing an embargo.

Disruptions can occur for multiple reasons, such as weather, mistakes, mechanical issues, and cyber terrorism. An attack on the Colonial Pipeline, for example, could create major economic disruptions.

While the probability for disruption is low, government should know that a low probability event should be anticipated if it has large consequences. A disruption of the pipeline is one example.

As part of our SPR planning, we need to increase the amount of product we hold in the SPR in the northeast.