Our View: An SPR Release and Oil Market Intervention Would Work Wonders for the US Economy

Philip Verleger, November 11, 2021

Several well-known and good reporters have written that a release of US strategic oil reserves would have little effect on the oil market. They are wrong—dead wrong. A well-structured sale by the United States would significantly lower prices, including those at US pumps.

The reporters cite analysts and consultants as their sources. Sadly, those individuals have been brainwashed by the major oil companies. For almost fifty years, these companies have done everything to sabotage the emergency energy system.

For example, many cite the failed coordinated intervention in the market in June 2011. These critics fail to note that European strategic stocks were not released because major oil companies owned them. Companies such as BP had no reason to release reserves. They knew they would be required by law to replenish the oil to mandated levels. Further, they knew that selling would depress their profits.

The US is one of the few countries where the government owns all the oil. It holds enough to add a million barrels per day to the market for over a year. By invoking the International Emergency Economic Powers Act, the president can almost certainly overcome any limits on the amounts sold. He can also invoke other legislation to constrain how much product or crude gets exported.

The actions would have a measurable effect on US gasoline prices.

Some suggest a release would disrupt the world oil market, apparently believing the market is competitive. Oil-exporting countries, "the oil cartel," could respond to a price rise by selling more oil.

The facts reporters and consultants choose to ignore make it clear that President Biden can act. The question is will he do so?