House passes bipartisan legislation to lease unused space in the Strategic Petroleum Reserve

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The House passed the Strategic Petroleum Reserve Reform Act (H.R. 6511) on September 25, which would create a pilot program to lease underutilized storage facilities in the reserve to private entities. Under current policy, the Department of Energy (DOE) may only lease those facilities to foreign governments.

The Strategic Petroleum Reserve (SPR) is an underground storage facility spread over four sites in Louisiana and Texas, each of which stores crude oil in excavated salt caverns for a maximum total storage capacity of 727 million barrels (10 percent of U.S. annual consumption). Congress first authorized the SPR in 1975 to help prevent a repeat of the economic disruption caused by the 1973-1974 Arab oil embargo and reduce the impact of crude oil shortages, allowing the president to draw down the SPR in the case of a "severe energy supply interruption."

In December 2016, the House Energy and Commerce Committee requested a Government Accountability Office (GAO) examination of DOE’s management of the SPR. GAO released a report on its examination in June 2018, recommending that DOE take several steps to modernize the SPR, ensure that the agency periodically reexamines the size of the SPR, and consider a full range of options for handling excess storage capacity.

H.R. 6511 was introduced by Representatives Joe Barton (R-TX-6) and Bobby Rush (D-IL-1) on July 25, following a legislative hearing on July 24 discussing a draft of the legislation. According to testimony from Daniel Evans, DOE’s management and operations contractor at the SPR, the bill is meant to help the reserve deal with congressionally mandated crude oil sales, which will leave the SPR with about 300 million barrels of unused storage space by the end of fiscal year 2027. Evans notes that when the mandated sales are completed, the SPR inventory level will be reduced to about 405 million barrels and it will be unable to fully deliver its current mission requirement of 4.4 million barrels per day to the commercial marketplace for a period of ninety days, due to a lack of sufficient inventory distributed among the SPR’s sixty storage caverns.

Representative Rush explained that the U.S. energy portfolio has changed dramatically since the SPR was first established and we are now in a position to examine important questions regarding the size, configuration, and necessity for the SPR moving forward. He also highlighted the legislation as a way to maximize taxpayers’ return on investment, asserting that it will bring in extra revenue by leasing storage space to friendly foreign allies and private companies.

After passage in the House, the bill was sent to the Senate and referred to the Committee on Energy and Natural Resources, awaiting further consideration by the chamber.