

## STRATEGIC PETROLEUM RESERVE REFORM ACT

SEPTEMBER 25, 2018.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WALDEN, from the Committee on Energy and Commerce, submitted the following

### R E P O R T

together with

### ADDITIONAL VIEWS

[To accompany H.R. 6511]

The Committee on Energy and Commerce, to whom was referred the bill (H.R. 6511) to authorize the Secretary of Energy to carry out a program to lease underutilized Strategic Petroleum Reserve facilities, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Strategic Petroleum Reserve Reform Act”.

**SEC. 2. USE OF UNDERUTILIZED STRATEGIC PETROLEUM RESERVE FACILITIES.**

Section 168 of the Energy Policy and Conservation Act (42 U.S.C. 6247a) is amended to read as follows:

**“SEC. 168. USE OF UNDERUTILIZED FACILITIES.**

“(a) **AUTHORITY.**—Notwithstanding any other provision of this title, the Secretary may establish and carry out a program to lease underutilized Strategic Petroleum Reserve storage facilities and related facilities to the private sector, or a foreign government or its representative. Petroleum products stored under this section are not part of the Strategic Petroleum Reserve.

“(b) **PROTECTION OF FACILITIES.**—Any lease entered into under the program established under subsection (a) shall contain provisions providing for fees to fully compensate the United States for all related costs of storage and removals of petroleum products (including the proportionate cost of replacement facilities necessitated as a result of any withdrawals) incurred by the United States as a result of such lease.

“(c) **ACCESS BY THE UNITED STATES.**—The Secretary shall ensure that leasing of facilities under the program established under subsection (a) does not impair the ability of the United States to withdraw, distribute, or sell petroleum products from the Strategic Petroleum Reserve in response to an energy emergency or to the obligations of the United States under the Agreement on an International Energy Program.

“(d) **NATIONAL SECURITY.**—The Secretary shall ensure that leasing of facilities under the program established under subsection (a) to a foreign government or its representative will not impair national security.

**“(e) DEPOSITS OF AMOUNTS RECEIVED.—**

“(1) **IN GENERAL.**—Except as provided in paragraph (2), amounts received through the leasing of facilities under the program established under subsection (a) shall be deposited in the general fund of the Treasury during the fiscal year in which such amounts are received.

“(2) **COSTS.**—The Secretary may use for costs described in subsection (b) (other than costs described in subsection (f)), without further appropriation, amounts received through the leasing of facilities under the program established under subsection (a).

“(f) **PREPARATION OF FACILITIES.**—The Secretary shall only use amounts available in the Energy Security and Infrastructure Modernization Fund established by section 404 of the Bipartisan Budget Act of 2015 for costs described in subsection (b) of this section that relate to addition of facilities or changes to facilities or facility operations necessary to lease such facilities, including costs related to acquisition of land, acquisition of ancillary facilities and equipment, and site development, and other necessary costs related to capital improvement.”

**SEC. 3. PILOT PROGRAM TO LEASE STRATEGIC PETROLEUM RESERVE FACILITIES.**

(a) **IN GENERAL.**—Part B of title I of the Energy Policy and Conservation Act (42 U.S.C. 6231 et seq.) is amended by adding at the end the following:

**“SEC. 170. PILOT PROGRAM TO LEASE STORAGE AND RELATED FACILITIES.**

“(a) **ESTABLISHMENT.**—In carrying out section 168 and not later than 180 days after the date of enactment of the Strategic Petroleum Reserve Reform Act, the Secretary shall establish and carry out a pilot program to make available for lease—

“(1) capacity for storage of up to 200,000,000 barrels of petroleum products at Strategic Petroleum Reserve storage facilities; and

“(2) related facilities.

“(b) **CONTENTS.**—In carrying out the pilot program established under subsection (a), the Secretary shall—

“(1) identify appropriate Strategic Petroleum Reserve storage facilities and related facilities to lease, in order to make maximum use of such facilities;

“(2) identify and implement any changes to facilities or facility operations necessary to so lease such facilities, including any such changes necessary to ensure the long-term structural viability and use of the facilities for purposes of this part and part C;

“(3) make such facilities available for lease; and

“(4) identify environmental effects, including benefits, of leasing storage facilities and related facilities.

“(c) REPORT.—Not later than 1 year after the date of enactment of the Strategic Petroleum Reserve Reform Act, the Secretary shall submit to Congress a report on the status of the pilot program established under subsection (a).”.

(b) CONFORMING AMENDMENT.—The table of contents for the Energy Policy and Conservation Act is amended by adding after the item relating to section 169 the following:

“Sec. 170. Pilot program to lease storage and related facilities.”.

#### PURPOSE AND SUMMARY

H.R. 6511, Strategic Petroleum Reserve Reform Act, was introduced by Rep. Joe Barton (R–TX) and Rep. Bobby Rush (D–IL) on June 25, 2018. H.R. 6511 requires the Secretary of Energy to carry out a pilot program to lease underutilized caverns and other facilities at the Strategic Petroleum Reserve (SPR).

#### BACKGROUND AND NEED FOR LEGISLATION

##### *Strategic Petroleum Reserve*

The Strategic Petroleum Reserve is a stockpile of government-owned petroleum managed by the Department of Energy (DOE) that Congress authorized as a response to gasoline supply shortages and price spikes associated with the Organization of Arab Petroleum Exporting Countries (OPEC) oil trade embargo in 1973 and 1974. The Energy Policy and Conservation Act of 1975 (EPCA) authorized the SPR to reduce the impact of disruptions in supplies of petroleum products and to carry out U.S. obligations under the 1974 Agreement on an International Energy Program (IEA).<sup>1</sup> EPCA authorizes the President to draw down the SPR upon finding that there is a “severe supply interruption.”

The SPR’s crude oil storage facilities are comprised of 62 underground caverns mined in naturally occurring salt domes. Two sites are located in Texas, and two in Louisiana (Figure 1). The sites offer access to marine terminals and pipeline systems to move crude oil to and from the SPR. The SPR currently holds 660 million barrels (MMbbl) of crude oil, representing 176 days of net import protection.<sup>2</sup> DOE also maintains the Northeast Gasoline Supply Reserve (NGSR), which holds 1 MMbbl of gasoline. The NGSR was established by Secretary Moniz in 2014 using funds collected from a test sale of SPR crude oil. The NGSR is currently operating under temporary authority provided by Congress.<sup>3</sup>

In September, the Committee received a letter from DOE, providing its responses to a recommendation by the Government Accountability Office that DOE should conduct or complete studies on the costs and benefits of regional petroleum product reserves for all of the regions of the United States that had been identified as vulnerable to fuel supply disruptions.<sup>4</sup>

It is DOE’s position that above-ground government-owned and -operated regional petroleum product reserves are an inefficient and expensive solution to respond to regional petroleum supply disruptions. According to DOE, based on the current annual costs of maintaining 1 million barrels of refined petroleum products in the

<sup>1</sup>See International Energy Agency, Agreement on an International Energy Program.

<sup>2</sup>Based on 2017 U.S. net imports of crude oil and refined products.

<sup>3</sup>H.R. 1625, Consolidated Appropriations Act of 2018. (P.L. 115–141).

<sup>4</sup>Department of Energy. Letter from Assistant Secretary for Fossil Energy Steven Winberg to Chairman Greg Walden. September 17, 2018.

Northeast, costs of storing refined petroleum products in above ground tanks can range from \$10 to \$30 million per year, depending on the product and local conditions. This compares to the approximate annual cost of about \$200 million to maintain the current SPR inventory level of about 660 million barrels.

Citing the expensive nature of storing refined petroleum products and the logistical issues in making them available to the market, the Administration has proposed disestablishing the NGSR in both the 2018 and 2019 federal budgets. It is DOE's position that, given the inefficient and expensive nature of storing refined petroleum products in above ground tanks, it would be inappropriate to use taxpayer funds to conduct additional studies on the use of federal government owned storage of refined petroleum products.

As a member of the IEA, the United States is obligated (1) as a net importer, to maintain crude oil and/or refined product reserves equal to at least 90 days of net petroleum imports and (2) to be able to contribute a proportional share to an IEA collective action response, based on its share of IEA oil consumption, which at present is about 41 percent of the barrels released in a collective action.<sup>5</sup>

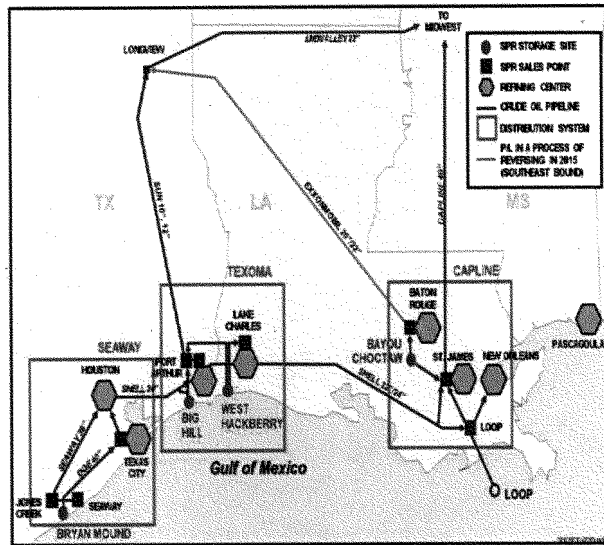
The U.S. currently exceeds its obligation to maintain at least 90 days of strategic stocks. In the face of declining net U.S. imports, a 70 percent reduction from 2005 peak levels, Congress has taken steps to reduce the size of the SPR.<sup>6</sup> At the same time, Congress has also authorized an investment of up to \$2 billion to carry out an SPR modernization program. The purpose of the SPR modernization program is to provide for the construction, maintenance, repair, and replacement of SPR facilities. The program may include operational improvements to extend the useful life of surface and subsurface infrastructure; maintenance of cavern storage integrity; and addition of infrastructure and facilities to optimize the draw-down and incremental distribution capacity of the SPR.

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<sup>5</sup> See, for example, testimony by Steven E. Winberg, Assistant Secretary for Fossil Energy, Department of Energy at Subcommittee on Energy hearing entitled, "DOE Modernization: Legislation to Authorize a Pilot Project to Commercialize the Strategic Petroleum Reserve," July 24, 2018.

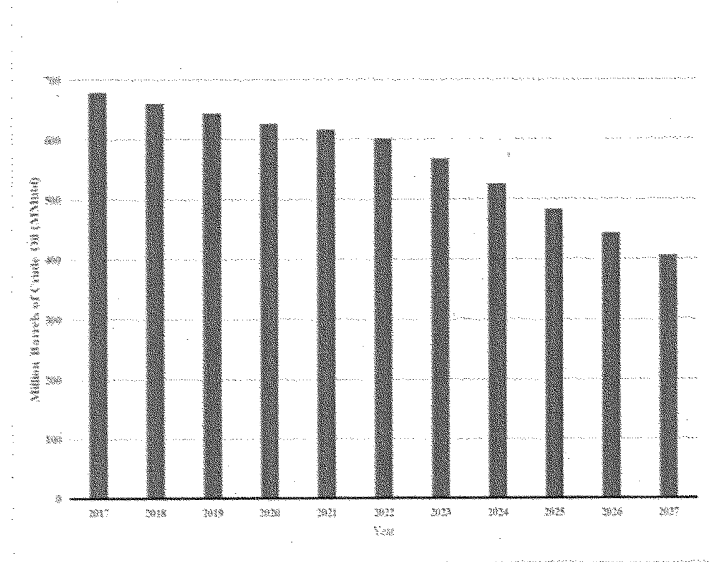
<sup>6</sup> See Energy Information Administration. U.S. Net Imports of Crude Oil and Petroleum Products. U.S. net imports declined from an average of 12.5 MMbbl/day in 2005 to 3.7 MMbbl/day in 2017.

**Figure 1. Storage Sites and Distribution System**



*Congressionally-mandated sales*

Congress has passed several laws mandating the sale of crude oil from the SPR. These sales, totaling an estimated \$16 billion, are projected to reduce the SPR's inventory from the current level of 660 MMbbl to approximately 400 MMbbl over the next decade, provided the drawdowns do not limit the ability of the SPR to prevent or reduce the adverse impact of an energy supply shortage (Figure 2, Table 1).

**Figure 2. Strategic Petroleum Reserve Projected Inventory****Table 1. Summary of Mandated Crude Oil Sales**

	'17	'18	'19	'20	'21	'22	'23	'24	'25	'26	'27	Total
Bipartisan Budget Act 2015 Section 404 (Estimate)*	6.3	4.7	5*	7.5*	0	0	0	0	0	0	0	23.5
Bipartisan Budget Act 2015 Section 403	0	5	5	5	5	8	10	10	10	0	0	58
FAST Act	0	0	0	0	0	0	16	25	25	0	0	66
Cures Act	9.9	9.2	6	0	0	0	0	0	0	0	0	25.1
Tax Cuts and Jobs Act	0	0	0	0	0	0	0	0	0	4	3	7
Bipartisan Budget Act of 2018	0	0	0	0	0	7.5	7.5	7.5	7.5	35	35	100
Consolidated Appropriations Act of 2018	0	0	0	5	5	0	0	0	0	0	0	10
<b>Total</b>	<b>16.2</b>	<b>18.9</b>	<b>16</b>	<b>17.5</b>	<b>10</b>	<b>15.5</b>	<b>33.5</b>	<b>42.5</b>	<b>42.5</b>	<b>39</b>	<b>38</b>	<b>289.6</b>

**Note:** For Bipartisan Budget Act Section 404 sales in the future, quantities are based on \$60/barrel. Projected SPR inventory in FY 2028 is approximately 405 million barrels.

*SPR modernization and pilot leasing program*

The Committee finds that modernizing the SPR's surface and subsurface infrastructure and commercializing excess or underutilized SPR storage capacity through a leasing program will improve the SPR's emergency response capability and maximize the long-term strategic value of the government asset. As DOE withdraws oil to meet congressionally mandated sales—approximately 300 MMbbl by 2028—SPR facilities will have unused storage capacity of roughly 45 percent of current design capacity. Absent new statutory authority, DOE will be required to maintain the caverns and surface infrastructure at considerable taxpayer expense, with no associated energy security benefits.

H.R. 6511 provides DOE with new authorities to allow for the preservation of the existing SPR design capacity and further modernization of SPR facilities. H.R. 6511 amends EPCA to authorize DOE to lease underutilized SPR facilities to the private sector or a foreign government, provided the lease protects existing SPR facilities and does not impair national security or the ability of the SPR to respond in an emergency or to fulfill international obligations. H.R. 6511 authorizes DOE to use lease revenues to fully offset associated operations and maintenance costs.

H.R. 6511 requires DOE to establish a pilot program to lease up to 200 MMbbl, which the Committee anticipates will incentivize upgrades to the SPR's distribution capacity, allowing for more efficient movement of petroleum products and increased performance of the SPR when addressing energy security needs. The Committee expects that DOE may be required to reconfigure the existing infrastructure to handle an increase in inflow/outflow activities across SPR sites, which could result in capital expenditures to enable leasing. This may include, for example, the addition of new surface infrastructure and additional conversion to brine-drive caverns to support more frequent drawdown and retrieval cycles. H.R. 6511 authorizes such capital expenditures from amounts available in the Energy Security and Infrastructure Modernization Fund, established by Section 404 of the Bipartisan Budget Act of 2015. The Committee finds that such activities are consistent with the purpose of the Modernization Fund and may be necessary to support the pilot leasing program. The Committee expects that over the life of the SPR leasing program, revenues will be generated that exceed the costs associated with preparing, operating, and maintaining the leased facilities.

## COMMITTEE ACTION

On July 24, 2018, the Subcommittee on Energy held a hearing entitled "DOE Modernization: Legislation to Authorize a Pilot Project to Commercialize the Strategic Petroleum Reserve." The Subcommittee received testimony from:

- Steven Winberg, Assistant Secretary of Fossil Energy, U.S. Department of Energy;
- Kevin Book, Managing Director, ClearView Energy Partners, LLC;
- Daniel M. Evans, Project Manager, Fluor Federal Petroleum Operations; and,

- Frank Rusco, Director, Natural Resources and Environment, Government Accountability Office.

On September 6, 2018, the Subcommittee on Energy met in open markup session and forwarded H.R. 6511, without amendment, to the full Committee by a voice vote.

On September 13, 2018, the full Committee on Energy and Commerce met in open markup session and ordered H.R. 6511, as amended, favorably reported to the House by a voice vote.

#### COMMITTEE VOTES

Clause 3(b) of rule XIII requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. There were no recorded votes taken in connection with ordering H.R. 6511 reported.

#### OVERSIGHT FINDINGS AND RECOMMENDATIONS

Pursuant to clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII, the Committee held a hearing and made findings that are reflected in this report.

#### NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII, the Committee finds that H.R. 6511 would result in no new or increased budget authority, entitlement authority, or tax expenditures or revenues.

#### CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII, at the time this report was filed, the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974 was not available.

#### FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

#### STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII, the general performance goal or objective of this legislation is to authorize the Secretary of Energy to carry out a program to lease underutilized SPR facilities.

#### DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII, no provision of H.R. 6511 is known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.



## COMMITTEE COST ESTIMATE

Pursuant to clause 3(d)(1) of rule XIII, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974. At the time this report was filed, the estimate was not available.

## EARMARK, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS

Pursuant to clause 9(e), 9(f), and 9(g) of rule XXI, the Committee finds that H.R. 6511 contains no earmarks, limited tax benefits, or limited tariff benefits.

## DISCLOSURE OF DIRECTED RULE MAKINGS

Pursuant to section 3(i) of H.Res. 5, the Committee finds that H.R. 6511 contains no directed rule makings.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Section 1. Short title*

Section 1 provides the short title of “Strategic Petroleum Reserve Reform Act.”

*Section 2. Use of underutilized strategic petroleum reserve facilities*

Section 2 amends Section 168 of EPCA to provide the Secretary of Energy with authority to establish and carry out a program to lease underutilized SPR facilities to the private sector or a foreign government. The authority provided under this section is limited to provide for fees to offset associated operations and maintenance costs; to ensure the lease does not impair the government’s ability to utilize the SPR in an emergency; and, to ensure a lease to a foreign government does not impair national security. This section requires lease revenues to be deposited into the Treasury, except fees that the Secretary may use for associated operations and maintenance costs, without further appropriation. This section clarifies that DOE shall only use amounts available in the Energy Security and Modernization Fund established by Section 404 of the Bipartisan Budget Act of 2015 for capital improvements necessary to prepare SPR facilities for lease.

*Section 3. Pilot program to lease strategic petroleum reserve facilities*

Section 3 requires DOE to establish and carry out a pilot program to lease up to 200 MMbbl of petroleum products at SPR facilities within 180 days of enactment of H.R. 6511. This section requires DOE to report to Congress on the status of the pilot program within 1 year of enactment of H.R. 6511.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

**ENERGY POLICY AND CONSERVATION ACT**

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the “Energy Policy and Conservation Act”.*

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**[USE OF UNDERUTILIZED FACILITIES**

**[SEC. 168. (a) AUTHORITY.**—Notwithstanding any other provision of this title, the Secretary, by lease or otherwise, for any term and under such other conditions as the Secretary considers necessary or appropriate, may store in underutilized Strategic Petroleum Reserve facilities petroleum product owned by a foreign government or its representative. Petroleum products stored under this section are not part of the Strategic Petroleum Reserve and may be exported without license from the United States.

**[(b) PROTECTION OF FACILITIES.**—All agreements entered into pursuant to subsection (a) shall contain provisions providing for fees to fully compensate the United States for all related costs of

storage and removals of petroleum products (including the proportionate cost of replacement facilities necessitated as a result of any withdrawals) incurred by the United States on behalf of the foreign government or its representative.

[(c) ACCESS TO STORED OIL.—The Secretary shall ensure that agreements to store petroleum products for foreign governments or their representatives do not impair the ability of the United States to withdraw, distribute, or sell petroleum products from the Strategic Petroleum Reserve in response to an energy emergency or to the obligations of the United States under the Agreement on an International Energy Program.

[(d) AVAILABILITY OF FUNDS.—Funds collected through the leasing of Strategic Petroleum Reserve facilities authorized by subsection (a) after September 30, 2007, shall be used by the Secretary of Energy without further appropriation for the purchase of petroleum products for the Strategic Petroleum Reserve.]

**SEC. 168. USE OF UNDERUTILIZED FACILITIES.**

(a) *AUTHORITY.*—Notwithstanding any other provision of this title, the Secretary may establish and carry out a program to lease underutilized Strategic Petroleum Reserve storage facilities and related facilities to the private sector, or a foreign government or its representative. Petroleum products stored under this section are not part of the Strategic Petroleum Reserve.

(b) *PROTECTION OF FACILITIES.*—Any lease entered into under the program established under subsection (a) shall contain provisions providing for fees to fully compensate the United States for all related costs of storage and removals of petroleum products (including the proportionate cost of replacement facilities necessitated as a result of any withdrawals) incurred by the United States as a result of such lease.

(c) *ACCESS BY THE UNITED STATES.*—The Secretary shall ensure that leasing of facilities under the program established under subsection (a) does not impair the ability of the United States to withdraw, distribute, or sell petroleum products from the Strategic Petroleum Reserve in response to an energy emergency or to the obligations of the United States under the Agreement on an International Energy Program.

(d) *NATIONAL SECURITY.*—The Secretary shall ensure that leasing of facilities under the program established under subsection (a) to a foreign government or its representative will not impair national security.

(e) *DEPOSITS OF AMOUNTS RECEIVED.*—

(1) *IN GENERAL.*—Except as provided in paragraph (2), amounts received through the leasing of facilities under the program established under subsection (a) shall be deposited in the general fund of the Treasury during the fiscal year in which such amounts are received.

(2) *COSTS.*—The Secretary may use for costs described in subsection (b) (other than costs described in subsection (f)), without further appropriation, amounts received through the leasing of facilities under the program established under subsection (a).

(f) *PREPARATION OF FACILITIES.*—The Secretary shall only use amounts available in the Energy Security and Infrastructure Modernization Fund established by section 404 of the Bipartisan Budget

*Act of 2015 for costs described in subsection (b) of this section that relate to addition of facilities or changes to facilities or facility operations necessary to lease such facilities, including costs related to acquisition of land, acquisition of ancillary facilities and equipment, and site development, and other necessary costs related to capital improvement.*

\* \* \* \* \*

**SEC. 170. PILOT PROGRAM TO LEASE STORAGE AND RELATED FACILITIES.**

(a) *ESTABLISHMENT.*—*In carrying out section 168 and not later than 180 days after the date of enactment of the Strategic Petroleum Reserve Reform Act, the Secretary shall establish and carry out a pilot program to make available for lease—*

- (1) *capacity for storage of up to 200,000,000 barrels of petroleum products at Strategic Petroleum Reserve storage facilities; and*
- (2) *related facilities.*

(b) *CONTENTS.*—*In carrying out the pilot program established under subsection (a), the Secretary shall—*

- (1) *identify appropriate Strategic Petroleum Reserve storage facilities and related facilities to lease, in order to make maximum use of such facilities;*
- (2) *identify and implement any changes to facilities or facility operations necessary to so lease such facilities, including any such changes necessary to ensure the long-term structural viability and use of the facilities for purposes of this part and part C;*
- (3) *make such facilities available for lease; and*
- (4) *identify environmental effects, including benefits, of leasing storage facilities and related facilities.*

(c) *REPORT.*—*Not later than 1 year after the date of enactment of the Strategic Petroleum Reserve Reform Act, the Secretary shall submit to Congress a report on the status of the pilot program established under subsection (a).*

\* \* \* \* \*

## ADDITIONAL VIEWS

At the September 13, 2018 Energy and Commerce Committee full committee markup, numerous Democratic members discussed the importance of establishing and maintaining refined petroleum product reserves in different regions across the country. These include areas prone to disruptions in the supply of refined products, such as gasoline, in the aftermath of natural disasters or severe weather events.

During the markup, Mr. Kennedy offered an amendment that would have required the Secretary of Energy to undertake a rule-making for the development, maintenance, and operation of regional refined petroleum reserves across the U.S., including but not limited to, the Northeast, Southeast, and West Coast regions.

In previous analyses, including a 2011 Department of Energy (DOE) cost-benefit analysis on the establishment of a Southeast Refined Petroleum Product Reserve and the First Installment of the Quadrennial Energy Review (QER) in 2015, DOE concluded such refined petroleum product reserves would be greatly beneficial. The 2011 study indicated a Southeast reserve, in particular, “would reduce the average gasoline price rise by 50 percent to 70 percent in the weeks immediately after a hurricane landfall.”<sup>1</sup> The QER stated one method of addressing vulnerabilities to fuel infrastructure and supply “is to develop strategic and regional stockpiles of oil and refined petroleum products to help respond to shortfalls caused by breakdowns in the liquid fuel infrastructure, regardless of cause.”<sup>2</sup> A May 2018 GAO report requested by this Committee further recognized the benefits of such reserves but noted DOE had not fully finalized its analyses in the QER and instead relied upon draft versions.<sup>3</sup>

The Kennedy amendment would have addressed a critical shortcoming of the Strategic Petroleum Reserve (SPR) as current law only requires it to stockpile unrefined crude oil. The QER acknowledged this risk, identifying events such as Hurricanes Katrina and Rita (2005) and Hurricanes Gustav and Ike (2008) in the Gulf Coast and Superstorm Sandy in 2012 as major regional and national events affecting fuel supply and price.<sup>4</sup> With more than 50 percent of the nation’s refining capacity in the Gulf Coast, a major event in that region would have significant impact nationwide. Regional events, like Superstorm Sandy, may only effect one region but negatively impact the ability to import supply due to damaged

<sup>1</sup> <https://www.energy.gov/sites/prod/files/2015/08/f25/QER%20Chapter%2011%20Resilience%20April%202015.pdf> pg. 2–34

<sup>2</sup> <https://www.energy.gov/sites/prod/files/2015/08/f25/QER%20Chapter%2011%20Resilience%20April%202015.pdf> pg. 2–33

<sup>3</sup> <https://www.gao.gov/assets/700/692113.pdf> pg. 23.

<sup>4</sup> <https://www.energy.gov/sites/prod/files/2015/08/f25/QER%20Chapter%2011%20Resilience%20April%202015.pdf> pg. 2–31

infrastructure such as pipelines and ports. Regionally-located reserves would provide much needed stability.

In the wake of Superstorm Sandy, then-Energy Secretary Ernest Moniz, using the existing authorities in Title I, Part C of the Energy Policy and Conservation Act, established the Northeast Gasoline Supply Reserve as a component of the SPR in 2014.<sup>5</sup> The one million barrel reserve holds gasoline in a number of different northeastern states as means of strengthening regional fuel resiliency in the event of another major weather event.<sup>6</sup> The Trump Administration proposed eliminating the gasoline reserve in its Fiscal Year 2018 budget, a proposal we believe to be both short-sighted and ill-advised. This reserve is essential to disaster recovery efforts in the event of an emergency. Not only should the Northeast Gasoline Supply Reserve remain in operation, DOE should replicate it in other parts of the country to ensure recovery efforts are not compounded in rebuilding from a disaster due to lack or price of fuel.

We support the underlying bill, H.R. 6511, as a useful step toward modernizing the Strategic Petroleum Reserve. However, we find it unfortunate that the Republican Majority was unwilling to adopt this amendment, which would further advance the goal of a modernized, more flexible SPR. Democratic Members continue to believe that regional reserves should play an important role in the future of the SPR and will continue to push forward this concept. We hope the Majority will join us in our support for these reserves, particularly before the next hurricane or other natural disaster results in a significant supply disruption in the supply-constrained Southeast or in other regions of the country.

JOSEPH P. KENNEDY, III.  
FRANK PALLONE, Jr.  
BOBBY L. RUSH.  
G.K. BUTTERFIELD.  
KATHY CASTOR.  
JERRY MCNERNEY.

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<sup>5</sup> <https://www.energy.gov/fe/creating-northeast-gasoline-supply-reserve>

<sup>6</sup> <https://www.energy.gov/fe/services/petroleum-reserves/northeast-regional-refined-petroleum-product-reserve>