



# US tapping its Strategic Petroleum Reserves

## Why in News

In wake of the 2022 midterm elections in the US, the **Biden administration is considering tapping the US Strategic Petroleum Reserve (SPR) to check [rising oil prices](#).**

- Such a move may not have a long-term impact on dampening US oil prices that hit a seven-year high above \$85 a barrel.
- **China and India are also expected to do the same**, after Saudi Arabia and Russia, members of the [OPEC+](#) production group declined to pump more oil into global markets.

## Key Points

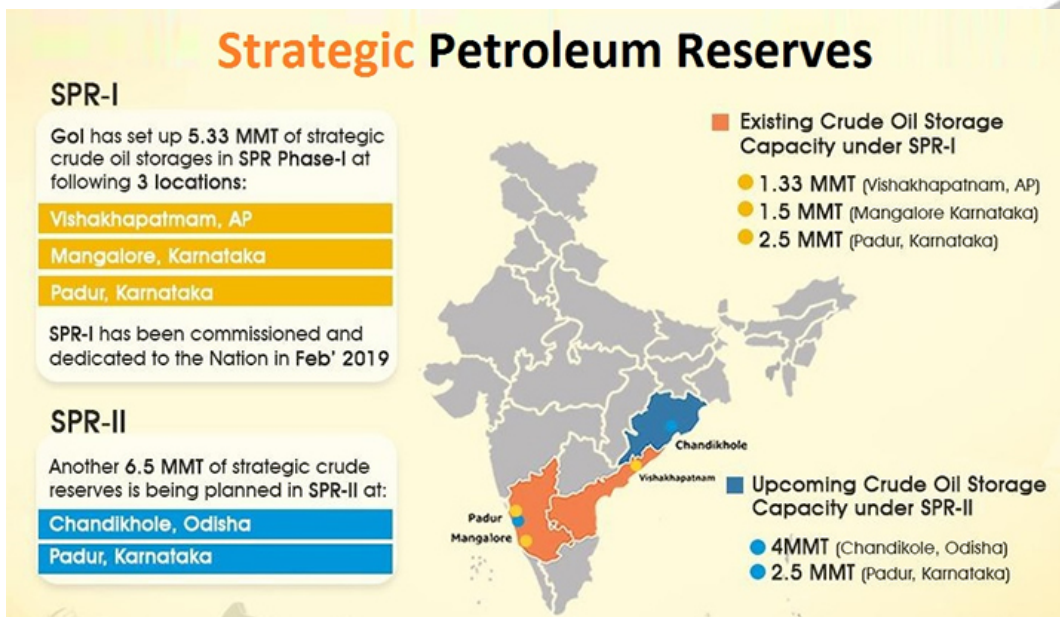
- **Strategic Petroleum Reserves:**
  - Strategic petroleum reserves are **huge stockpiles of crude oil to deal with any crude oil-related crisis** like the risk of supply disruption from natural disasters, war or other calamities (thus moderating prices).
  - The concept of dedicated strategic reserves was **first mooted in 1973 in the US**, after the [OPEC \(Organization of the Petroleum Exporting Countries\)](#) oil crisis.
  - According to the agreement on an International Energy Programme (I.E.P.), each [International Energy Agency \(IEA\)](#) country has an obligation to hold emergency **oil stocks equivalent to at least 90 days of net oil imports**.
    - In case of a severe oil supply disruption, IEA members may decide to release these stocks to the market as part of a collective action.
    - **3 Biggest 'Strategic Petroleum Reserves'** are with Japan, US, China.

## Role of IEA in National SPRs

- According to the IEA, there are typically **three ways to maintain SPR levels** to meet the 90-day requirement.
  - Commercial stocks held by refiners,
  - Those held by the government and agency stocks,
  - With countries choosing which balance to maintain.
- The IEA helps coordinate member releases, provides data on levels and plays other roles.
- IEA also suggests measures to restrain demand or otherwise help supply.
  - These may include calls for voluntary fuel savings, fuel-switching such as oil to gas for power generation or "surge production" to quickly tap underground reserves.
- **Strategic Petroleum Reserves in India:**
  - The construction of the Strategic Crude Oil Storage facilities in India is being managed by [Indian Strategic Petroleum Reserves Limited \(ISPRL\)](#).
    - ISPRL is a wholly owned subsidiary of Oil Industry Development Board (OIDB) under

the Ministry of Petroleum & Natural Gas.

- Strategic crude oil storages are at **Mangalore** (Karnataka), **Visakhapatnam** (Andhra Pradesh) and **Padur** (Karnataka) as per **Phase I**. They have fuel storage of total 5.33 MMT (Million Metric Tonnes).
- The government of India is planning to set up two more such caverns at **Chandikhol** (Odisha) and **Udupi** (Karnataka) as per **phase II** through **Public-Private Partnership**. This will give an additional 6.5 million tons of the oil reserves.
- After the new facilities get functional, **a total of 22 days (10+12)** of oil consumption will be made available.
- With the strategic facilities, Indian refiners **also maintain crude oil storage (industrial stock) of 65 days**.
- Thus, **approximately a total of 87 days** (22 by strategic reserves + 65 by Indian refiners) of oil consumption will be made available in India after completion of Phase II of the SPR programme.
  - This will be very close to the 90 days mandate by the IEA.
- **India became an associate member of the IEA** in 2017 and recently, **IEA has invited India to become a full time member**.



#### ▪ Need of SPRs in India:

##### ◦ Build Sufficient Capacity:

- The current capacity of this is not sufficient to tackle any unpredicted event that occurs in the international crude market.
- 86% of the country is dependent on oil with nearly 5 million barrels of oil consumption in a day.

##### ◦ Energy Security:

- The fluctuation in the price of crude oil in the international market leads to a dire need for India to make petroleum reserves to ensure the country's energy security and avoid monetary loss.

**Source: IE**