

## BIDEN'S POP GUN

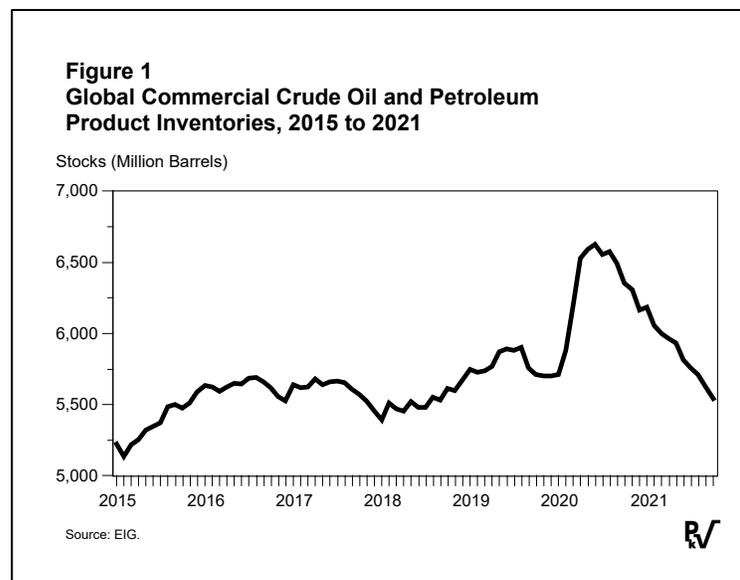
Energy departments across the globe have been populated by the dullest and dumbest for fifty years. Good lawyers seek employment at departments of state if they want to work in government. Good economists seek employment at central banks, treasury departments, or competition authorities or choose the private sector or universities. Only those who cannot find work elsewhere take jobs at energy departments or the International Energy Agency.

For this reason, efforts to use strategic oil stocks always fail. The announcement made today by the White House is no different. Commercial petroleum inventories have been drained over the past two years by OPEC+ production cuts, as Figure 1 shows.

The global stock reduction pushed up prices, as expected. Figure 2 (page 2) illustrates the link between the worldwide stock level and Brent prices, showing monthly observations from 2015 to 2021.

With this background, the Biden administration and some other governments chose to do an **exchange**, as the White House press release explains:

32 million barrels will be an exchange over the next several months, releasing oil that will eventually return to the Strategic Petroleum Reserve in the years ahead. The exchange is a tool matched to today's specific economic environment, where markets expect future oil prices to be lower than they are today, and helps provide relief to Americans immediately and bridge to that period of expected lower oil prices. The



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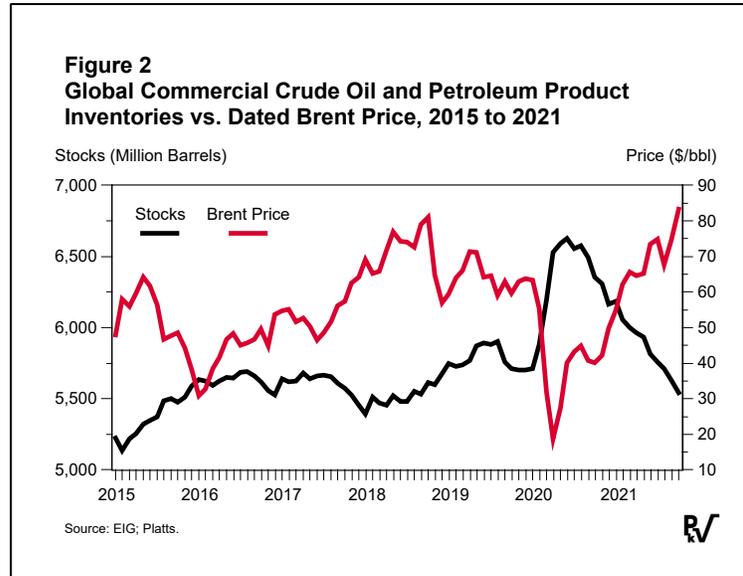
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exchange also automatically provides for re-stocking of the Strategic Petroleum Reserve over time to meet future needs.<sup>1</sup>

Contrary to what the idiots who wrote the release claim, the transaction will have no price impact. Commercial firms globally needed the opportunity to **buy** oil to replenish their stocks. They did not need a **loan** from their friendly DOE officials.



Like his predecessor Jimmy Carter, Biden has done everything to push crude prices higher after talking a great game. Oil producers today have nothing to fear.

<sup>1</sup> "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," White House Briefing Room, November 23, 2021 [<https://tinyurl.com/tfjdx43k>].