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FACT SHEET: President Biden to Announce New Actions to Strengthen U.S. Energy Security, Encourage Production, and Bring Down Costs

President Biden is committed to doing everything in his power to respond to Putin's Price Hike at the pump, and he is delivering. Gas prices fell at the fastest rate in over a decade this summer, with average prices down by about \$1.15 per gallon since their peak in June – and just about 30 cents above levels on February 24, when the war in Ukraine began. In fact, gas prices have fallen 15 out of the last 18 weeks. According to an industry analyst, the most common price across the country today is \$3.39.

President Biden is directing his Administration to take additional action to strengthen energy security, address the supply crunch, and lower costs.

First, the Department of Energy (DOE) is issuing a Notice of Sale tomorrow morning for 15 million barrels from the Strategic Petroleum Reserve (SPR) to be delivered in December. This sale will complete the historic, 180-million-barrel drawdown the President announced in the spring, which has helped to stabilize crude oil markets and reduce prices at the pump. The President is also calling on DOE to be ready to move forward with additional significant SPR sales this winter if needed due to Russian or other actions disrupting global markets.

Second, the President is announcing that the Administration intends to repurchase crude oil for the SPR when prices are at or below about \$67-\$72 per barrel, adding to global demand when prices are around that range. As part of its commitment to ensure replenishment of the SPR, the DOE is finalizing a rule that will allow it to enter fixed price contracts through a competitive bid process for product delivered at a future date. This repurchase approach will protect taxpayers and help create certainty around future demand for crude oil. That will encourage firms to invest in production right now, helping to improve U.S. energy security and bring down energy prices that have been driven up by Putin's war in Ukraine.

Third, the President is calling on companies to pass through lower energy costs to consumers right away. The profit that energy refining companies are now capturing on every gallon of

gasoline is about double what it typically is at this time of year, and the retailer margin over the refinery price is more than 40 percent above the typical level. These outsized industry profit margins – adding more than \$0.60 to the average price of a gallon of gas – have kept pump prices higher than they should be. Keeping prices high even as input costs fall is unacceptable, and the President will call on companies to pass their savings through to consumers – now.

Continuing to Use the SPR to Advance U.S. Energy Security

In March, following Putin's further invasion of Ukraine, the President authorized the largest-ever release from the SPR and secured historic coordination with allies and partners to release crude oil from their reserves as well. Treasury Department economists estimate that these releases, along with coordinated releases from international partners, have reduced gas prices by as much as about \$0.40 per gallon, compared to what they otherwise would have been. Average U.S. gas prices have declined by more than a dollar per gallon from their peak earlier this year.

Global crude oil supply flows remain a challenge, due in large part to the ongoing instability caused by Russia's actions in Ukraine. To help stabilize markets and shore up supply in the face of these challenges, DOE will sell 15 million barrels from the SPR for delivery in December, issuing the Notice of Sale for these barrels in the morning. The sale, which completes the 180 million barrels the President authorized in the spring, will add about 500K barrels per day of supply onto the market in December, providing continued supply certainty and some price relief.

The U.S. SPR remains the largest strategic reserve in the world with about 400 million barrels remaining, which is greater than the amount of any SPR release in U.S. history. Even as DOE executes on the plan to refill the SPR to previous levels in coming years, the SPR remains more than ready to respond to energy security needs today.

The President is prepared to authorize significant additional sales in coming months if conditions require. DOE will be prepared to act quickly to inject additional supply into the market if needed, and the Administration will not hesitate to use this tool, or the others at its disposal, to shore up the global supply of energy, support domestic inventory levels, and bring prices down for Americans.

Using SPR Repurchases to Encourage Increases in Near-Term Production

The Administration is committed to replenishing the SPR, which is an important national

security asset, so it can continue to serve its purpose well into the future. And, it is committed to doing so in a way that protects taxpayer interests, avoids putting upward pressure on prices in the near term, and encourages more production right now by providing certainty about repurchases in the future.

U.S. oil production is almost 12 million barrels per day. By the end of this year, it will be up by about one million barrels per day compared to when President Biden took office, and it is on track to reach a new annual high in 2023. However, a number of industry participants have suggested that, even with today's high prices, they are concerned about investing in production when prices could fall in the future.

The Administration is announcing its intent to use SPR repurchases to add to global crude oil demand at times when the price of West Texas Intermediate (WTI) crude oil is at or below about \$67 to \$72 per barrel. This will protect taxpayer interests because the SPR will be repurchasing at a lower price than recent sales, potentially allowing it to repurchase more oil than it released with sale proceeds. It will also help address producer concerns about uncertain demand in future years, encouraging immediate investment.

DOE has finalized a first-of-its-kind rule that enables it to enter into fixed-price contracts with suppliers, through a competitive bid process, to repurchase oil for future delivery windows. This new authority will shore up demand for oil when supply is less uncertain and prices are anticipated to be lower. For example, if the market were to price barrels for delivery in mid-2024 at \$70, the new rule allows DOE to enter into a contract now for mid-2024 delivery of oil at, around or lower than that price. DOE plans to use this authority to enter into contracts to repurchase oil for the SPR, targeting a price of about \$67 to \$72 per barrel or lower, with initial repurchases being delivered in 2024 or 2025. In addition, DOE is prepared to undertake additional SPR repurchases at times when the price of oil for current delivery drops to about \$67 to \$72 per barrel or lower, supplementing its future fixed-price contracts as appropriate.

This approach is a win for taxpayers – refilling the SPR at a lower price compared to the barrels sold. And it is a win for energy security – giving producers who enter into the contracts more certainty of continued oil demand to inform investment decisions today, thereby spurring needed increases in production at a time when Putin's war continues to disrupt global energy markets.

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