



Rodney's Take

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The Bouncing Barrel of Oil

In 2022, President Biden signed an emergency order to sell oil from the Strategic Petroleum Reserve (SPR) to fight rising energy prices. Eventually, the president authorized the sale of 180 million barrels and, with other sales, brought the SPR down from 570 million barrels to 371 million. This is the lowest level in the SPR since 1983. Typically, we tap into the SPR after hurricanes or other supply disruptions or to plug budgetary holes. We have never done anything on this scale, so we don't know how it will go when we start refilling the reserve. But don't worry, we've almost reached our goal, and we haven't even started.

If that sentence didn't make sense, stay with me as I walk through government logic... if you can.

In prior years and administrations, Congress approved selling 140 million barrels of oil during fiscal years 2024 through 2027 to raise money for the budget. In the last budget, President Biden cancelled all of those previous oil sales, except for the sale of seven million barrels of oil between 2026 and 2027. By cancelling future sales, the Biden administration claims to have "replenished" 140 million barrels of oil in the SPR, so it only needs to buy another 40 million or so to call it even. Never mind that the SPR remains at its lowest level in 40 years; on paper, everything is perfect!

The administration recently made a step toward adding a bit of oil to the SPR by agreeing to buy three million barrels for delivery in August. At this rate, it will take more than a year to recoup the 40 million barrels the government

claims to want to purchase, and even that won't happen if oil prices rise. Officials rejected previous offers of sale because the price rose above \$72 per barrel.

What happens if geopolitical events go south, with our former Mideast allies cutting supply while India and China buy Russian crude to sell to us at a profit? Oh, wait, that's already happening. If we follow the bouncing barrel of oil, this could leave us with dramatically lower petroleum reserves just as nations around the globe work to raise crude prices.

Thank goodness we have the extra oil we didn't sell in future years to count against the replenishment we haven't done... just don't look at the actual reserve level.

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Got a question or comment? You can contact us at info@hsdent.com.