

It is time for Congress to support the US Oil & Gas Industry



Michael W. Wise | Wednesday, January 20, 2016

It is time for Congress to act to support the U.S. Oil & Gas industry. The lifting of the ban on oil exports was a positive first step at the end of 2015, but the free fall of Oil prices in 2016 due to OPEC flooding the market with oil requires further Congressional action.

Last week *The Wall Street Journal* put together a history of the [Strategic Petroleum Reserve](#). World War II revealed the incredible military importance of petroleum. The the oil price shocks following the Suez crisis in 1956 and the Arab-Israeli war in 1973 drove Congress and President Gerald Ford to establish the Strategic Petroleum Reserve in 1975. The goal was a 90-day supply of oil to insure that the U.S. could withstand disruptive events in the Middle East. Since establishment, there have been three releases of crude:

1. During the first Gulf War in 1991,
2. After Hurricane Katrina in 2005,
3. In 2011 due to unrest in Libya and neighboring countries.

Today, world oil demand is over 93 million barrels a day and the U.S. is capable of meeting only around 10 percent of that demand through our domestic production. While the U.S. has regained the title of the world's biggest oil producer through shale technology and is on the road to energy independence, we still lack the ability to fully supply ourselves and our allies in the event of a major international event that disrupts supplies out of the Middle East.

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Shale is a difference maker and some argue that because of shale production we should abolish the Reserve program. However, OPEC and its Saudi leadership are fully committed to minimizing the power of U.S. Shale. Just this week, there were two articles out of London, from *The Times* and *The Telegraph*, respectively, that reported OPEC is claiming to have defeated the shale revolution by flooding the markets with cheap oil from the Middle East and driving out more expensive shale oil.

The aggression by OPEC has finally prompted action by the U.S. Congress. Last week, as reported in *The Hill*, Senate Energy and Natural Resources Committee Chairwoman Lisa Murkowski (R-Alaska) and House Energy and Commerce Chairman Fred Upton (R-Mich.) announced plans to pursue an energy package in 2016 to bolster the Oil and Gas industry.

“Among the proposals under discussion: Expediting the process for exporting liquefied natural gas, and upgrading infrastructure to move energy to market more quickly and cheaply. Another top priority for the two Republicans is loosening environmental and other regulations. But moves in that direction are highly unlikely while a Democrat remains in the White House. With oil currently below \$33 a barrel, some on Capitol Hill are calling for quick action. Some lawmakers are floating the possibility of taking retaliatory trade measures against Saudi Arabia, which has flooded the market with cheap oil in what some analysts see as a bid to drive America’s growing shale oil industry out of business.”

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I would add to this list retaining the Strategic Petroleum Reserve.

The Oil & Gas Industry has strategic, economic and military importance to the U.S. This industry is now under severe pressure because of the actions of OPEC and its individual members. The time is now for action by Congress to push back against this outside pressure.



Michael W. Wise

[Team member bio](#)