Monday, March 23, 2020

In the wake of crude oil price’s recent plunge, the United States Department of Energy (“DOE”) has announced that it will fill the Strategic Petroleum Reserve (“SPR”) to its maximum capacity by purchasing 77 million barrels of American-made crude oil. The DOE’s announcement can be found here.

The initial solicitation is for the purchase of 30 million barrels by confidential Request for Proposal (“RFP”). The focus of this initial crude oil RFP is small to midsize domestic oil producers – throwing a lifeline to those who have been hit especially hard by the price drop.

According to the DOE’s announcement, “the [DOE] is working with Congress to finalize the funding to support the purchase of the full 77 million barrels of oil, consistent with the President’s directive.” With regard to delivery, the announcement recognizes that the private sector needs time to plan for delivery logistics, so the solicitation is for crude oil to be delivered in May and June; although, early April deliveries are encouraged.

The purchase is sure to be controversial – as discussed in an article in The Hill entitled, “Trump administration prepares to buy 30M barrels of oil amid industry slump.” However, the reality of the far-reaching benefits of the oil purchase cannot
be overlooked, as oil and gas industry employees impact so many other service sectors in the nation. Further, targeting small and midsize producers for the initial RFP will provide crucial relief for these companies who are the lifeblood of the oil and gas industry, but who may not have the financial wherewithal to weather oil prices below $30 per barrel for long.

© Steptoe & Johnson PLLC. All Rights Reserved.

Source URL: https://www.natlawreview.com/article/us-doe-to-purchase-crude-small-to-midsize-producers