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Description of document: Most Recent Department of Energy (DOE) Strategic Plan for the Strategic Petroleum Reserve, 2004

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Washington, DC 20585
Fax: (202) 586-0575
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Department of Energy
Strategic Petroleum Reserve Project Management Office
900 Commerce Road East
New Orleans, Louisiana 70123

FREEDOM OF INFORMATION ACT REQUEST – SPR-2021-00026

This letter is in response to your Freedom of Information Act (FOIA) request that was received by the Department of Energy FOIA Office in New Orleans, Louisiana, on October 6, 2020. In your request, you were seeking “A copy of the current Strategic Plan for the Strategic Petroleum Reserve program. A copy of the two previous (i.e. earlier) Strategic Plans for the Strategic Petroleum Reserve program.”

A search was conducted for any and all documents specific to your request, and the following is the disposition taken by this office as to the release of this information under the FOIA. We have located the most recently published SPR Strategic Plan which was in 2004. A search of the SPR Project Management Office in New Orleans as well as the Program Office in Washington, DC was conducted, and no other official plans were located. The SPR Strategic Plan is being released in its full, unredacted text.

You have the right to appeal the adequacy of the search to the Office of Hearings and Appeals, as provided in 10 CFR § 1004.8. Such an appeal must be made in writing within 90 calendar days from receipt of this letter to the Director, Office of Hearings and Appeals, HG-1, L’Enfant Plaza, U.S. Department of Energy, 1000 Independence Avenue SW, Washington, DC 20585-1615. The written appeal, including the envelope, must clearly indicate that a FOIA appeal is being made.

You may also submit your appeal to OHA.filings@hq.doe.gov, including the phrase “Freedom of Information Appeal” in the subject line (This is the method preferred by the Office of Hearings and Appeals.). The appeal must contain all of the elements required by 10 CFR § 1004.8, including a copy of the determination letter. Thereafter, judicial review will be available to you in the Federal District Court either: 1) in the district where you reside; 2) where you have your principal place of business; 3) where DOE’s records

are situated; or 4) in the District of Columbia. Please provide this office with a copy of your letter if you choose to appeal.

There are no fees associated with processing this request. You may contact DOE's FOIA Officer, Kristin Frischhertz, at 504-734-4297 or by mail at Strategic Petroleum Reserve, Project Management Office, 900 Commerce Road East, New Orleans, LA 70123, for any further assistance and to discuss any aspect of your request. Additionally, you may contact DOE's FOIA Public Liaison, Sheldra Wormhoudt at 504-734-4296. You may also contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001, email at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

Sincerely,

A handwritten signature in black ink that reads "Sheldra A. Wormhoudt". The signature is written in a cursive, slightly informal style.

Sheldra Wormhoudt
Assistant Project Manager
Management and Administration



**U. S. Department of Energy
Office of Fossil Energy**

STRATEGIC PETROLEUM RESERVE (SPR)

STRATEGIC PLAN



STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

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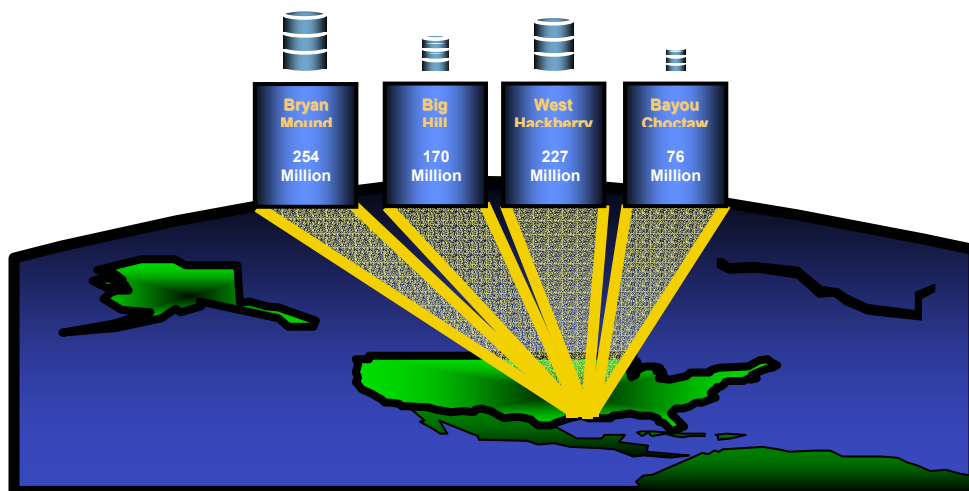
STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

BACKGROUND

In the aftermath of the 1973 Arab oil embargo, Congress passed the Energy Policy and Conservation Act authorizing the establishment of a Strategic Petroleum Reserve (SPR) of up to one billion barrels, to protect the Nation from future disruptions in petroleum supplies. Based on U.S. import levels, the Department established an initial size for the Reserve of 500 million barrels in 1976 and then increased it to 750 million barrels in 1979. The Department implemented a phased development program to create five large underground oil storage sites in salt formations along the Gulf Coast, and achieved its storage development goals of 500 million barrels in 1985 and 750 million barrels in 1991. In 1997, one site - a converted salt mine - was decommissioned due to geotechnical problems, leaving the SPR with four storage sites and a storage capacity of 700 million barrels. The fill of the Reserve was pursued aggressively by Congress through the 1980's and then waned and was terminated in mid-1990s. The Reserve was first used in 1990 and 1991 in response to the Iraq invasion of Kuwait, and then again in 2000, in an effort to address national shortages in heating oil inventories.

The Bush Administration in its National Energy Policy (NEP) has endorsed the need for a strong Strategic Petroleum Reserve to protect the Nation and to serve as a national defense fuel reserve. In November 2001, President Bush directed the Reserve be filled to its capacity of 700 million barrels to meet national security needs. A reevaluation of the cavern storage capability during 2003 revealed that an additional 27 million barrels of capacity is available for crude oil storage. This added capacity results from the dissolution of salt by water injected into the caverns during oil movements and the recertification of an existing 12 million barrel cavern previously considered as too gassy for long term crude oil storage. Today, the SPR serves as the cornerstone of the U.S. energy security program, with a prepared readiness to deploy at the President's direction in the event of an emergency.

Figure 1 - Designed Storage Capacity



STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

MISSION

The SPR mission is to store petroleum to reduce the adverse economic impact of a major petroleum supply interruption to the US and to carry out obligations under the international energy program.

GOAL

The SPR's program goal cascades from the hierarchy of planning guidance as follows:

DOE Strategic Plan (2003)	FE Strategic Plan (1998)	SPR Strategic Plan (2004)
Improve energy security by developing technologies that foster a diverse supply of reliable, affordable & environmentally sound energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental improvement in our mix of energy options, & improving energy efficiency.	Ensure the readiness of the Strategic Petroleum Reserve to respond to short term oil supply interruptions and price spikes by drawing down its inventory of crude oil at a sustainable rate of 4.2* million barrels/day within 15 days of the direction from the President. *Updated to 4.4	Mitigate the Nation's energy and national security vulnerabilities and to serve as the global benchmark for strategic petroleum reserves.

CRITICAL OBJECTIVES

The SPR Program has both near-term and long-term objectives that address the outcome of energy and economic security against supply interruptions.

<u>FIGURE 3</u> <u>Near-Term</u> <u>Objectives</u>	<u>Strategies</u>	<u>Key</u> <u>Performance</u> <u>Measures</u>	<u>5-Year</u> <u>Projection</u>
Readiness to supply oil at a maximum sustained rate within 15 days notice by the President.	<ul style="list-style-type: none"> ➤ Maintain oil quality through degas processing. ➤ Provide effective drawdown and distribution systems within a secure environment. ➤ Conduct a Test Sale. ➤ Provide the most cost-effective operations for the taxpayer. 	Drawdown Rate	4.415 MMB/Day
		Monthly maintenance & availability goals	≥95%
		Degassed inventory	156 MMB by end of FY 2009.
		Operating cost per barrel of capacity	\$0.206

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Maximize SPR's current import protection level.	<ul style="list-style-type: none"> ➤ Fill the Reserve through competitive exchanges which maximize value to the government. ➤ Maintain an effective partnership with DOI/MMS for oil transfers. 	Crude Oil Inventory	700 MMB by end of 2005. 727 MMB by end of 2006 (pending Administration approval)
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These two near-term objectives are consistent with the Administration's policies set forth in the DOE 2003 Strategic Plan and the President's Directive to fill the SPR to 700 million barrels.

The readiness objective is linked to the Department's objective which states that the SPR shall be "ready to supply oil at a sustained rate of 4.4 million barrels per day for 90 days within 15 days notice by the President." The Reserve is maintained in a high state of readiness and is capable of supplying oil at the sustained rate of 4.4 million barrels per day for 90 days. The SPR has reduced the time required to commence drawdown from 15 to 13 days in 2003, and the SPR plans to further reduce that time to 11 days. However, the ability to achieve the maximum drawdown rate of 4.4 million barrels per day will remain at 15 days.

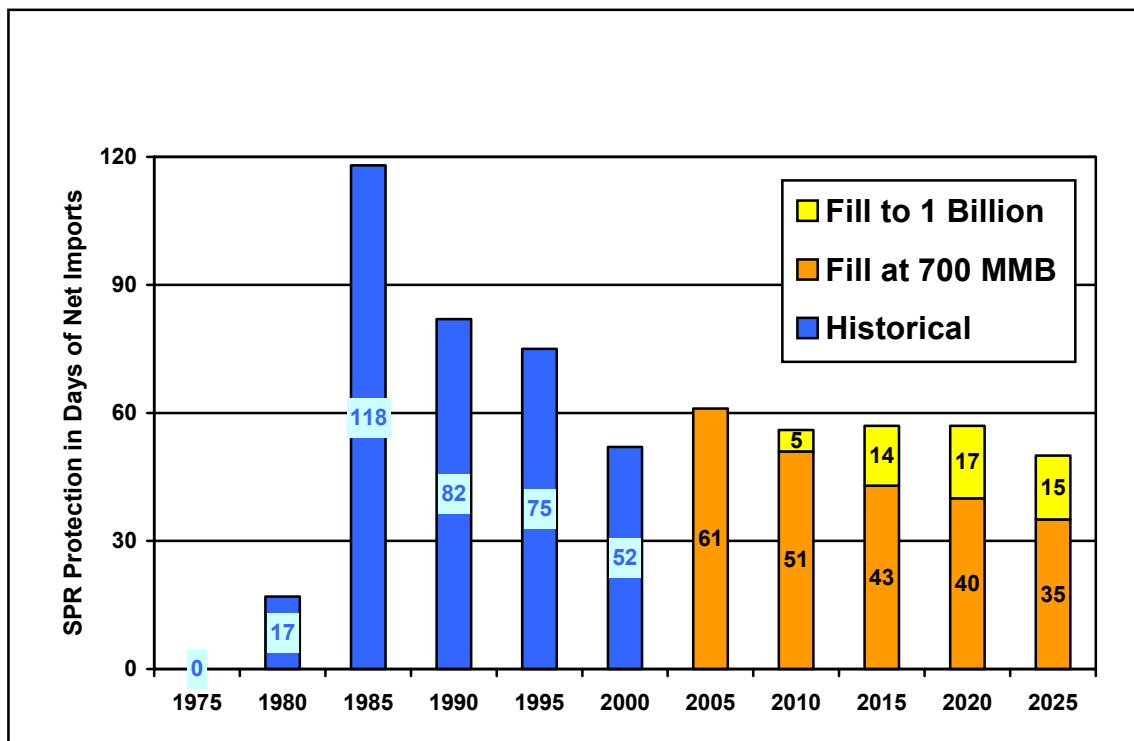
The objective regarding import protection levels fulfills the President's November 2001 direction to fill the Reserve to 700 million barrels. This is being accomplished through the transfer of Federal Royalty oil from the Department of Interior to the SPR. Based on current production levels, completion of fill to 700 million barrels is anticipated for late 2005. The additional 27 million barrels of capacity achieved from oil movements/recertification can be filled by late 2006 with Administration approval.

FIGURE 4 <u>Long-Term</u> <u>Objectives</u>	<u>Strategies</u>	<u>Key</u> <u>Performance</u> <u>Measures</u>	<u>15-Year</u> <u>Projection</u>
Ensure that future SPR import protection level is sufficient to meet the Nation's future needs for energy security.	<ul style="list-style-type: none"> ➤ Work with the Administration for a policy decision to expand the Reserve. ➤ Develop & submit an SPR Expansion Plan to Congress. ➤ Increase the SPR storage capacity to 1 billion barrels. 	Crude oil inventory	1 Billion Barrels
Promote international energy stockpiling and alliances.	<ul style="list-style-type: none"> ➤ Support U.S. participation and support of IEA and APEC. ➤ Maintain alliances with stockpiling agencies for the exchange of technical, managerial, and operational information to enhance efficiency. 	Meetings with stockpiling entities.	Continued participation.

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The two long-term objectives are aimed at achieving the Administration's policies as set forth in the President's *National Energy Policy (NEP)*.

The first long-term objective addresses the NEP recommendation for the Secretary of Energy to work closely with Congress to ensure that our SPR protection is maintained. Based on projections by the Energy Information Administration, U.S. petroleum consumption and import dependence will continue to increase in the future. As the U.S. petroleum consumption and import dependence increase, the SPR protection level (measured in terms of equivalent days of net petroleum imports) will decrease. It is projected that the SPR protection level will achieve a protection level of 61 days in 2005 and then decrease to 35 days in 2025. The SPR must be expanded in size and drawdown capability in order to maintain the SPR's current level of protection. An expansion to one billion barrels is required to maintain an approximate 60 days of import protection through 2020. The following chart depicts the historical and projected SPR projection levels.

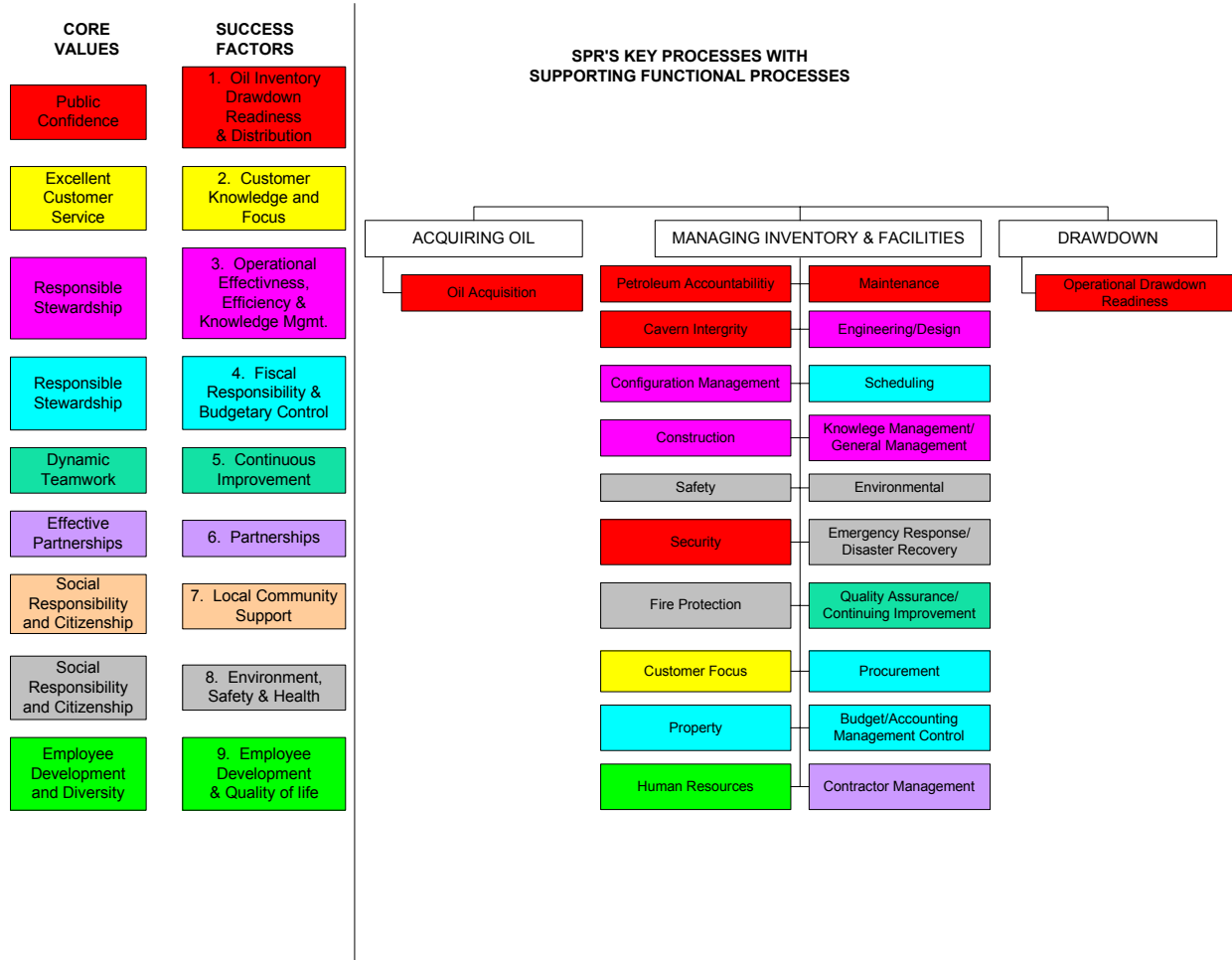


The second long-term objective addresses the NEP recommendation for the Secretary of Energy to: (a) work within the IEA to ensure that members fulfill their stockholding requirements and (b) encourage other major oil-consuming countries to consider strategic stocks as an option for addressing potential supply disruptions. Through participation in meetings with stockpiling entities including the Annual Coordinating Meeting of Entity Stockholders (ACOMES), the SPR will support this objective.

STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

CORE VALUES AND SUCCESS FACTORS

There are approximately 20 annual measures (including those depicted above) that represent the factors that lead to improved customer, operational, organizational, and financial performance. These measures are defined in the SPR Annual Performance Plan. All measures evolve from the following Core Values and Success Factors which capture the paramount responsibilities and opportunities at which we must excel. As reflected below, the success factors have a direct relationship to key processes and their supporting functional processes.



At the SPR, our core values are reflected in the corporate culture and defined as:

Public Confidence - Sustain a high performance organization that assures the SPR can respond during a major crisis.

Excellent Customer Service – Commitment to providing products and services that will meet customers needs and expectations in quantity, quality, and timeliness.

STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

Responsible Stewardship - Ensure that the SPR is managed in an efficient and effective manner that provides information, fiscal responsibility and value to the taxpayers.

Dynamic Teamwork - Provide a culture of organization-wide continuous improvement to meet the short and long term goals of the SPR.

Effective Partnerships - Proactively develop positive relationships with contractors, suppliers, federal, state and local agencies.

Social Responsibility and Citizenship - Strengthen local community services and education and ensure highest standards for environment, safety and health to protect our employees, the public and the environment.

Employee Development and Diversity - Ensure credible diversity and developmental practices and development of individuals to meet the short and long term goals of the SPR.

The success factors linked to these core values are:

Oil Inventory, Drawdown Readiness & Distribution: Acquire crude oil; maintain operational readiness to commence drawdown within 13 days¹ and reach maximum rate within 15 days of Presidential notification; implement facility & pipeline modifications to assure continued capability to distribute SPR oil to our customers.

Customer Knowledge and Focus: Increase SPR knowledge and understanding of our customer needs, and ensure they are considered in our products, processes, and services.

Operational Effectiveness, Efficiency & Knowledge Management: Optimize the infrastructure of policy, technical & management processes and systems capable of sustaining operational readiness. Increase staff access to corporate information and knowledge through collaborative, portal, and other advanced application tools required for program planning, management, and evaluation.

Fiscal Responsibility and Budgetary Control: Maximize productivity while minimizing the use of resources (personnel, time and materials).

Continuous Improvement: Maintain a Continuous Quality Improvement (CQI) program and increase the use of teams to implement continuous improvement of organizational effectiveness.

Partnerships: Create an environment that fosters contractor and government entities involvement in programs/efforts.

¹ There is a 5-year goal of 11 days to commence drawdown.

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Local Community Support: Demonstrate leadership and promote organizational outreach by participating in community-sponsored programs.

Environment, Safety and Health: Protect SPR's federal and contractor employees, the general public, private and public property and the environment through effective environmental, safety, security and emergency operations.

Employee Development and Quality of Life: Expand staff opportunities to explore career development and promote use of ethical standards and respect for individual contributions.



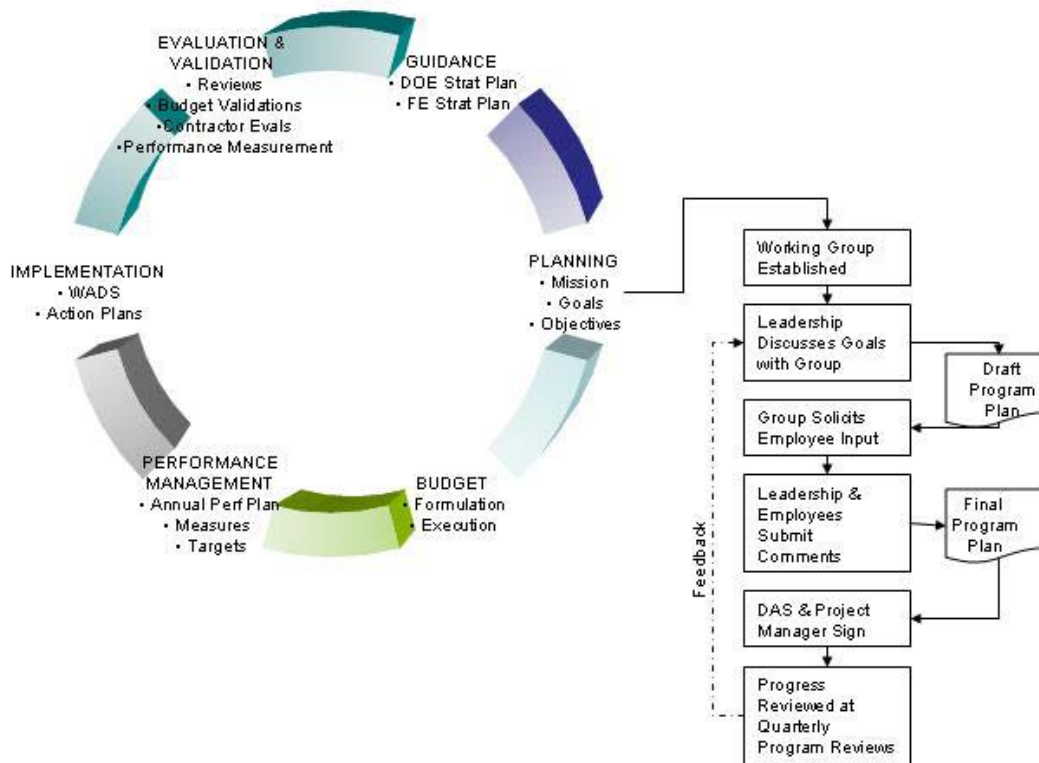
STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

PROGRAM PERFORMANCE AND VALIDATION

The SPR has a systematic approach to establish expectations for performance-based contracts, measure program performance, and evaluate outcomes and their significance to the mission. The structured planning process is initiated annually via a Strategic Plan Working Group. This group validates the currency, relevance, and completeness of the Program Plan in light of:

- Program mission, vision, and core values
- Federal mandates and impacts of public policy
- Critical trends and issues affecting the program including technological changes and major public policy issues.

The entire process, shown below, assures that all operating and supporting activities are planned and carried out within a goal-driven environment.



Program performance and validation is ingrained in our organizational culture, which is structured yet flexible, helping create a cooperative, productive work environment and provide value for the public. Our Strategic Plan is at the top of our hierarchy of plans that flows down through the organization to the work authorizations of our contractors. Program evaluation is

STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

used to determine the progress against stated targets, identify where goals require revision, identify barriers to accomplishing goals, and assist in identifying courses of action that will help overcome those barriers.

At the SPR, program evaluation is a continuous process of assessments, reports, and evaluations throughout the year, as shown in Figure 1-2. The validity of performance results and progress toward goals are internally assessed throughout the year via Monthly and Quarterly Reviews, Budget Formulation and Execution Sessions, Budget Validations, Contractor Performance Evaluations, On-Site Management Appraisals, Project Assessment Briefings, Management Self-Assessments, and Drawdown Readiness Reviews. Our flexible work environment complements this systematic approach and helps us adapt to change.

In addition, external evaluations include compliance reviews by Federal and State agencies such as the Environmental Protection Agency, and audits of financial statements by the General Accounting Office and the DOE Office of Inspector General. At the end of each fiscal year, the SPR prepares its Annual Performance Report to document progress and results. The results of evaluating all of the information from these sources, as well as program knowledge of DOE management, are used to establish new goals and revise or update existing goals.

Figure 1-2 : EVALUATIONS & VALIDATIONS			
<u>Review/Meeting</u>	<u>Participants</u>	<u>Frequency</u>	<u>Measures Reviewed</u>
Program Review	<ul style="list-style-type: none"> • Program Office leaders and staff (PO) • Project Management Office leaders and staff (PMO) • Management and operating contractor senior staff (M&O) 	Quarterly	<ul style="list-style-type: none"> • Key performance measures • Status of major projects/initiatives • Budget execution • Staffing
Budget Review	<ul style="list-style-type: none"> • PO leaders and budget staff • PMO leaders and budget staff 	Annually	<ul style="list-style-type: none"> • Planned budget vs. previous execution • Bottoms up requirements for budget
Drawdown Readiness Review	<ul style="list-style-type: none"> • PO functional representatives • PMO leaders and functional representatives • M&O leaders and functional representatives • Senior storage site representatives • Other contractor senior representatives 	Quarterly	<ul style="list-style-type: none"> • Site availability • Oil inventory • Drawdown and fill rates • Environmental response preparedness • Spare parts availability
Project Assessment	<ul style="list-style-type: none"> • PMO senior staff • Program analysts and cost monitors • Contractor representatives 	Monthly	<ul style="list-style-type: none"> • Milestone completion • Budget execution • Staffing • Cost Performance
Project Review	<ul style="list-style-type: none"> • PMO leaders and functional representatives • M&O leaders and functional representatives • Other contractor senior representatives 	Quarterly	<ul style="list-style-type: none"> • Staffing levels • Status of major projects/initiatives • Open action items
On-Site Reviews	<ul style="list-style-type: none"> • PMO leaders • PMO and PO staff • Senior storage site representatives • M&O site managers and staff 	Annually (per site)	<ul style="list-style-type: none"> • All contractor performance measures

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Figure 1-2 : EVALUATIONS & VALIDATIONS			
Review/Meeting	Participants	Frequency	Measures Reviewed
Daily Site Status Meeting	<ul style="list-style-type: none"> All site staff M&O site managers and staff 	5 days/week	<ul style="list-style-type: none"> Barrels of fluid moved Pumps available Meter runs available
Performance Evaluation	<ul style="list-style-type: none"> Performance Evaluation Committees (PEC) 	Quarterly	<ul style="list-style-type: none"> All contractor performance measures
Performance Fee Board	<ul style="list-style-type: none"> PMO leaders PO member PEC chair and members 	Annually	<ul style="list-style-type: none"> Rating of contractor in various areas Contractual performance measures Incentives evaluation

KEY EXTERNAL FACTORS

Although Congress provided the authorization for a Strategic Petroleum Reserve up to one billion barrels, the SPR has been implemented under a “phased” development plan. In 1991, DOE notified Congress that the SPR would not be expanded beyond 750 million until the fill of the currently available capacity approached a need for further capacity development. In 2000, Congress amended the Energy Policy and Conservation Act (EPCA) to require an SPR plan if a decision was made to expand the Reserve. This decision is outside of the program’s control. There has been substantial support expressed by members of Congress and versions of the 2003/2004 Energy Bill have required expansion to one billion barrels in different levels of detail. However, there has been no legislation passed to date.

Other principal factors and trends that are outside of the SPR’s control include:

- Growing U.S. Petroleum Consumption and Import Dependence: Today the U.S. daily imports of petroleum are roughly double that of 1975 when the Congress created the Strategic Petroleum Reserve and established the initial size for the Reserve of 500 million barrels. Since 1975, U.S. crude import dependence has also doubled, which greatly increases the vulnerability and potential damage of petroleum supply disruptions. Projections from the Energy Information Administration’s (EIA’s) Annual Energy Outlook, estimate that current U.S. daily imports will continue to increase by another 50% by 2015. In addition crude import dependence will grow from 65% to over 70% in the same time period.
- Instability of World Energy Supplies: EIA’s forecast projects an increasing U.S. dependence on insecure OPEC sources for its petroleum imports. The Persian Gulf share of U.S. imports from OPEC is projected to range from 46 to 54 percent between 2000 and 2025. Since September 11, 2001, terrorism and international instabilities have significantly reduced the security of U.S. oil imports. Terrorism now threatens the oil industry as well as U.S. oil supplies. We have seen growing instabilities in the oil exporting countries in the Middle East, Africa and South America. The U.S. oil supplies are more at risk now than ever before. The increased dependence on insecure oil imports further emphasizes the Nation’s need for a larger Reserve.

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- Continuation of the Royalty-In-Kind Program: The 300 million barrels of oil needed to expand the Reserve would require approximately \$9 billion (non-appropriated funds) if we are unable to use Federal Royalty oil production from the Department of the Interior.

STAKEHOLDERS & CUSTOMERS

The support of stakeholders is crucial to the SPR in fulfilling its mission. In this context, the SPR's primary stakeholder groups include, but are not limited to:

Figure 1-3 SPR's STAKEHOLDERS

- U. S. Citizens
- International Energy Agency
- Department of Energy
- Department of State
- Department of Defense
- Department of Homeland Security
- Office of Management and Budget
- Department of Transportation
- Department of the Interior
- Army Corps of Engineers
- United States Congress
- Regulatory Agencies
- State and Local Governments
- The Petroleum Industry

The oil industry is a complex process industry that has three primary segments with transportation links between them: upstream (crude oil exploration, production, and delivery); refining (conversion of crude oil into useful products); and downstream (delivery and marketing). The SPR is an intermediate storage point between the production and refining segments of the industry.

Our primary customers are approximately 30 refiners that own one or more refineries that can receive and process SPR crude oil. Their requirements are: (1) oil that can be refined safely and produce the kind of products demanded by their customers; (2) oil quality as advertised in our sales announcement; (3) oil that can be transported to their refineries; and (4) an efficient sales process. Oil traders are our secondary customers and we have two special customers. The Department of Defense stores 6 million barrels of crude oil in our facilities, which is less than 1 percent of our capacity, and the State of Hawaii receives preference in a drawdown. Both arrangements are required by law, and we have formal memoranda of understanding with both

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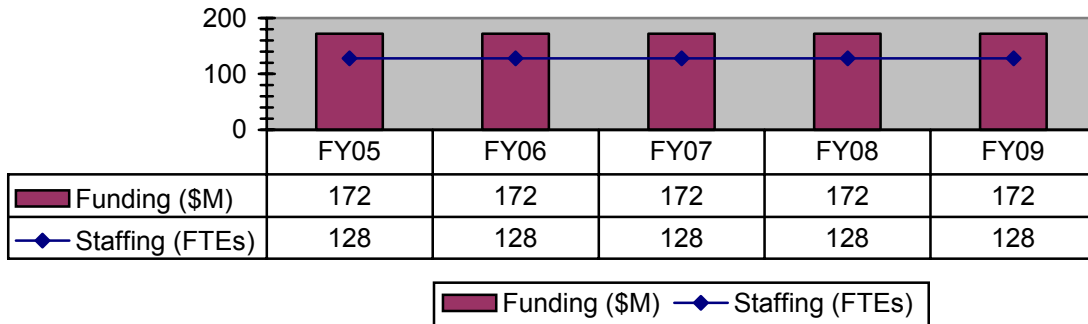
parties. In an emergency, the Department of Defense would arrange to have refiners refine their oil and supply products to it; the State of Hawaii would use its preferential treatment to assure that Hawaiian refineries receive SPR crude oil during the emergency.

	<u>Primary Customers</u>	<u>Secondary Customers</u>	<u>Special Customers</u>	
	<u>Refiners</u>	<u>Oil Traders</u>	<u>Department of Defense</u>	<u>State of Hawaii</u>
Type	Voluntary consumer	Voluntary consumer	Entitled Federal department	Entitled state government
Business Relationship	Sales contract	Sales contract	Law, memorandum of understanding	Law, memorandum of understanding
Interest in SPR Product	Buy and refine oil in emergency; sell products	Buy oil in emergency; resell at profit	Store oil at SPR; move to refineries in emergency	Receive preference for oil in emergency
Key Requirements	Suitable quality; routine logistics; quick, responsive sales process	Marketable oil at price low enough to resell at profit	Oil refined into needed products like military jet fuel	Want priority in emergency

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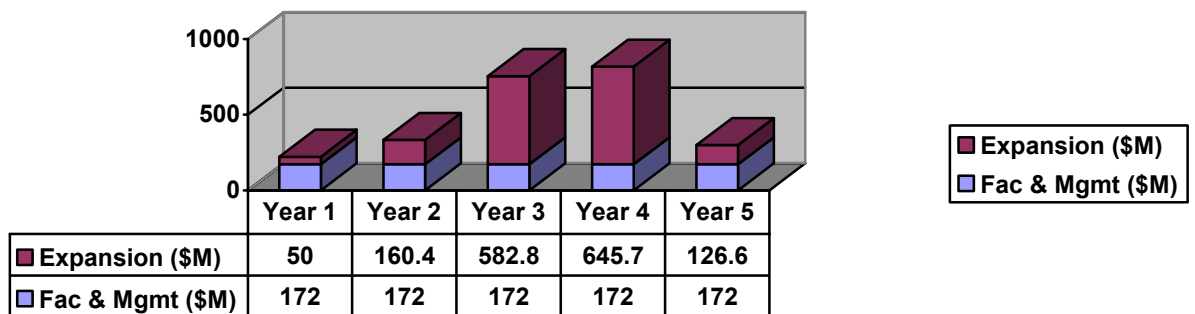
RESOURCES

The resources required to maintain the current 700 million barrel Reserve with an operational readiness to draw down within 15 days notice by the President are shown below. As we continue to strive reduce costs, the SPR expects to maintain a level budget into the future in spite of inflationary effects.



The Department is pursuing an Administration policy decision on the expansion of the Strategic Petroleum Reserve to one billion barrels in order to meet the Nation's future energy security needs in 2004. If the Department is successful, the SPR will seek to commence the expansion program in 2006. The SPR's expansion to one billion barrels is estimated to cost approximately \$1.65 billion (exclusive of petroleum), over a 12 year period as shown. The SPR has \$1 million available from funds appropriated in 1990 for expansion planning and environmental review activities which can be used to commence NEPA environmental compliance activities once a decision has been made. The additional resources required for the expansion of the Reserve to one billion barrels are shown below:

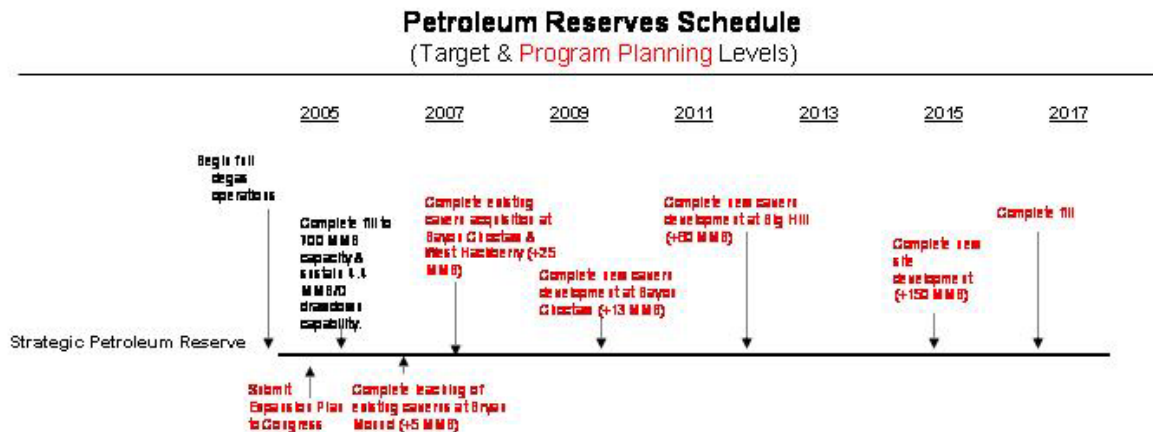
SPR Program Planning Budget



Oil fill for the expansion will not require Congressional appropriations, but is assumed to be through a continuation of the Department of Interior transfer of Federal offshore royalty oil to the Department of Energy. Although the transfer of oil from DOI makes the cost a non-budget

STRATEGIC PETROLEUM RESERVE (SPR) STRATEGIC PLAN

item, the value of fill adds to the Federal budget deficit, which may be given weight in future program decisions. The schedule for target and program planning level activities is shown below.



CONCLUSION

The SPR leaders set direction and create clear and visible values, a customer focus and high expectations – balancing the needs of all stakeholders. Our senior staff ensures the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. Leaders encourage employees to manage their own work, take initiative, and develop better ways of doing things. Innovation and creativity have been the force behind meaningful change to improve the SPR's processes and to create value for the stakeholders.

Our comprehensive set of measures and indicators tied to customer and organizational performance requirements represents a clear basis for aligning all processes with SPR goals. This structure of measures, evaluations, and accountability ensures that the SPR is achieving results.

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Visit Our Web Sites

- U.S. Department of Energy: www.energy.gov
- Office of Fossil Energy - Petroleum Reserves: www.fe.doe.gov/programs/reserves/
- SPR Project Management Office: <http://www.spr.doe.gov/>

Other Relevant Sites

- Energy Information Administration: www.eia.doe.gov/
- National Energy Policy: www.whitehouse.gov/energy/

Contact Information

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