

Statement of Chairman Greg Walden
Subcommittee on Energy
“DOE Modernization: Legislation to Authorize a Pilot Project to
Commercialize the Strategic Petroleum Reserve.”
July 24, 2018

Over the course of the past year, the Energy and Commerce Committee has been hard at work identifying what is necessary to modernize the Department of Energy’s national and energy security functions.

The urgency of our focus has been driven by domestic and international challenges that will be confronting the nation in the decades ahead. These challenges—which range from maintaining our nuclear security to protecting the reliable supply and delivery of energy—require a DOE that has the appropriate organization, management focus, and authorities to succeed in its missions.

In recent months, the committee has moved legislation that will establish enduring leadership within the DOE for addressing all energy emergencies, including cybersecurity threats. It has moved legislation that will ensure there is sufficient coordination for secure and reliable delivery of the fuels we rely upon for our energy needs, including bulk electric power.

And just over the past few weeks, we moved legislation that will strengthen DOE’s support for next generation nuclear energy. We’ve also moved reforms that streamline DOE’s cumbersome regulatory approval process for foreign nuclear commerce, which has inhibited American businesses from competing effectively in global nuclear markets.

Today's draft legislation that Vice Chairman Barton and Ranking Member Rush have put together offers a similar forward-looking path—this one toward ensuring the nation's Strategic Petroleum Reserve, managed by DOE, will be more capable of responding to oil supply emergencies for decades to come.

Congress, under this committee's leadership, established the SPR in the wake of 1973-1974 Arab oil embargo. That incident and the gasoline shortages and price spikes of ensuing years underscored the growing vulnerability of the United States to international oil supply shocks, especially as reliance on imported oil was rapidly increasing.

Times have changed, of course—and dramatically. The resurgence in American oil and gas production over the past decade has placed the United States into a dominant role when it comes to global oil and gas supplies—and has begun to shift how we should view our SPR assets.

While the role of the SPR may be shifting, it remains important for energy security. It will continue to help us meet our treaty-level obligations to international partners in the event of major supply disruptions. It will also help maintain our international energy diplomacy—inhibiting adversaries from attempting to use oil as an economic weapon, which ultimately benefits our own and our allies' energy security.

Yet we know that SPR facilities require considerable upgrades to be responsive when called upon. And as Congress has mandated sales of some 290 million barrels, there is risk that without serious reforms much of the reserves' capacity to serve as a strategic stockpile will degrade further as its stocks decline.

Against this backdrop, this draft legislation offers an innovative way to accelerate reforms to the SPR, by leasing underutilized space created as the reserve is drawn down over the next decade.

A successful leasing program would attract investment into improving facility operations to be responsive to commercial needs. This in turn would enable more responsive use of federal oil stocks during emergencies. By preserving the existing capacity of the reserve's caverns, the pilot program also ensures this asset will remain available for DOE's security missions well into the future.

I look forward to the expert testimony from DOE and others this morning, and to continue work on the legislative details going forward.