

Opening Statement of the Honorable Fred Upton
Subcommittee on Energy Markup of
H.R. 6511, Strategic Petroleum Reserve Reform Act
September 06, 2018

Good afternoon, I've called this meeting of the Subcommittee on Energy to markup HR 6511, the Strategic Petroleum Reserve Reform Act.

This bill authorizes the Department of Energy to conduct a pilot program to lease spare capacity in the Strategic Petroleum Reserve, which will become available in greater amounts under current legislatively mandated drawdowns of the reserve.

Congress authorized the creation of the Strategic Petroleum Reserve 40 years ago in response to the Arab Oil Embargo to mitigate threats of energy supply disruptions. At the time, our domestic production was in decline and we were becoming more and more reliant on imports—increasing our vulnerability to supply disruptions and associated price spikes.

Today, the United States is the world's number one producer of oil and gas and our imports have declined by about seventy percent since peaking in 2005—and our domestic production capacity continues to surge, raising important questions about the role of the reserve going forward.

As we heard in testimony on the legislative hearing for this bill in July, even with America's energy abundance, the SPR remains a critical energy security asset. It continues to serve as an important tool for protecting our long term economic interests and to meet our obligations to our energy allies around the globe.

Because Congress has mandated DOE to drawdown and sell approximately 300 million barrels of crude oil over the next decade, we must confront what to do with the spare capacity that will become available. This bill provides a sensible, innovative solution.

HR 6511 authorizes DOE to conduct a pilot program to make necessary upgrades and to lease up to 200 million barrels of the underutilized capacity that will become available with the drawdowns.

The bill amends Section 168 of the Energy Policy and Conservation Act to allow the Secretary to lease underutilized capacity to the private sector, as well as foreign governments. It ensures that costs for upgrades will be covered in lease revenue. It includes protections to ensure any lease to a foreign nation will not impair national security and that any lease will not impair the strategic reserve operations.

Using excess storage capacity through a leasing program is an innovative idea – and it should be a win-win for the federal government. At a minimum, DOE may be able to offset some of its maintenance costs and invest in new infrastructure that will ensure the long-term operations of the SPR.

Let me acknowledge and thank especially Committee Vice Chairman Barton and Subcommittee Ranking Member Rush for partnering on this bill. Their effort here represents an important step to modernizing the DOE's long-term energy security mission. This is an important, bi-partisan measure and I urge Members to support it today. ###