US SPR’s international role

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Overview

- Context
- Structure & function
- Possible reforms
- Role in global system
US stock levels

Total Stocks* in United States at end Jan 2015

**Industry**

- Crude Oil: 36%
- NGL & Feedstocks: 12%
- Other products: 14%
- Motor Gasoline: 20%
- Middle Distillates: 15%
- Residual Fuel Oil: 3%

**Public**

- Crude Oil: 100%
- Other products: 0%

1 205.4 mb

692.0 mb

*“Stocks on National Territory”, as in OMR Table 5. These exclude utility stocks and including pipeline and entrepot stocks where known.*
Stockholding in IEA Regions

IEA Total Oil Stocks at end January 2015

**Million Barrels**

**IEA North America**
- Public: 691 million barrels
- Industry: 710 million barrels

**IEA Europe**
- Public: 215 million barrels
- Industry: 369 million barrels

**IEA Pacific**
- Public: 385 million barrels
- Industry: 217 million barrels

Total IEA Stocks = 4.1 billion barrels
**SPR Model Relatively Unique in IEA**

Different Stockholding Structures in IEA Countries

- **Government**
  - Czech Republic
  - New Zealand
  - USA
  - Japan
  - Korea
  - Poland

- **Industry obligation**
  - Luxembourg
  - Greece
  - Italy
  - Norway
  - Sweden
  - Turkey
  - UK

- **Agency**
  - Austria
  - Belgium
  - Denmark
  - Netherlands
  - Portugal
  - Switzerland
  - Finland
  - France
  - Spain
  - Estonia
  - Germany
  - Hungary
  - Ireland
  - Poland
  - Slovak Republic

**Commercial & operational stocks**
Structure & function

• SPR was set up to be an important insurance policy for US economy in event of serious oil supply disruptions

• Retains this function but the subsequent evolution of oil market since its creation means that the SPR’s structure might need also to evolve

• Welcome the Quadrennial Review and last year’s test sale as clear demonstration of commitment to ensure that the SPR can continue to fulfil this role

• IEA has previously encouraged the SPR to hold product stocks near key demand centers
Possible Reforms

- Welcome broader view of energy security that aligns with IEA perspective
- Support more flexible wording in EPCA for global disruptions and anticipatory action
  - But price of itself alone cannot be a trigger for an SPR release – should be clear link to actual or anticipated physical disruption
- Regard recommendation on optimizing SPR emergency response capability as business as usual to ensure it continues to be effective as possible
- Support analysis for regional product reserves with integrated release authorization
Role in Global Energy Security

- US & SPR part of global oil security system coordinated by the IEA
  - Discourage use of oil supply disruption as political weapon – clear IEP aim & has arguably discouraged producers doing so
  - Prevent economic harm - mitigate impact of oil supply disruptions on economic activity for IEA member countries collectively & individually

- Only 3 IEA coordinated actions to release emergency stocks:
  - 1991 – Iraqi invasion of Kuwait
  - 2005 – Hurricanes Katrina & Rita
  - 2011 – Libya Collective Action

- But will this system remain effective?
More Need for Global Cooperation

- Growing non-OECD oil demand results in less global demand cover from IEA emergency oil stocks
- Need to cooperate with others to maintain effectiveness of oil emergency response policies
- US SPR can share expertise with new SPRs being developed in China, India & others