

Chart of the Week #37

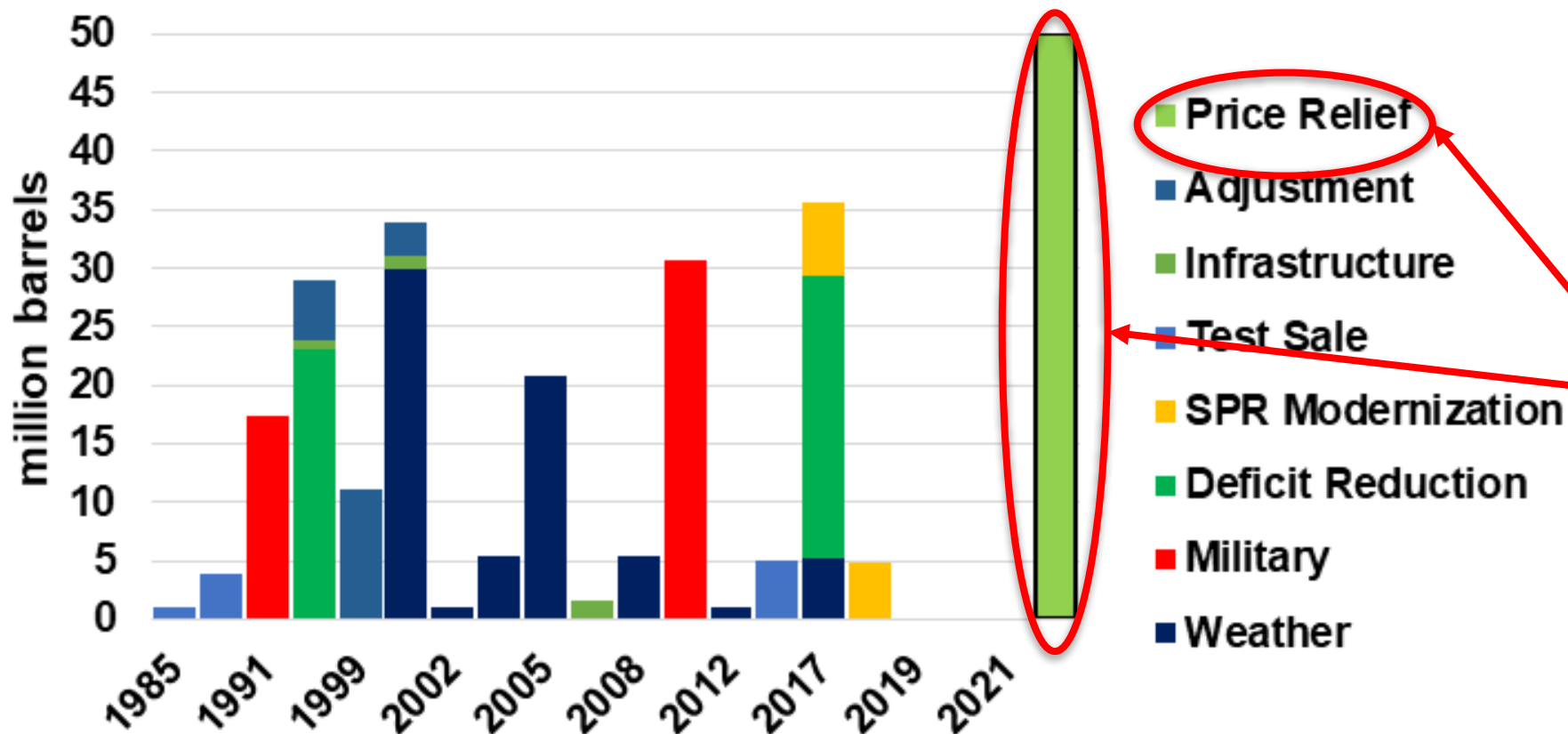
Seeking Gasoline Price Relief Through Strategic Petroleum Reserve Sales



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December 1, 2021
Washington, DC**

Strategic Petroleum Releases by Type

1985 - 2022



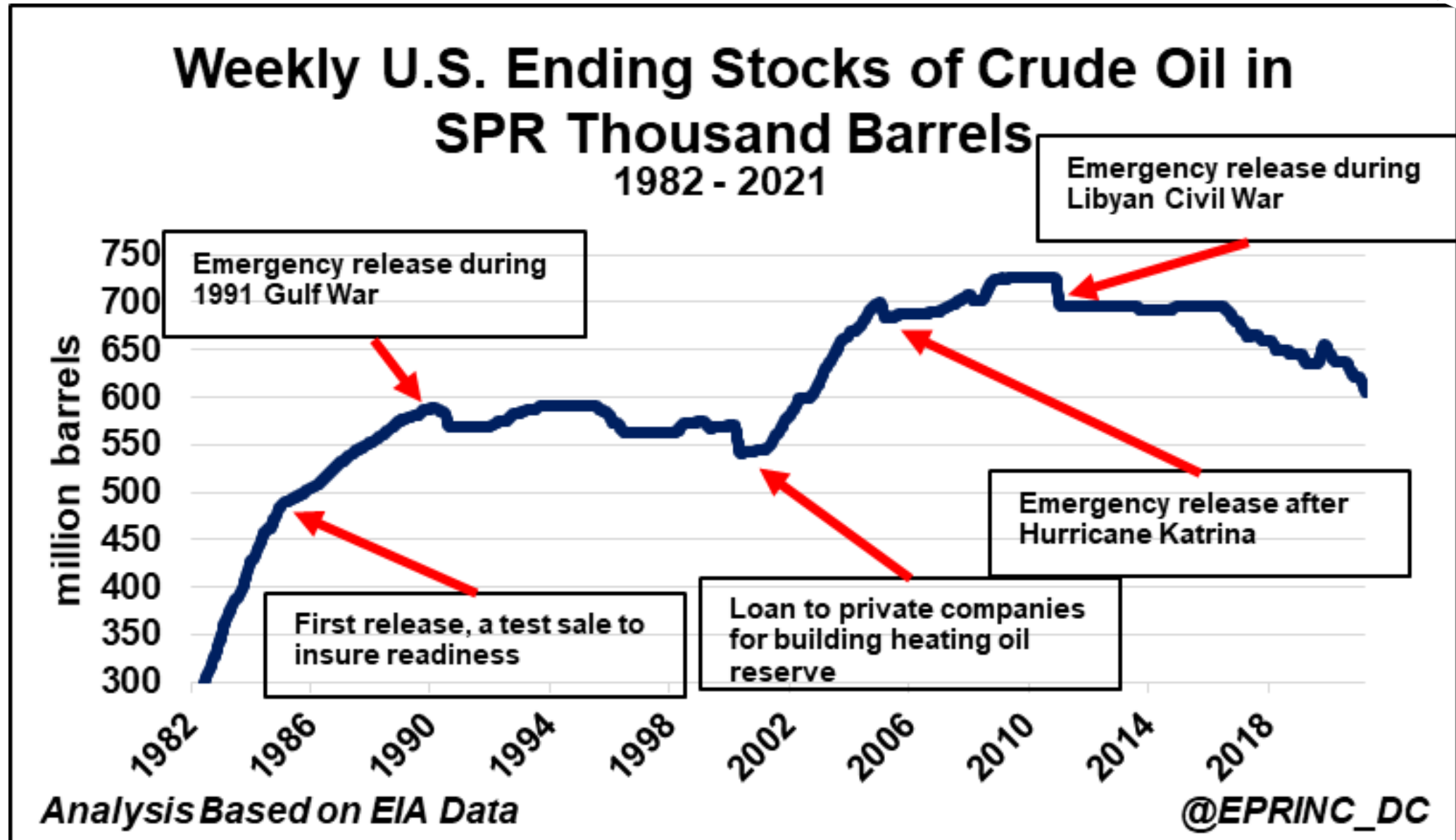
Analysis Based on DOE Data

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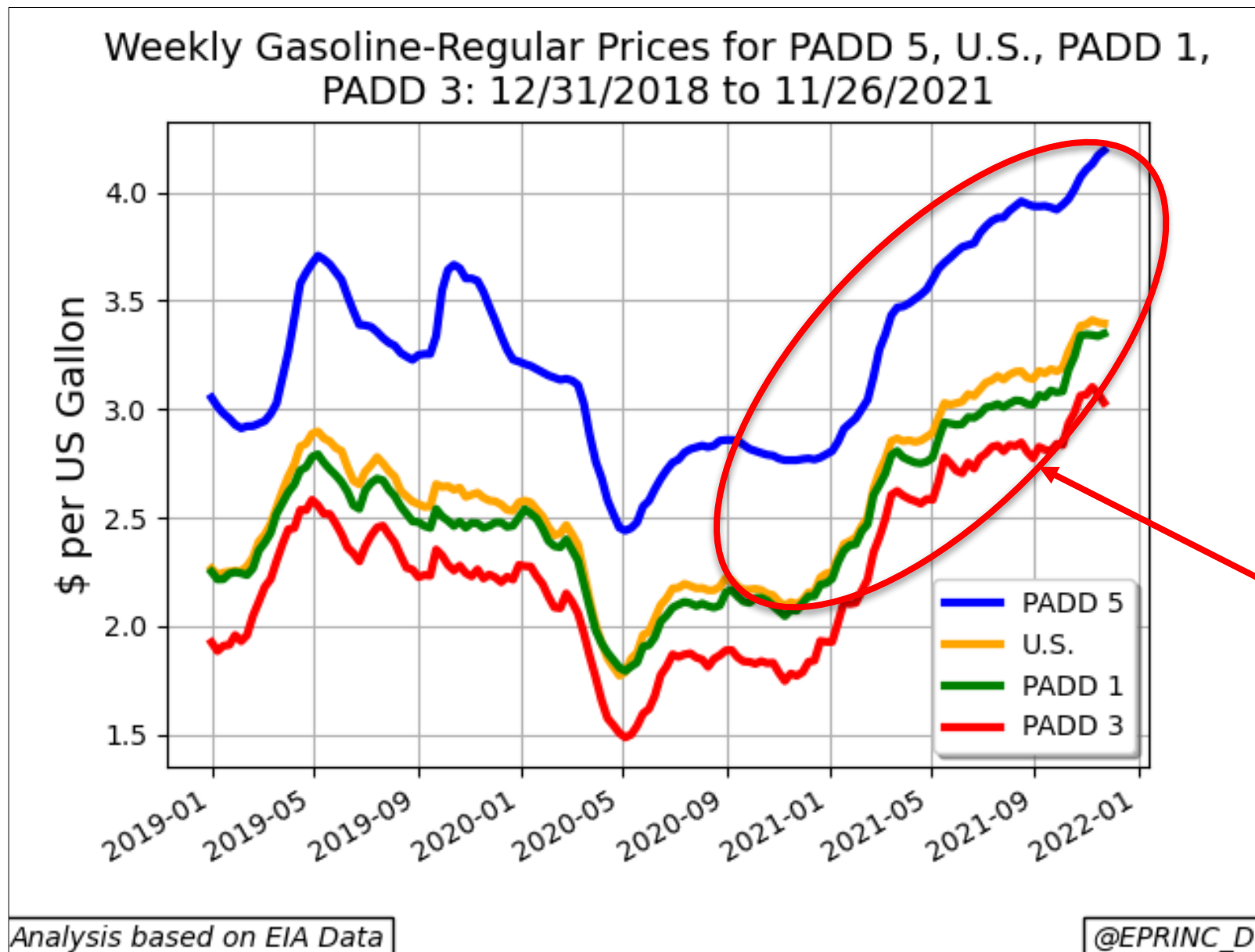
On November 23, 2021, the Biden Administration authorized an SPR release of 50 million barrels.

This is the first time that a release has been made solely for high retail fuels price relief, and not due to disruption from weather, military operations, or infrastructure accident.

Key Events Triggering SPR Releases



Weekly U.S. Gasoline Prices 2019-2021



U.S. Gasoline prices
over the course of
2021

Seeking Gasoline Price Relief Through Strategic Petroleum Reserve (SPR) Sales - 1



- Over the course of 2021, U.S. transportation fuel prices have climbed steeply, rising to levels not seen in a decade.
- Aiming to signal policy-based relief, the Biden Administration announced on November 23, 2021 the release of 50 million barrels from the U.S. Strategic Petroleum Reserve (SPR). This is the equivalent of three to four days of U.S. consumption.
- Concurrently, the Administration requested the FTC to investigate oil companies to determine whether “illegal conduct is costing families at the pump.”
- These actions were taken after the Administration having requested both U.S. producers and OPEC+ members to increase crude oil production in order to create price relief.
- Critics asserted the conflicted policy especially in light of the earlier KXL Pipeline cancellation and Federal oil and gas sales suspension.
- 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.

Seeking Gasoline Price Relief Through Strategic Petroleum Reserve (SPR) Sales - 2



- 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 (please see <https://eprinc.org/wp-content/uploads/2021/11/EPRINC-ChartOfTheWeek33-UpstreamInvestment-GlobalAndUSView-Version5.pdf>).
- 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.
- 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).