



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 24, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 6578 Strategic Petroleum Reserve (SPR) Drawdown and Swap

(Rep. Lampson (D)TX and Rep. Markey (D) MA)

The Administration strongly opposes H.R. 6578. The immediate drawdown of the SPR required by H.R. 6578 would have a number of adverse effects and would fail to have a lasting effect on oil prices. This legislation would also jeopardize national security by increasing our vulnerability to an oil supply disruption. Rather than drawing down a strategic reserve intended to protect our Nation's energy security from a severe supply disruption, Congress should pass legislation to increase domestic oil supply. If this bill were presented to the President in its present form, the President's senior advisors would recommend that he veto it.

The Administration is concerned about the current high price of oil and its effect on consumers and the economy. On the basis of these concerns, the President recently lifted an executive prohibition on drilling for oil and natural gas on the Outer Continental Shelf, and urged Congress to remove similar legislative barriers in order to increase domestic production of oil and gas. The President has also repeatedly urged congressional action to: (1) remove the prohibition on completing commercial oil shale leasing regulations to allow access to this promising resource; (2) allow exploration in the Arctic National Wildlife Refuge; and (3) streamline the permitting process for expansions and reconfigurations of refineries. Unlike a temporary drawdown of the Strategic Petroleum Reserve, these actions would have a real and lasting impact on addressing the Nation's energy needs.

Drawing down our emergency oil reserve in the absence of a severe energy disruption is counter to the purpose of the SPR, and offers the Nation a quick fix instead of much needed long-term, responsible energy solutions. The SPR was created by Congress to protect the Nation in the event of a "severe energy supply interruption" such as a major oil embargo, a natural disaster, or a terrorist attack. The SPR was a vital asset after Hurricanes Katrina and Rita when a coordinated drawdown was used in response to the severe oil interruption. The current situation, moreover does not meet the statutory criteria for a SPR drawdown.

Drawing down our emergency oil reserve will make the Nation even more vulnerable to a supply interruption. Geopolitical instabilities among and within producing countries, terrorist threats, and natural disasters present a significant risk to the international oil market. These risks, coupled with the current tight market supply, exacerbate our vulnerability to a supply shock that would jeopardize our country's economy and security. The SPR provides important national security benefits. This is not the time to reduce a major component of our energy insurance policy and increase our vulnerability to a supply disruption.

The proposed exchange of SPR light sweet crude for heavy crude would severely degrade the ability of the SPR to respond to an energy crisis. It is essential to maintain our existing reserve of light sweet crude, for which there will be the highest demand in an emergency, because it can be refined by all refineries, from the simplest to most complex. Only 40 percent of our existing reserve is light sweet crude. It is imperative to maintain a reserve that can be expeditiously processed in an emergency.

Instead of weakening our national energy reserve, Congress should take action now by enacting the President's proposals to increase domestic fuel production and provide the Nation with the type of meaningful energy solutions it deserves.

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