

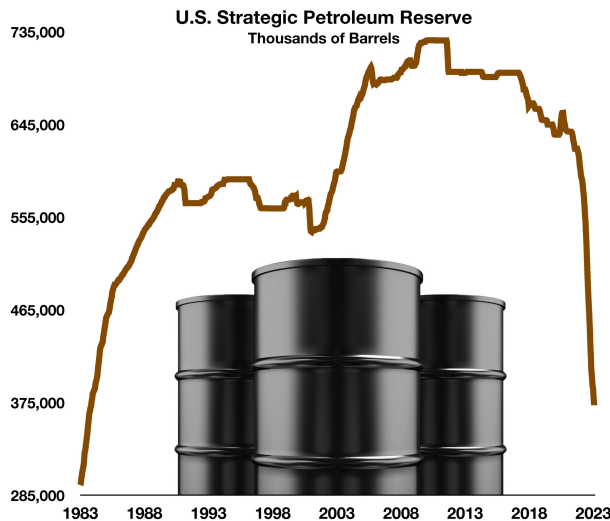
Refilling Depleted Oil Reserves from Four Decade Lows - Oil Industry Update

As a result of surging fuel costs reflective of OPEC constraints and the Ukraine war, the U.S. government withdrew over 220 million barrels of oil over the course of 2022. The withdrawal caused American crude oil reserves to run dry, with reserves falling to their lowest level in four decades. Entering 2023, plans are being put in place by the Department of Energy (DOE) to replenish oil reserves.

With prices of oil eclipsing \$120 per barrel in 2022, oil reserves were sold at an average price of \$96 per barrel by the government to demonstrate relief for the American people. However, this resulted in U.S. oil reserves reaching 40-year lows that had last been exhibited in 1983, when the U.S. was just starting to fill its reserves. By withdrawing over 280 million barrels in the past two years, the U.S. government depleted what took nearly seven years to fill during the 1980s, the period of the most rapid reserve filling. With the U.S. producing around 11 million barrels of crude oil per day, it would take about 20 days of total U.S. oil production to replenish reserves from their 2022 depletion.

The Department of Energy is now announcing plans to refill the reserves by purchasing barrels of oil priced around \$70. In January of 2023, the DOE finalized contracts to purchase 3 million barrels of crude oil. At its target price of \$70 per barrel, the DOE will need to allot around \$15.5 billion toward replenishing the emergency reserves to their pre-2022 levels.

Sources: Energy Information Administration; U.S. Department of Energy



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