Chart of the Week #2023-38

Seeking Price Relief Through SPR Sales – (Revisited 2)

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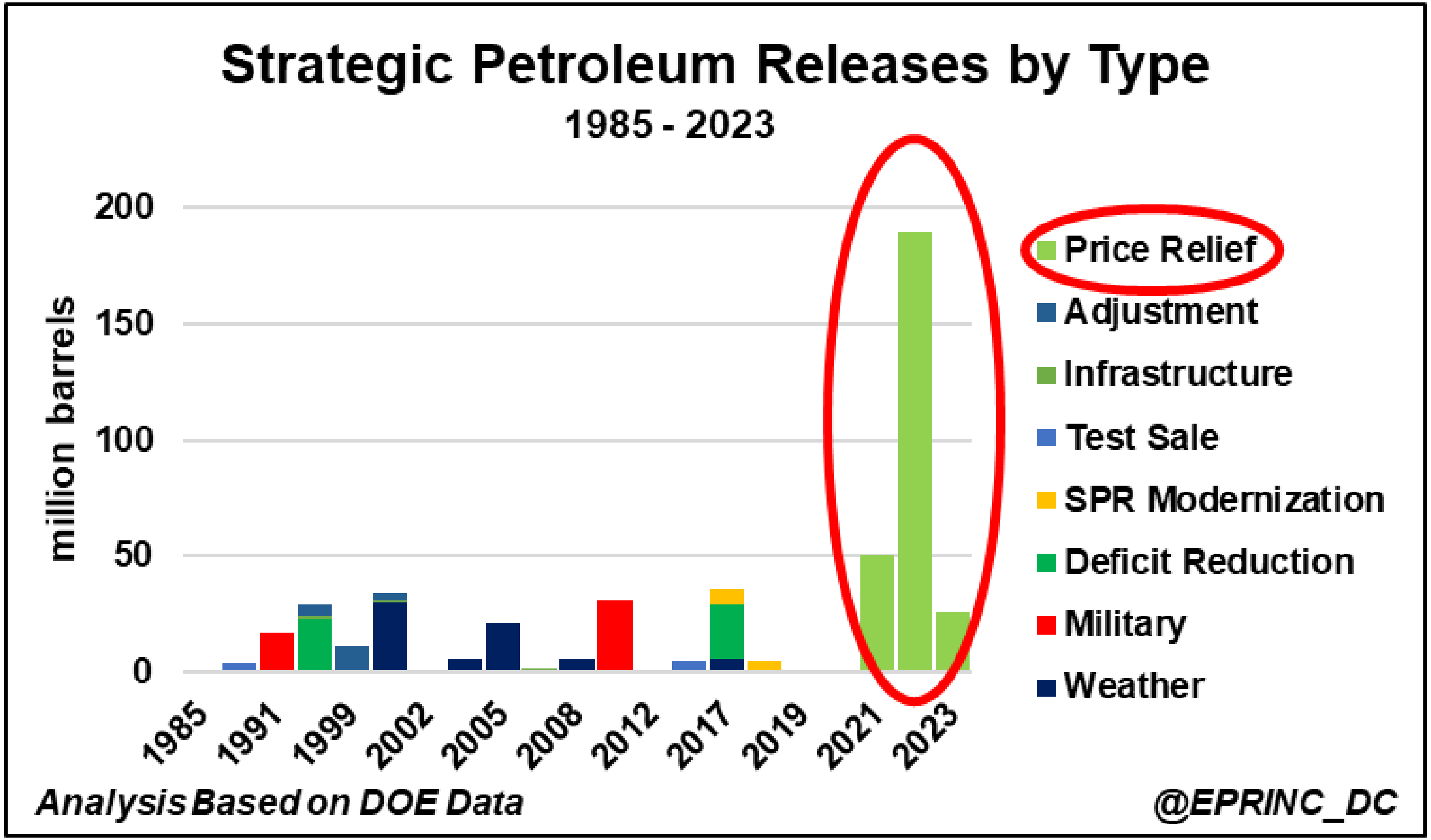

Seeking Price Relief Through SPR Sales – (Revisited 2)

- The U.S. Strategic Petroleum Reserve (SPR) was established in the 1970s in reaction to oil supply shortages brought on by politically motivated embargos and instability in Middle East producing countries holding low-cost concentrated reserves.
- The SPR was designed to hold approximately 750 million barrels in salt caverns along the U.S. Gulf Coast close to key U.S. refining centers as well as pipelines able to transport crude oil inland to other refineries close to consuming centers.
- The anticipated scenarios for SPR releases were disruptions to crude oil imports brought on by events such as extreme weather, military conflicts, geopolitically motivated embargoes, and major oil supply infrastructure accidents.
- From 1991 to 2018, there have been several releases ranging from 5 to 31 million barrels. Five of these were in response to major weather disruptions, two due to military engagements, another two in relation to SPR modernization, and several others for the purposes of reliability and maintenance tests of the SPR.
- Over the course of 2021 and 2022, U.S. transportation fuel prices climbed steeply rising to levels not seen in a decade.
- In November 2021, the Biden Administration began authorizing releases from the U.S. Strategic Petroleum Reserve. These releases continued throughout 2022 and concluded in March 2023. The motivation was to engender price relief for consumers. The total release was 220 million barrels, the largest in the SPR's history.
- Price relief did occur during the second half of 2022 and first half of 2023. However, prices have again risen close to where they were earlier due to considerable production cuts from OPEC+ producers.
- This slide deck is available at: https://eprinc.org/chart-of-the-week/
- For more information on this chart, please contact Larry Goldstein (larryg@eprinc.org), Lucian Pugliaresi (loup@eprinc.org), or Max Pyziur (maxp@eprinc.org).