



COMMITTEE ON  
**ENERGY & COMMERCE**  
DEMOCRATS  
RANKING MEMBER FRANK PALLONE, JR.

**FOR IMMEDIATE RELEASE**

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## **Pallone Remarks at Strategic Petroleum Reserve Hearing**

**Washington, D.C.** – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at a Subcommittee on Energy hearing on “DOE Modernization: Legislation to Authorize a Pilot Project to Commercialize the Strategic Petroleum Reserve.”*

Today, we will be discussing bipartisan draft legislation on the future of the Strategic Petroleum Reserve.

In December, 2016, then-Chairman Upton and I wrote the Government Accountability Office requesting GAO to review the Strategic Petroleum Reserve as it is currently configured. We asked whether there might be more cost-effective options for protecting against supply shocks and for meeting our international obligations. Most other countries have used contracts with private companies to address these matters, so it is fair to ask whether there might be more efficient and effective ways for us to address our energy security needs in this area.

There were a number of reasons why I thought this request to GAO was particularly important in 2016. First, former Energy Secretary Moniz had laid out one vision for modernization of the SPR in the Quadrennial Energy Review that the Obama Administration released in 2015. As part of that vision, Secretary Moniz suggested the establishment of more regional refined product reserves, like the Northeast Home Heating Oil and Gasoline Supply Reserves.

Second, at the end of 2015, Congress lifted the 40-year-old ban on crude oil exports. This was done at a time when we were seeing a radical alteration of the transportation fuels landscape – supply was increasing, demand was decreasing, and we were seeing a rise in electric vehicles.

Third, beginning in 2015, Congress has turned to the SPR repeatedly as an offset for deficits, highways and other items. In fact, it has been used far more in recent years for those purposes than for energy security. And recently, the Trump Administration has even been sending signals that it is seriously considering releasing oil from the reserve for the express purpose of lowering gas prices to help Republicans heading into the mid-term elections.

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When you get to the point where an administration is publicly discussing using the SPR for blatantly political purposes, then it is certainly a good time to discuss the future of the reserve.

This discussion is also timely now since we are already requiring the sale of so much oil for non-energy reasons, which will free up a great deal of physical space in the reserve. We need to consider ways to ensure taxpayers continue to receive value for the salt dome storage caverns and associated facilities that comprise the crude reserve if they are not being used to store oil.

The draft legislation that Vice Chairman Barton and Ranking Member Rush are championing is an important first step in realizing that goal. The draft bill would facilitate the leasing of unused storage space in the reserve, while attempting to ensure the government and taxpayers benefit from those leases. That's important, no matter what the future has in store. If we elect to keep the SPR in its current form, the Energy Department will need to repair and upgrade facilities to keep them useful. And, if we elect to create regional reserves either in addition to or in place of the SPR, we will still need to fund those regional reserves. This bill will help bring in the revenue we need to do that.

There are still questions that need to be answered about this proposal. I want to make sure that the taxpayers see meaningful return on the investment we've made in the SPR. And, I want to ensure that the government isn't left holding the bag for environmental liability costs, while private industry gets all the benefits of a leasing arrangement. As long as we can get assurances on these two key points, I think moving forward with this pilot project makes sense.

Thank you, I yield back.

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