



H.R. 6578– TO PROVIDE FOR THE SALE OF LIGHT GRADE PETROLEUM FROM THE STRATEGIC PETROLEUM RESERVE AND ITS REPLACEMENT WITH HEAVY GRADE PETROLEUM

FLOOR SITUATION

H.R. 6578 is being considered on the floor under suspension of the rules and will require a two-thirds majority vote for passage. This legislation was introduced by Representative Nick Lampson (D-TX) on July 23, 2008. The resolution was referred to the House Committee on Energy and Commerce, but was never considered.

H.R. 6578 is expected to be considered on the floor of the House on July 24, 2008.

SUMMARY

H.R. 6578 requires the Secretary of Energy, within fifteen days of this bill's enactment, to publish a plan for the sale of 70 million barrels of light grade petroleum held in the Strategic Petroleum Reserve (SPR) and to replace it with an equivalent amount of heavy grade petroleum. The legislation prohibits sales provided for by this bill if the if they would result in the SPR containing less than 90 percent of the amount that it held prior to the initial date of sale.

The bill requires the sale to commence, regardless of whether the Secretary has published a sale plan, no later than thirty days after this bills enactment and completed within six months. At least 20 million barrels of oil must be available for sale within the first sixty days. Replacement of the higher quality light crude with lesser quality heavy crude could not begin until at least six months following enactment and could take up to five years. Under the bill, all funds collected from the sale of SPR light petroleum are to be deposited into the SPR Petroleum Account and used to cover any costs related to the sale and later acquisition.

Additionally, the Secretary is to grant requests deferring scheduled deliveries of petroleum to the SPR when doing so would be economically beneficial to the overall market.

BACKGROUND

The U.S. Strategic Petroleum Reserve (SPR) was created in the wake of the Organization of Arab Exporting Countries (OAPEC) imposed oil embargo on the United States that occurred from 1973 to 1974. The SPR is managed by the Department of Energy and provides the United States with an emergency oil supply should a disruption in commercial oil sales threaten the U.S. economy and for national defense purposes in times of emergency. Additionally, the SPR allows the U.S. to meet its obligation to maintain an emergency oil supply in accordance with the rules agreed to by the International Energy Agency.

Between 1999 and 2007, about 139 million barrels of oil were added to the SPR using a royalty-in-kind agreement, in which oil companies give oil to the U.S. instead of cash royalties owed to the Department of the Treasury on federal leases for offshore oil production. Today, the maximum capacity of the SPR is approximately 727 million barrels, with current levels around 706 million barrels. According to the Department of Energy, over 20 million barrels of oil are consumed in the U.S. every day.

The Energy Policy Act of 2005 permanently authorized the SPR, and directed the Secretary of Energy to fill it to maximum capacity only if doing so does not negatively impact the price of oil in the U.S. In addition, it authorizes the Secretary of Energy to increase capacity of the SPR to one billion barrels. President George W. Bush has advocated filling the SPR to capacity and then expanding it to 1.5 billion barrels in order to provide the United States with additional energy security. He has requested \$346.9 million for SPR activities for fiscal year 2009.



LEGISLATIVE DIGEST

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On May 13, 2008, 'H.R. 6022 - Strategic Petroleum Reserve Fill Suspension and Consumer Protection Act of 2008' passed the House under suspension by a vote of 385-25. The bill was signed into law as P.L. 110-232, on May 19, 2008. This bill temporarily suspends filling the SPR, but did not allow drawing it down. ([Click here for the Legislative Digest for H.R. 6022](#))

ADDITIONAL VIEWS

[Department of Energy – Strategic Petroleum Reserve Profile](#)

COST

The Congressional Budget Office has not scored this legislation.

STAFF CONTACT

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