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6 MARKUP OF:

7 H.R. 6511, STRATEGIC PETROLEUM RESERVE REFORM ACT

8 THURSDAY, SEPTEMBER 6, 2018

9 House of Representatives

10 Subcommittee on Energy

11 Committee on Energy and Commerce

12 Washington, D.C.

13

14

15

16 The subcommittee met, pursuant to call, at 1:00 p.m., in
17 Room 2322 Rayburn House Office Building, Hon. Fred Upton [chairman
18 of the subcommittee] presiding.

19 Members present: Representatives Upton, Olson, Barton,
20 Shimkus, Latta, McKinley, Kinzinger, Johnson, Bucshon, Flores,
21 Hudson, Walberg, Duncan, Walden (ex officio), Rush, McNerney,
22 Peters, Green, Doyle, Welch, Tonko, Loeb sack, Kennedy, and

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23 Pallone (ex officio).

24 Staff present: Samantha Bopp, Staff Assistant; Kelly
25 Collins, Legislative Clerk, Energy/Environment; Jerry Couri,
26 Chief Environmental Advisor; Wyatt Ellertson, Professional
27 Staff, Energy/Environment; Margaret Tucker Fogarty, Staff
28 Assistant; Jordan Haverly, Policy Coordinator, Environment;
29 Mary Martin, Chief Counsel, Energy/Environment; Sarah Matthews,
30 Press Secretary, Energy & Environment; Drew McDowell, Executive
31 Assistant; Brandon Mooney, Deputy Chief Counsel, Energy; Brannon
32 Rains, Staff Assistant; Mark Ratner, Policy Coordinator; Peter
33 Spencer, Professional Staff Member, Energy; Austin Stonebraker,
34 Press Assistant; Madeline Vey, Policy Coordinator, Digital
35 Commerce and Consumer Protection; Hamlin Wade, Special Advisor,
36 External Affairs; Everett Winnick, Director of Information
37 Technology; Andy Zach, Senior Professional Staff Member,
38 Environment; Tiffany Guarascio, Minority Deputy Staff Director
39 and Chief Health Advisor; Rick Kessler, Minority Senior Advisor
40 and Staff Director, Energy and Environment; John Marshall,
41 Minority Policy Coordinator; Alexander Ratner, Minority Policy
42 Analyst; Tuley Wright, Minority Energy and Environment Policy
43 Advisor; and C.J. Young, Minority Press Secretary.

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44 Mr. <Upton.= So good afternoon, everybody.

45 So I called this meeting of the Subcommittee on Energy to
46 markup H.R. 6511, the Strategic Petroleum Reserve Reform Act.

47

48 [The Bill H.R. 6511 follows:]

49

50 *****INSERT*****

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51 Mr. <Upton.= The bill authorizes the Department of Energy
52 to conduct a pilot program to lease fair capacity at the Strategic
53 Petroleum Reserve, which will become available in greater amounts
54 under current legislatively mandated draw downs of the reserve.

55 You'll remember that Congress authorized the creation of
56 the Strategic Petroleum Reserve 40 years ago in response to the
57 Arab oil embargo to mitigate threats of energy supply disruptions,
58 and at the time, our domestic production was in decline and we
59 were becoming more and more reliant on imports, increasing our
60 vulnerability to supply disruptions and associated price spikes.

61 Today, the U.S. is the world's number-one producer of oil
62 and gas and our imports have declined by about 70 percent since
63 peaking in 2005 and our domestic production capacity continues
64 to surge, raising important questions about the role of the
65 reserve, going forward.

66 So as we heard in testimony in the legislative hearing for
67 the bill in July, even with America's energy abundance, the SPRO
68 remains a critical energy security asset.

69 It continues to serve as an important tool for protecting
70 our long-term economic interests and to meet our obligations to
71 our energy allies around the globe, and because Congress has
72 mandated DOE to draw down and sell approximately 300 million

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73 barrels of crude oil over the next decade--you'll recall 21st
74 Century Cures as one of the reasons--we must confront what to
75 do with the spare capacity that will become available.

76 The bill provides a sensible innovative solution that
77 authorizes DOE to conduct a pilot program to make necessary
78 upgrades and lease up to 200 million barrels of the under-utilized
79 capacity that will become available with the draw downs.

80 The bill amends Section 168 of the Energy Policy and
81 Conservation Act to allow the secretary to lease under-utilized
82 capacity to the private sector as well as foreign governments.

83 It ensures that costs for upgrades will be covered in lease
84 revenue and it includes protections to ensure that any lease to
85 a foreign country will not impair national security and that any
86 lease will not impair the Strategic Reserve operations.

87 So using excess storage capacity through a leasing program
88 is certainly an innovative idea. It should be a win-win for the
89 federal government.

90 At a minimum, DOE may be able to offset some of the
91 maintenance costs and invest in new infrastructure that will
92 ensure the long-term operations of the SPRO.

93 Let me acknowledge and thank especially Committee Vice Chair
94 Barton, Subcommittee Ranking Member Bush--Rush for partnering

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95 on the bill. Their effort here represents an important step to
96 modernizing DOE's--I knew that would get you here--DOE's
97 long-term energy security mission.

98 It's an important bipartisan measure and I would urge all
99 of my colleagues to support it, and will recognize the ranking
100 member of the subcommittee, Mr. Rush, for an opening statement.

101 Mr. <Rush.= That's Rush, Mr.--

102 Mr. <Upton.= It's that tie of yours.

103 Mr. <Rush.= I want to thank you, Mr. Chairman, for this
104 hearing today--markup, rather--examining legislation to
105 authorize a pilot project to commercialize the Strategic
106 Petroleum Reserve, or SPRO.

107 And, Mr. Chairman, I don't know--I can't say enough about
108 my friend, Joe Barton, my colleague. I want to certainly thank
109 him and his staff for working with my office on this important
110 piece of bipartisan legislation.

111 Mr. Chairman, I just want to--I just want to say that Joe
112 Barton and I come from different sides of the country, so to speak.

113

114 But we have, over the years, developed a wonderful working
115 relationship and a friendship, and it really has given me quite
116 pleasure just to be able to work with him on this legislation--this

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117 bipartisan piece of legislation and it may be a precursor for
118 other kind of bipartisan initiatives that we may be able to work
119 together on in the future.

120 I want to commend the staff, Mr. Chairman, from the minority
121 and the majority side for working together on this bill, which
122 should help inform our decisions regarding the best use of the
123 SPRO, moving forward.

124 The energy portfolio of the nation has undergone a dramatic
125 change since the SPRO was first established to counter the oil
126 shortages of the '70s.

127 In fact, as the U.S. has transformed from a heavy importer
128 of foreign oil to a global leader in oil exports, the SPRO is
129 now used more as a piggy bank to fund a vast majority of unrelated
130 congressional initiatives rather than its purpose initially as
131 an emergency energy backstop.

132 Mr. Chairman, this bill would not only help to repurpose
133 the SPRO but it would also actually bring in extra needed revenues
134 by leasing storage space to friendly foreign allies and to private
135 corporations.

136 This funding could then be used to help pay for
137 infrastructure upgrades to modernize these facilities and
138 maximize the American taxpayers' return on this investment.

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139 Mr. Chairman, I again want to thank you for holding this
140 markup today and I want to say that I look forward to working
141 with you and working with my friend, Joe Barton, and the majority
142 side to move this bill expeditiously through the committee to
143 the floor and, ultimately, to the president to sign--to sign the
144 law.

145 I yield back.

146 Mr. <Upton.= Thank you, Mr. Rush.

147 I would note that we have a bill on the House floor that
148 a number of members are helping to manage. So with that, I know
149 the gentleman from Texas wants to be recognized for one minute
150 for an opening statement.

151 Mr. Barton.

152 Mr. <Barton.= One minute or three minutes?

153 Mr. <Upton.= I'll let you--I'll--

154 Mr. <Barton.= How about we compromise on two, Mr. Chairman?

155 Mr. <Upton.= Unanimous consent, the gentleman has two
156 minutes.

157 Mr. <Barton.= Thank you. I'll try to take every second
158 of it.

159 First, I want to thank you, Mr. Chairman and Mr. Rush, for
160 scheduling this markup. I want to thank Congressman Rush for

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161 being the Democrat sponsor of the bill.

162 It's a good thing that I didn't know him when I was younger.

163 I probably would have been recruited and been the only white
164 Panther member of the Black Panther Party, had I known him in
165 my younger days.

166 But we make a good team. This is a good bill. The Strategic
167 Petroleum Reserve was created when we were importing around 10
168 to 11 million barrels of oil a day. It's an aftermath of the
169 Arab oil embargo.

170 It's authorized up to a billion barrels of storage. We
171 actually have constructed about 700 million barrels. We had
172 several days in August where we actually exported more crude oil,
173 Mr. Chairman, than we imported.

174 That's pretty amazing. The consequence is with our increase
175 in oil production we now don't really need 1 billion barrels of
176 oil capacity in our Strategic Petroleum Reserve.

177 So the question is what do you do with it, and the answer
178 in this bill is we open up the vacant space--the unused
179 capacity--for lease to the private sector.

180 It's not mandatory. We don't force them to use it. It's
181 on a voluntary basis, and I can report to the subcommittee, Mr.
182 Chairman, that in my visits with some of the oil industry

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183 leadership in Texas during the August break they are very
184 intrigued with the idea.

185 Above-ground storage to build tank storage costs about 50
186 cents a barrel and we are fairly certain that if we lease the
187 SPR that's already available it'll be much less than that.

188 So it's truly a win-win--a win for the American taxpayer
189 and a win for the American consumer.

190 So with that, I appreciate you marking the bill up today
191 and I hope it passes unanimously.

192 Mr. <Upton.= The gentleman yields back.

193 Other members wishing to give an opening statement?

194 The gentleman from California, Mr. McNerney.

195 Mr. <McNerney.= I thank the chairman.

196 Mr. Chairman, I am in favor of this bipartisan proposal
197 that's being offered by Mr. Barton and Mr. Rush.

198 The SPR should be modernized, given all the changes that
199 are taking place that impact it. I am especially in favor of
200 proposals for allies to use this as an option to meet their
201 international obligations.

202 Repeated draw downs, however, will have an effect on the
203 salt caverns and we must be mindful of the degradation that may
204 occur. This is a sound legislative proposal addressing these

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205 issues.

206 We should also be discussing whether regional product
207 reserves such as gasoline should be a part of the conversation.

208

209 Whether it's in the Northeast, the Midwest, or the West
210 coast, there are natural disasters or other occasions where these
211 reserves could support resiliency efforts.

212 I recognize that this has a cost and we should work on a
213 bipartisan basis to find this--to accomplish this, and I welcome
214 any bipartisan cooperation that may be available.

215 With that, I'll yield back.

216 Mr. <Upton.= The gentleman yields back his time.

217 The--other members wishing to offer an opening statement?

218 Seeing none, the chair will call up H.R. 6511 and ask the
219 clerk to report.

220 The <Clerk.= H.R. 6511, to authorize the secretary of energy
221 to carry out a program to lease under utilized Strategic Petroleum
222 Reserve facilities and for other purposes.

223 Mr. <Upton.= Without objection, the first reading of the
224 bill is dispensed with and the bill will be open for amendment
225 at any point. So ordered.

226 Are there any bipartisan amendments to the bill?

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227 Seeing none, are there any other amendments?

228 That's good news. The question now occurs on forwarding
229 the bill, H.R. 6511, to the full committee.

230 All those in favor will say aye.

231 Those opposed say no.

232 In the opinion of the chair, the ayes have it and the bill
233 is agreed to.

234 And without objection, staff is authorized to make technical
235 and conforming changes to the legislation approved by the
236 subcommittee. So ordered.

237 And without objection, the subcommittee stands adjourned.

238

239 [Whereupon, at 1:53 p.m., the committee was adjourned.]