Energy Insider by William Engdahl

The strange case of that SPR

The Strategic Petroleum Reserve was always intended as a card to play in the "New Yalta" game. Now. . .

Recent escalations in the Persian Gulf war focus attention on the U.S. government's Strategic Petroleum Reserve. Last month, Energy Secretary Don Hodel announced that 400 million barrels of crude oil had gone into underground storage in Texas and Louisiana salt domes.

At the June 7 London Economic Summit, President Reagan made a plan for early and concerted allied drawdown of respective oil stockpiles a major focus.

The prevailing "wisdom" is that we are no longer vulnerable to a Persian Gulf oil cutoff. Rather, the argument goes, a wave of early panic buying in world markets could trigger a price balloon, some estimate to as high as $100/barrel. Enter the Strategic Petroleum Reserve (SPR), which claims the ability to pump 2.1 million barrels per day (bpd) into the supply lines of the free world for several months, at least long enough to allow other oil producers like Mexico, Venezuela, or Nigeria to make up any Gulf shortfall.

It's useful to take a fresh look at this creature called the Strategic Petroleum Reserve. The heart of the problem is the fact that few realize the intended purpose of the SPR since its inception. Since the first oil began to go into those salt caverns in West Hackberry, Louisiana, and Texas during the Carter-Mondale years, the SPR has been an important, if misunderstood arm of Henry Kissinger's Trilateral Commission strategy for creating a "New Yalta" division of the world. The notorious Bernard Lewis plan for unleashing an Arc of Crisis of Khomeini-type Muslim fundamentalism across the Gulf region was central to this deal between relevant policy circles, East and West.

In this context, Carter-Mondale energy czar James Schlesinger pushed creation of a colossal 1,000 million barrel government-owned SPR. One of the issues which forced Schlesinger's ouster was the widespread report that the oil was irretrievable in event of emergency because of faulty or inoperable pumps. What was largely missed at the time—as it still is today—was the actual geopolitical intent of the SPR. The reserve was to give the impression that the strategic tie of the Mideast to the United States is no longer essential.

Recent press headlines show how widespread is the illusion that, with only 3% of U.S. overall oil consumption coming from the Gulf today, there is little reason to worry about the spreading chaos in that region. Today, we import about 500,000 bpd from Gulf countries, primarily Saudi Arabia. In 1979, it was 2.2 million bpd. Technical specialists in the SPR program assured me that they could now pump 2.1 million bpd from the SPR in event of a new emergency.

Since Reagan's inauguration, we have been pumping almost 200,000 bpd every day into these huge underground salt caverns along our Gulf coast. Reagan has in fact quadrupled the amount in the SPR.

The strongest Senate advocate for an aggressive fill rate for the SPR has been Senator Bill Bradley (D-N.J.). The fact that Bradley was trained at Princeton and Oxford is not irrelevant: Bernard Lewis was brought to Princeton to promote his Arc of Crisis policy for the Mideast.

Now, according to Bradley's office, the senator is pushing a new scam to put as much as 200 million barrels of SPR oil into speculative new oil "options" or futures trading markets. Bradley apparently has ties to New York Mercantile Exchange head John Treat, who has been trying to get his hands on SPR reserves. Treat and his cronies are setting up to both make a killing on a new Gulf crisis, and to ensure that any such crisis balloons the price of world oil.

Bradley, whose office boasts he is the only senator to have actually visited the SPR sites, persuaded Senate Energy Committee head McClure (R-Idaho) to study his proposal for selling SPR oil in options markets.

Even if we need to, it's far from clear we could ever get this oil into the pipelines. That's because the pipelines have just been sold! Two of three privately owned pipelines that the Department of Energy planned to use to move SPR oil from the caves of Louisiana to Midwest refineries have just been sold for conversion to natural gas, throwing the entire distribution strategy into disarray. When I questioned people at the DOE about this, they defensively claimed they could load 2.1 million bpd onto oil tanker ships instead. Industry experts are skeptical.

Secretary Hodel is asking Congress for an extra $100 million, just in case, to build two new federal pipelines over the next several years and expand harbor facilities. The blunt fact is that the SPR delivery system has never actually been implemented, despite $15.3 billion of tax dollar investment since 1976.