

## What Are We Waiting For?

October 10, 2023

Only three weeks ago the market was expecting oil prices to breach \$100. We weren't in that camp. It is impossible to predict price levels, no less direction. What we knew then and now was the market was in serious backwardation.

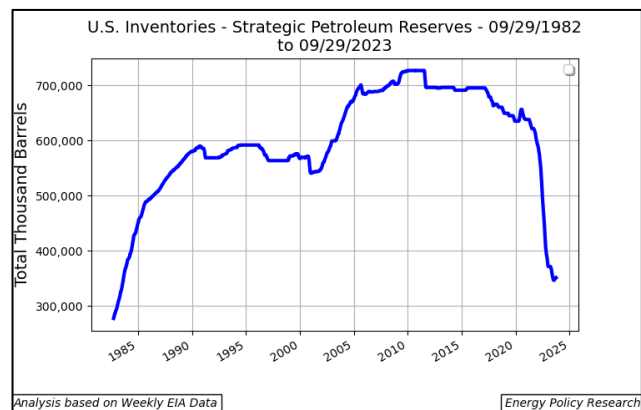
The backwardation offered DOE's Strategic Petroleum Reserve (SPR) a reasonable price to purchase oil. No, it wasn't \$67 to \$72, but it was in the mid-to-upper \$70s. Last year we sold 220 million barrels from the SPR in an attempt to lower gasoline prices. We collected \$20 billion dollars (at \$95/bbl). However, it didn't have any lasting impact on gasoline prices.

Price should be a consideration, but a secondary one. The SPR is a Strategic National Security Asset. Its purpose is to **“minimize economic dislocations during a supply disruption.”**

We would not tell Raytheon or Boeing that we will buy only when your price hits

a certain level. We should not do that with the SPR. We need to start refilling the reserve (*Figure 1*).

Figure 1



Events like Saturday October 7, 2023 should teach us all that we need to develop a little humility. Crude oil prices are \$8 dollars lower than the price quoted for next June. No, the price is not \$67-72, the level the Administration targeted for buying. We are likely to need the oil but might never see the Administration's price target.

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He has testified numerous times before congressional committees and regulatory bodies and has been appointed to the National Petroleum Council (NPC) by every recent U.S. Secretary of Energy. He has briefed the Chairman of the Federal Reserve Board, senior officials at the Government Accountability Office, and a wide range of government agencies on developments in domestic and world petroleum markets. He has also served as consultant to the Iraq Coalition Provisional Authority. During the 1970s and 1980s he frequently appeared on the CBS Evening News anchored by Walter Cronkite.