



## One Small Step... 5/16/23

The Administration just announced that they will purchase 3 million barrels for the SPR delivery in August. When we say “One Small Step”, that’s exactly what we mean.

Yet politically, it accomplishes a lot for the Administration. They sold 220 million barrels at an average price of \$95/bbl and will be buying back 3 million (1.4%) at about \$72/bbl.

Politically, they touch a lot of bases both economically and strategically. They were caught trying to “steal”, and their core supporters didn’t want them to do anything. Yet they bought, but not so anyone would notice. The Administration pays a lot of attention to the price at the pump. There will be no visible impact there.

A larger purchase, or a public comment that there will be more to come this year and next, would have set a floor for prices. Their core doesn’t support a floor. If anything, the message from the U.S. to OPEC+ is: don’t look to us for support. OPEC+ meets June 4<sup>th</sup>. If the SPR purchases are to pick up, it would help if the Congress (both sides of the aisle) threw their weight behind it.

The Administration can claim that: 1) they bought oil for the SPR, 2) it will have no impact on pump prices, and 3) it doesn’t help establish a floor and signals to OPEC+ that they are on their own.