



Written by [Bob Adelman](#) on March 15, 2020

Trump to Top Off the Tank by Replenishing Oil Reserves While Prices Are Low

During his press conference in the Rose Garden on Friday President Donald Trump [promised](#) to fill the U.S. Strategic Petroleum Reserve, or SPR, “right up to the top, saving the American taxpayer billions and billions of dollars, helping our oil industry, [and furthering] that wonderful goal — which we’ve achieved, which nobody thought was possible — of energy independence.”

The SPR is the world’s largest reserve of crude oil, with a capacity of more than 700 million barrels stored in salt caverns along the Texas and Louisiana coasts. It was created back when the United States was vulnerable to foreign interference, which vulnerability was exposed during the 1973-1974 oil embargo.



It currently holds about 635 million barrels, and the president’s order to “top it off” will take some 430,000 barrels every day off the world oil markets for the next six months.

Oil prices have been pummeled thanks not only to the perceived threat that the COVID 19/coronavirus will cut worldwide demand but to the faceoff between Saudi Arabia and Russia following the OPEC cartel’s failure to enforce its production cuts. To punish Russia, the Saudi Arabian oil company Aramco not only cut its prices to its customers but also ramped up production to close to its maximum of 13 million barrels per day. With the market already well supplied, prices dropped precipitously, from over \$53 a barrel (for West Texas Intermediate, or WTI) on February 20 to \$31 a barrel on Monday, March 9. That drop of more than 40 percent was arrested with the president’s announcement and WTI crude oil jumped two dollars a barrel, closing the week on Friday at \$33 a barrel.

When completely replenished, the SPR represents more than a month of oil supply to U.S. consumers. When private reserves are included, there will enough inventory to supply the U.S. market for four months if all other sources were shut down.

The move was viewed by analysts as a master stroke by the president. As Bob McNally, founder of Rapidan Energy Group, noted, “While filling the SPR will not materially offset the tidal wave of new supply hitting the global oil market, it makes total sense from a national security and budgetary perspective. Better to buy low and before an emergency than the other way around.”

It also sends a message to the faltering OPEC cartel and its “non-member” Russia that (as reflected by their internal squabbles) the cartel no longer dictates energy policy to the world the way it did during the oil embargo. In addition to Trump’s celebration of the U.S.’s oil independence, it reflected prudence to put some extra reserves away for a rainy day, and it told the U.S. energy industry including especially the non-conventional oil producers (i.e., frackers) that the president “has their back.”



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The overall message of the day was one more example showing that the president seeks to put America first.

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