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Shale oil, the new Strategic Petroleum Reserve, and why the US should pursue this strategy

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Launched in the 1970s, the Strategic Petroleum Reserve (SPR) represented a response by the United States to energy insecurity and instability. The original goal for this reserve was the creation of a one billion barrel reserve to offset supply disruptions. This original goal has slowly changed downward to the point where today the reserve is set at a goal of 750 million barrels. President Bush stated his goal to reverse this trend and double the maximum capacity of the SPR. The stated reason for this reversal is the need to support the original and continuing purpose of the reserve to; 1) have the resources to win a war; and 2) overcome any supply disruptions caused by embargo, supply disruption, or war. The difficulty with this goal is that, should these events occur, the reserve could well be depleted within a year and the production capacity of 2-3 million barrels of oil per day (MMBOPD) would barely serve to replace 15-20% of existing imports. Therefore, if an event such as that proposed in the original goal was to occur, the SPR may not fulfill its stated purpose. In response to this strategic challenge, the author proposes that the nation selectively sell off the current SPR and use the approximately \$100 billion in revenue from doing so to develop the domestic shale oil fields using the latest technologies from Shell, Exxon and ConocoPhillips among others. This investment, along with additional public and private capital under emergency orders, could develop a capacity of four MMBOPD within 5-8 years with a potential of eight MMBOPD within 10-12 years. Production could then be limited to 1-2 MMBOPD allowing for an additional surge capacity of 2-6 MMBOPD. This would enhance energy and national security and provide a true surge capacity with an essentially indefinite production horizon when compared to the existing SPR without endangering the US supply.