

Our View: Tapping the SPR Will Not “Tame” Gasoline Prices

Philip Verleger
April 15, 2024

Analyst Vikas Dwivedi of the Macquarie Group told Bloomberg today that the US government would need to tap its Strategic Petroleum Reserve (SPR) to “tame” gasoline prices.

“The government will have to release oil from the SPR with a lot of aggressiveness to tame prices,” Dwivedi said in a phone interview. “There are not many tools available and this is one of the most effective.”¹

Dwivedi does not understand the oil market and has not looked at the data. In 2022, major countries tapped their strategic reserves in a big way after Russia invaded Ukraine. The release eventually depressed crude oil prices but did nothing to lower gasoline prices. Refiners such as Valero, Phillips 66, and Marathon Petroleum saw profits surge. Refiners and marketers captured the benefits.

A crude oil strategic stock release this summer would have the same impact.

Dwivedi and others following oil repeatedly assert that gasoline prices will be an important factor in the coming election, as they have been in previous years. These individuals are living in the past. In the coming contest, the abortion issue will dominate all others. In addition, the cost of weight-loss drugs will become important. Those focused on oil have failed to notice the latter issue. They likely are ignorant of the fact that many consumers spend far more on these prescriptions than gasoline. Indeed, by 2030, total spending on weight-reduction pharmaceuticals will eclipse spending at the pump.

¹ Lucia Kassai, “Biden Likely to Tap Oil Reserve for Summer Demand, Macquarie Says,” Bloomberg, April 15, 2024 [<https://tinyurl.com/2dyva5nf>].