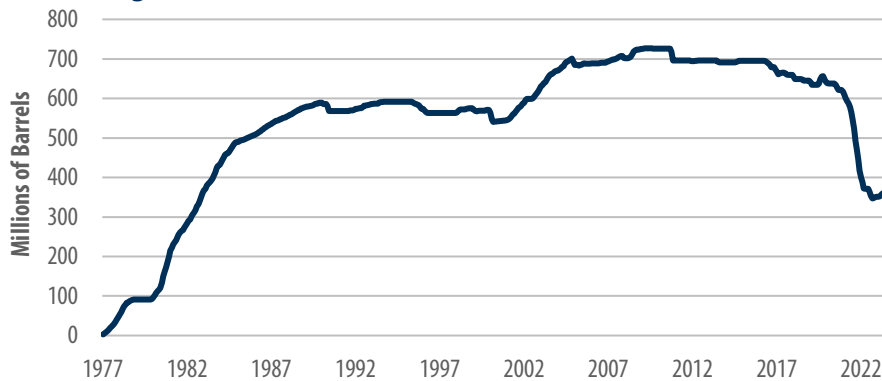


In today's Three on Thursday, we take an in-depth look at the current state of the Strategic Petroleum Reserve (SPR) following the latest developments from the Biden Administration. On July 29, 2024, the Department of Energy announced that 180 million barrels have been successfully replenished to the SPR—the same amount that was released in response to the Russia-Ukraine conflict. "From the beginning, this administration has put the economic and energy security of the American people first. This milestone is a proof point that when the Biden-Harris Administration makes and implements a plan, we deliver for the American people," said U.S. Secretary of Energy Jennifer M. Granholm. "As promised, we have secured the 180 million barrels back to the Strategic Petroleum Reserve released in response to Putin's war in Ukraine – and we accomplished this while getting a good deal for taxpayers and maintaining the readiness of the world's largest Strategic Petroleum Reserve." This led multiple news outlets to report that the Biden Administration has replenished the 180 million barrels of oil it removed from the Strategic Petroleum Reserve due to the Russia-Ukraine conflict. But what does this really mean? Is the SPR back to its pre-Biden levels? Explore the answers below through three insightful charts.

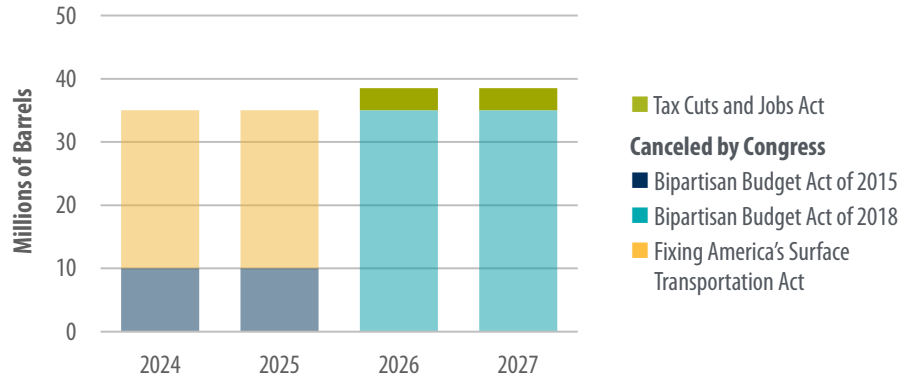
U.S. Ending Stocks of Crude Oil in SPR



Source: U.S. Energy Information Administration, First Trust Advisors. Monthly data 10/1977 - 7/2024.

As of August 2, 2024, the Strategic Petroleum Reserve (SPR) held 375.8 million barrels, marking an 8.4% increase from the low of 346.8 million barrels recorded on July 7, 2023. However, this figure still represents a significant 41.1% decrease from the 638.1 million barrels in reserve when President Biden took office. So, where is the 180 million barrel replenishment that the administration claims? The answer lies in the details. To date, the administration claims to have purchased approximately 43 million barrels of oil for replenishment. So, where are the remaining 140 million barrels that the administration is citing? It's clear they're not in the SPR.

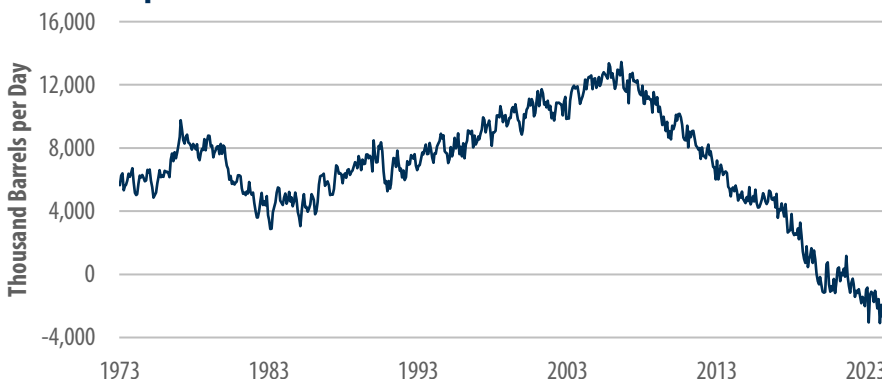
Congressionally Mandated SPR Sales



Source: U.S. Energy Information Administration, Congress.gov, First Trust Advisors. Fiscal Year data 2024-2027.

Legislation passed by Congress in recent years mandated the sale of 147 million barrels of oil from the U.S. Strategic Petroleum Reserve (SPR) during fiscal years 2024 through 2027 to generate revenue for debt reduction, infrastructure, and other priorities. However, the Department of Energy (DOE) recently requested Congress to pause or cancel most of these scheduled SPR sales. This request was granted through the 2023 Omnibus spending bill, which cancels all but 7 million barrels of the planned sales between 2024 and 2027. Here's what's happening: The DOE is counting the cancellation of these sales—approximately 140 million barrels—as part of its claim to have "secured" 180 million barrels for the SPR. When combined with the 40 million barrels the DOE has actually purchased, they arrive at the 180 million barrel figure.

U.S. Net Imports of Oil and Petroleum Products



Source: Energy Information Administration, First Trust Advisors. Monthly data from 1/1973 - 5/2024.

In 1983, the Strategic Petroleum Reserve (SPR) held an average of 379 million barrels, equating to an 88-day supply based on the U.S.'s net petroleum imports at that time. Today, however, the U.S. has shifted from being a net importer to a net exporter, making the calculation of days of supply less straightforward. Among the 31 member nations of the International Energy Agency (IEA), the U.S. is now one of only four that operate as a net exporter. The Department of Energy's recent statements about replenishing the reserve are, at best, misleading. While the SPR remains a critical safeguard, its role has evolved, luckily no longer as crucial as before, as the dynamics of the U.S. energy landscape have changed. This shift, however, does not justify the government's misuse or mismanagement of this vital resource.

This report was prepared by First Trust Advisors L.P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.