

Chart of the Week #2023-03

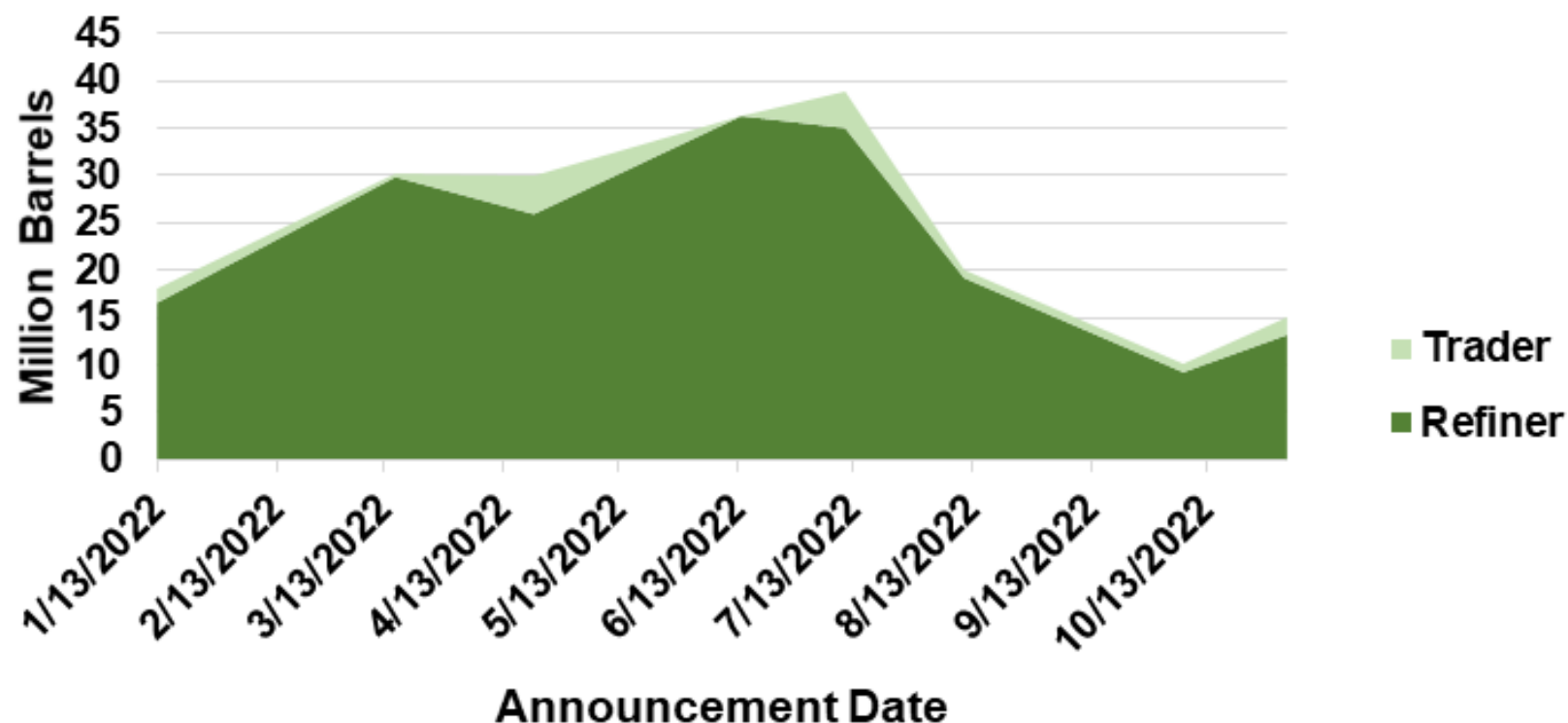
U.S. SPR 2022 Emergency

Sales by Purchaser Type



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U.S. Strategic Petroleum Reserve 2022 Emergency Sales by Purchaser Type



Analysis Based on U.S. DOE Data

EPRINC

Total SPR 2022 Emergency Releases by Purchaser Type (million barrels)

Refiner	185.4	93.3%
Trader	13.4	6.7%
Total	198.8	100.0%

Source: U.S. DOE Data

EPRINC

Total U.S. Strategic Petroleum Reserve 2022 Emergency Sales by Purchaser		
Purchaser	Million Barrels	Percentage
Valero Marketing and Supply Company	54.7	27.5%
Marathon Petroleum Supply and Trading, LLC	47.7	24.0%
Motiva Enterprises, LLC	21.9	11.0%
Phillips 66 Company	13.9	7.0%
ExxonMobil Oil Corporation	13.0	6.5%
Shell Trading (US) Company	11.6	5.8%
Equinor Marketing & Trading	11.3	5.7%
Atlantic Trading & Marketing, Inc. (TotalEnergies)	6.2	3.1%
Chevron USA	4.7	2.4%
Macquarie Commodities Trading US LLC	4.4	2.2%
Glencore Ltd.	3.2	1.6%
Unipet America, Inc.	1.9	1.0%
Gunvor USA LLC	1.9	0.9%
Mercuria	1.0	0.5%
Vitol Inc.	1.0	0.5%
BP Products North America	0.7	0.4%
Total	198.8	100.0%
<i>Analysis based on U.S. Dept. of Energy Data</i>		<i>EPRINC</i>

	Trader
	Refiner

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- On January 11, 2023, shortly after the 118th U.S. Congress was sworn, the House passed H.S. 22, "The Protecting America's Strategic Petroleum Reserve (SPR) from China Act" by a vote of 331-97; 113 Democrats joined all 212 Republican House members to pass the legislation.
- A similar bill ("No Emergency Crude Oil for Foreign Adversaries Act") was introduced in June 2022 in the U.S. Senate by Senator James Lankford (R-OK) and Senator Ted Cruz (R-TX), but has not received similar traction as that of the U.S. House.
- Over the course of 2021 and into 2022, U.S. transportation fuel prices climbed steeply, rising to levels not seen in a decade. They peaked in mid-summer 2022, and have receded but not to prior low levels.
- Despite multiple Biden Administration requests, both U.S. producers and OPEC+ members failed to increase crude oil production in order to create price relief. As a consequence, the Administration announced several sets of emergency sales from the SPR that began in November 2021 that ended in November 2022. Nominally, it targeted 180 million barrels (MBs) with actual announced sales at or above 200 MBs. Critics asserted that the Administration's energy policies were conflicted, especially in light of the earlier KXL Pipeline cancellation and federal oil and gas sales suspension.
- During 2022, the U.S. Department of Energy (DOE) published details of each SPR sale with each contract award including the purchaser and the committed purchased quantity. These were mostly refiners (185.4 MBs, or 93.3% of total) along with a smaller amount to trading organizations (13.4 MBs, or 6.7%).
- Under the terms of the Emergency SPR Program, Unipac America, Inc., the U.S. trading arm of China's Sinopec, purchased almost 2 MBs, or about 1% of total contracted sales. Notification of these sales caused alarms and led to the introduction of Congressional Bills as well as the passage of H.S. 22. It is important to note that other traders moved some of their purchases to Italy, Netherlands, and India. In addition, U.S. commercial crude oil sales to China totaled 176 MBs, and in 2021 total sales were 67 MBs.
- Under current law, the federal government is prohibited from directing where companies export oil that they purchase. Critics of H.S. 22 said that the full passage of the legislation would have been possible if it had also considered a more expansive set of prohibitions.

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- The U.S. SPR was established in the 1970s in reaction to oil supply shortages brought on by political instability in producing countries in the Middle East. The action was coordinated by the International Energy Agency (IEA) on behalf of OECD member countries including the U.S.
- The anticipated scenarios for any sort of SPR release were oil supply disruptions brought on by events such as extreme weather, military conflicts, geopolitically motivated embargos, and major oil supply infrastructure accidents. In the current moment, none of these sorts of events are impairing petroleum production, trade, and distribution.
- Furthermore, any sort of release by one country would be done in conjunction with other OECD countries with oversight from the IEA.
- Unlike previous releases done for extreme emergency purposes, these releases are the first time that they have been made solely for high retail fuels price relief.
- Over 182 million barrels of crude oil has been released during this initiative, the largest ever since the SPR was established in the late 1970s. This has dropped SPR levels to those last recorded in 1984.
- Current market tightness and rising prices are attributable to a variety of market frictions across the petroleum product supply chain.
- Upstream (exploration and production – E&P) investment has been curtailed and has flattened considerably in recent years. New discoveries have replaced about a third of demand at current levels of consumption.
- The availability of capital for E&P companies has become constrained: private equity has become the primary source while public equity markets have lapsed. In addition, financing interests have become more selective in choosing underwriting candidates, seeking better returns on investment.
- Distribution and retail markets have become challenged: filling station employees and truck drivers are in short supply; operating costs such as insurance, equipment maintenance, and credit card fees continue to increase.

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- This slide deck is available on the [EPRINC Website](https://www.eprinc.org)
- For more information on this chart, please contact Larry Goldstein (larryg@eprinc.org), Lou Pugliaresi (loup@eprinc.org), or Max Pyziur (maxp@eprinc.org).