# PIC – SPR

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#### Counterplan – The United States should eliminate all defense subsidies for fossil fuels except the Strategic Petroleum Reserve.

Dubay & Loris 11 [Curtis Dubay & Nicolas Loris, “What’s an Oil Subsidy?.” The Heritage Foundation (May 12, 2011). Cubay is Research Fellow in Tax and Economic Policy, Loris is Deputy Director of the Thomas A. Roe Institute.] MB PZ

First, let’s take a look at oil subsidies that are obvious and unnecessary. Congress should eliminate the following subsidies: Government R&D. The Department of Energy (DOE) has spent taxpayer dollars on oil research and development, including funding for unconventional oil, gas, and coal. Although President Obama’s FY 2012 budget request significantly cuts funding for the Office of Fossil Energy, decreasing its size by $417.8 million below the FY 2010 appropriation, it does not go far enough. The only funding in this area should maintain the Strategic Petroleum Reserve, for which the President’s budget requests an appropriate $121.7 million. Eliminating all other fossil energy funding would save $399 million.

#### It’s competitive – SPR is oil security funding.

Pappas 18 [Alex D. Pappas, “The Strategic Petroleum Reserve: An Underappreciated National Security Asset,” Georgetown Environmental Law Review (November 5, 2018). Pappas is Researcher, Institute for Constitutional Advocacy and Protection, Georgetown University Law Center.]

Congress originally enacted the Energy Policy and Conservation Act (“EPCA”) to prevent or dampen the effect of “drastic shortages in crude oil supplies and [a] spiraling of petroleum costs.”[1]A core feature of EPCA was the creation of the Strategic Petroleum Reserve (“SPR”), an emergency repository of crude oil, residual fuel oil, and refined petroleum products. The SPR was intended to “insulate the domestic economy from future supply interruptions.”[2]As renewed political attention is paid to the SPR, policymakers may benefit from taking a harder look at the truly underappreciated role that the SPR plays in the maintenance of national security. In doing so, they should retain fidelity to EPCA’s praiseworthy and traditionally bipartisan prioritization of domestic energy security. Today the prospect of considerable natural and geopolitical instability remains as it did when Congress enacted EPCA in 1975. Foundationally, domestic oil access depends on various narrow global corridors like the Bab-el-Mandeb, the Strait of Hormuz, the Straits of Malacca, the Straits of Gibraltar, and the Suez and Panama Canals which are prime targets for potential disruption.[3]Not to mention, other potential pressures on domestic oil supply abound: the impact of sanctions on Iran, violence and instability in Libya and Nigeria, and leadership uncertainties in Venezuela and Saudi Arabia, among other related possible exigencies.[4]As Fatih Birol, the Executive Director of the International Energy Agency (“IEA”), recently warned: “[w]e should all see the risky situation, the oil markets are entering the red zone.”[5] An unmitigated supply disruption could have detrimental effects on the economy and on the ability of the United States to effectively exercise international leadership. Even the fear of a supply disruption can substantially increase the price consumers pay at the pump.[6]Empirical evidence also establishes a robust correlation between supply disruptions from geopolitical events and nearly all economic recessions in history.[7]And where the economy declines, the prospect of substantial global conflict increases.[8]The effects on United States leadership and power projection may also be potentially destructive as a stable oil supply allows the United States to maintain its high level of military performance and to effectively rally collective action in response to untold global challenges.[9]Maintaining leadership is also paramount because where United States leadership falters, so too does the resiliency of key aspects of the global commons like increasing democratic consolidation and the maintenance of international norms against violence.[10]

#### SPR meets the definition of a subsidy – government expenditure contributing to a stable oil market, enabling profitability.

Palmer 15 [Brian Palmer, “Six More Weeks of Subsidies,” Natural Resources Defense Council. Palmer is a journalist covering daily environmental news for NRDC, previously worked for *The Washington Post* & *The New York Times*. NRDC is a United States-based 501 non-profit international environmental advocacy group.] CHS TM

The Strategic Petroleum Reserve, the government’s stash of about 700 million barrels of oil, is another indirect subsidy. The reserve is intended to prevent major oil-producing nations from holding the world to ransom through supply manipulation. In essence, the cost of the reserve—which runs into the hundreds of millions of dollars each year—is an investment in functioning oil markets, which enables fossil fuel companies to reliably move their wares worldwide at predictable prices.

#### SPR guards is key to energy independence – maintains domestic oil reserves to be used in the event of emergencies like foreign embargoes.

DOE n.d. [“Strategic Petroleum Reserve,” Office of Fossil Energy, US Department of Energy.] CHS TM

The Strategic Petroleum Reserve (SPR) is the world's largest supply of emergency crude oil. The federally-owned oil stocks are stored in huge underground salt caverns along the coastline of the Gulf of Mexico. Decisions to withdraw crude oil from the SPR are made by the President under the authorities of the Energy Policy and Conservation Act (EPCA). In the event of an energy emergency, SPR oil would be distributed by competitive sale. The SPR's formidable size (authorized storage capacity of 713.5 million barrels) makes it a significant deterrent to oil import cutoffs and a key tool of foreign policy. The SPR has been used under these circumstances only three times, most recently in June 2011 when the President directed a sale of 30 million barrels of crude oil to offset disruptions in supply due to unrest in Libya. The United States acted in coordination with its partners in the International Energy Agency (IEA). IEA countries released all together a total of 60 million barrels of petroleum. Authority for limited releases in the form of time exchanges also exists and has been used on several occasions.

#### The SPR ensures deterrence sticks when fossil fuels collapse – being able to insulate against embargoes makes it less necessary to intervene in the Middle East.

Goldwyn & McNally 15 [David L. Goldwyn & Robert McNally, , “Seven fat years: The importance of preserving the U.S. Strategic Petroleum Reserve,” Brookings Institute (July 17, 2015) Goldwyn is Goldwyn Global Strategies, LLC; McNally is Founder and President, Rapidan Group, served in the George W. Bush Administration as the top international and domestic energy adviser on the White House staff, holding the posts of Special Assistant to the President on the National Economic Council and Senior Director for International Energy on the National Security Council former oil market, policy, and geopolitical analyst with Energy Security Analysis, Inc. and Tudor Investment Corporation.] MB PZ

The SPR is a critical element of U.S. foreign policy. The world is watching to see if the United States will remain engaged in the Middle East, if it will stand firm against Russian aggression in Europe, and if it will continue to lead on global economic management. Retaining the ability to deter energy threats and to help replace significant supply disruptions is a key element of American strategy and diplomacy. Recognizing this, Senator Lisa Murkowski made a public appeal last week against selling off the SPR, describing the reserve as “our insurance policy out there and you don’t sell the insurance policy for a one-term shot in the arm. That’s just using it as an ATM. That’s not what it’s designed for.” If, after careful analysis, a drawdown is warranted, any revenues available should be devoted to strengthening U.S. energy defenses. BUFFER AGAINST DISRUPTION The SPR has effectively deterred embargoes and enabled the United States to replace disrupted supplies of oil for nearly 40 years. The International Energy Program Agreement that founded the International Energy Agency (IEA) required member nations store at least 90 days of imports, in both commercial and strategic stocks, to redress oil supply disruptions. In the ensuing years, with the expansion of global trade in oil, the advent of spot markets, a mature oil futures market, and other instruments, the primary threat of an oil supply disruption arises less from physical shortage and more from the economic impact of disruptions. An oil disruption anywhere will hit consumers and businesses with price shocks everywhere, including in the United States. Disruptions can be ameliorated by supply replacements from strategic stocks if commercial supplies and spare capacity are not sufficient. Despite current low nominal oil prices, the risk of a severe economic impact from a major supply disruption remains high. History shows that oil price shocks are quickly followed by major economic downturns and recessions. Geopolitical risks abound, from instability across the Middle East to internal unrest in key producing countries in Africa and Latin America. The Energy Information Administration (EIA) estimates that global unplanned supply disruptions rose to 3.4 million barrels per day (bpd) in May and June. Meanwhile, EIA-estimated OPEC spare capacity, held almost entirely in Saudi Arabia, is half that amount: 1.7 million bpd. As Riyadh produces close to its maximum capacity in a battle for market share, its ability to provide adequate spare capacity in a 93-million-bpd (and growing) market shrinks. Low spare capacity and high disruption risk require us to give careful thought before lowering U.S. strategic defenses to pay for domestic spending unrelated to energy security. As Secretary of Energy Ernest Moniz noted recently, a modern conception of the SPR should consider the size, duration and likelihood of a supply disruption to determine if the U.S. reserve is larger than needed. But whatever its size, the SPR will only be useful if the storage caverns are stable, and if there is pipeline and delivery capacity to move it to market.