

ONE HUNDRED SEVENTEENTH CONGRESS

# Congress of the United States

## House of Representatives

### COMMITTEE ON ENERGY AND COMMERCE

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June 2, 2022

The Honorable Jennifer Granholm  
Secretary of Energy  
U.S. Department of Energy  
1000 Independence Avenue, Southwest  
Washington, D.C. 20585

Dear Secretary Granholm:

We write to request information related to the Department of Energy's (DOE) management of the Strategic Petroleum Reserve (SPR) and the Northeast Home Heating Oil Reserve (NEHHOR). We are concerned that DOE is rapidly depleting the nation's petroleum reserves ahead of elections in November, while failing to establish long-term plans for the optimal size, configuration, maintenance, and operational capabilities of the reserves.

We are concerned that the SPR and NEHHOR may have difficulty meeting their energy security missions under your leadership. The SPR inventory has dropped to the lowest level since 1987, and President Biden is now reportedly considering additional drawdowns from NEHHOR.<sup>1</sup> At the current pace, the SPR inventory will decline from its peak capacity of 727 million barrels to approximately 130 million barrels by 2031. NEHHOR, which currently contains only 1 million barrels of diesel fuel, could be liquidated in a matter of days. At the same time, China is rapidly strengthening energy ties with Russia and expanding its own strategic petroleum reserves with cheap Russian oil.

The SPR was established by Congress as a response to the petroleum supply shortages associated with the Organization of Arab Petroleum Exporting Countries (OPEC) oil trade embargo in 1973 and 1974. The Energy Policy and Conservation Act of 1975 (EPCA) authorized the SPR to reduce the impact of disruptions in supplies of petroleum products and to carry out U.S. obligations under the 1974 Agreement on an International Energy Program (IEA). EPCA authorizes the President to draw down the SPR upon finding that there is a "severe supply interruption."

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<sup>1</sup> Hunnicutt, Trevor. "White House considers tapping emergency diesel reserve to ease supply crunch." *Reuters*, 23 May 2022. <https://www.reuters.com/markets/commodities/white-house-readies-diesel-supply-actions-if-needed-2022-05-23/>

NEHHOR was established by Congress in 2000 to provide homes and businesses in the northeastern United States with protection from short-term supply interruptions of fuel oil for home heating. As with the SPR, the President must also find under EPCA that a “severe supply interruption” exists before selling products from NEHHOR.

As you are aware, the Biden Administration recently announced the largest SPR drawdown in history, with plans to release up to 260 million barrels of crude oil from the SPR from October 2021 through October 2022. Prior to President Biden’s term in office, there had been only three emergency SPR releases: Operation Desert Storm in 1991, Hurricane Katrina in 2005, and the Libya oil supply disruption in 2011. These prior emergency SPR releases resulted in sales ranging from 11 million barrels to 30.6 million barrels. President Biden is also reportedly considering a drawdown of NEHHOR, which has only been used once, in 2012, in the wake of Hurricane Sandy.

U.S. and global product flows and markets have changed dramatically since the SPR was established in the 1970s. In 2015, in response to these changes, Congress required DOE to complete a long-term strategic review of the SPR and authorized an investment of up to \$2 billion to conduct an SPR modernization program. Congress also authorized a series of drawdowns totaling approximately 380 million barrels between 2017 and 2031.

It is imperative that DOE maintain the nation’s petroleum reserves in a manner that does not limit our ability to prevent or reduce the adverse impacts of true energy supply shortages. Even while the United States is a net exporter of crude oil and petroleum products, the SPR must maintain sufficient inventory and operational capabilities to mitigate potential interruptions, such as those that occurred in recent years following hurricanes in the Gulf of Mexico. This is critical for America’s energy security and national security.

The Biden administration is depleting the nation’s petroleum reserves, while allowing OPEC, Russia, and China to gain geopolitical leverage over the United States. As you know, in November 2021, President Biden announced a 50-million-barrel release from the SPR that was supposed to be in tandem with other importing countries, including China.<sup>2</sup> In reality, China ramped up its purchases of crude oil from Russia and the United States to boost its own reserves, even as oil prices surged and President Biden called for a coordinated release.<sup>3</sup> China is reportedly in talks with Russia to buy even more oil for its strategic reserves, while the United States and the E.U. pledged to ban Russian imports.<sup>4</sup> As a result, China may now control the world’s largest stockpile of oil, with total crude inventories estimated at 950 million barrels.

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<sup>2</sup> The White House, Briefing Room. (23 November 2021). President Biden Announces Release from the Strategic Petroleum Reserve As Part of Ongoing Efforts to Lower Prices and Address Lack of Supply Around the World.

<sup>3</sup> Aizhu, Chen. “China boosts oil reserves, ignoring U.S. push for global release.” *Reuters*, 27 February 2022. <https://www.reuters.com/business/energy/exclusive-china-boosts-oil-reserves-ignoring-us-push-global-release-2022-02-25/>

<sup>4</sup> Kitanaka, Anna. “China in Talks with Russia to Buy Oil for Strategic Reserves.” *Bloomberg*, 19 May 2022. <https://www.bloomberg.com/news/articles/2022-05-19/china-in-talks-with-russia-to-buy-oil-for-strategic-reserves>

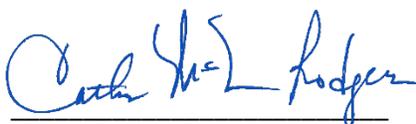
Given the significant taxpayer investments in the SPR and NEHHOR, and the need for Congress to evaluate DOE's performance of its statutory responsibilities, we request that you respond to the following by June 16, 2022.

1. Energy prices have been steadily rising prior to Russia's invasion of Ukraine. Despite President Biden's announcement of the largest SPR drawdown in history, gasoline prices continue to surpass record highs with the national average now \$4.60 per gallon.
  - a. What effect have the recent SPR releases had on U.S. gasoline prices?
2. The SPR was once the largest government owned stockpile of oil in the world; however, at the current rate of releases, it could be nearly depleted within the decade. Meanwhile, Asia's biggest importers – China, India, Japan, and South Korea – have expanded their SPR capacity.
  - a. Please provide an assessment of global strategic petroleum reserves and stockholding agreements.
  - b. Which non-IEA (International Energy Agency) member countries maintain the largest petroleum reserves?
3. It has been reported that China is purchasing crude oil from the SPR to build its own strategic stocks.
  - a. How many barrels of SPR crude oil have been exported to foreign countries?
  - b. Which countries are the top buyers of SPR crude oil and how much have they purchased?
4. Has DOE identified the optimal size and operational capabilities of the SPR and NEHHOR? If so, please provide that information. If not, please explain why this has not been done.
5. What are the plans to refill the SPR? And NEHHOR?
6. What are the conditions of the SPR and NEHHOR caverns and facilities?
7. What is the status of the Congressionally authorized SPR Modernization Program?
8. Has DOE developed a plan to execute the congressionally directed SPR sales in combination with the emergency sales announced by the Biden Administration? If so, please explain that plan.
9. How was it determined that the SPR sales announced by the Biden Administration would occur through October 2022?

10. In November 2021, President Biden announced a 50-million-barrel release from the SPR, supposedly in tandem with other major energy consuming nations, including China, India, Japan, Republic of Korea, and the United Kingdom.
- a. How has China's refusal to cooperate reduced the impact of the coordinated release?
11. On May 5, 2022, DOE announced a long-term replenishment plan for the SPR. The announcement stated that the buyback process will begin with a call for bids to repurchase a third of the 180 million barrels released as part of President Biden's plan to mitigate the adverse political effects of record high gasoline prices. As part of the buy back plan, DOE announced it would modify its regulations to allow for a competitive, fixed-price bid process as an alternative to the index-pricing that is traditionally used.
- a. Will the intended rulemaking process be complete before the planned solicitation in the Fall of 2022?
  - b. DOE's SPR buyback plan announcement references 180 million barrels; however, the current plan includes selling 190 million barrels under emergency authorities. Is it DOE's intent to purchase 190 million barrels to replenish the reserve?
  - c. Does DOE believe it has the authority to issue a regulation that allows for fixed-price bids without explicit congressional authorization? If so, please explain.
12. As you know, there are several congressionally mandated SPR sales that are required. Between fiscal year 2023 and 2027, 173 million additional barrels are scheduled to be sold. Has DOE considered re-programming sales proceeds from the emergency sales to pay for the planned mandatory sales? If so, please explain.

We look forward to your prompt responses to these inquiries. Please have your staff work with our Minority Committee staff to address any questions about complying with this request.

Sincerely,



Cathy McMorris Rodgers  
Republican Leader  
Committee on Energy and Commerce



Fred Upton  
Republican Leader  
Subcommittee on Energy