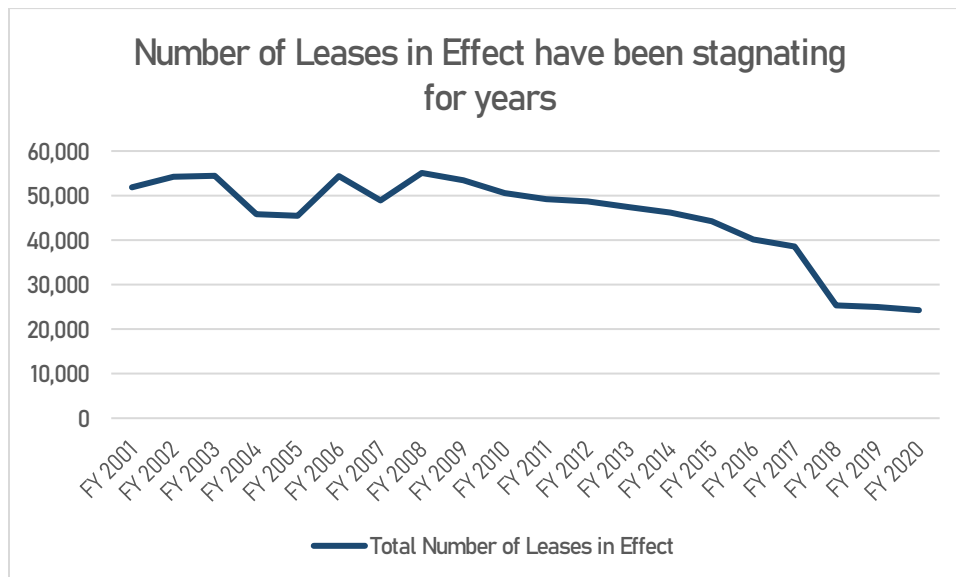


## Three options the US has to increase oil supply

This week's [interview](#) between Bloomberg and US Energy Secretary Granholm at the side of COP26 caused some outrage, as Americans are getting impacted by the high energy prices that is feeding through everything they purchase. After the initial passage of Biden's Infrastructure Bill, Biden [suggested](#) to have found a solution to the oil demand/supply imbalance. Today I will look at three possible options the US has to increase oil supply amid OPEC+ sticking to their 400k b/d monthly output increase.

### 1. Approve oil pipelines and allow for drilling on public land

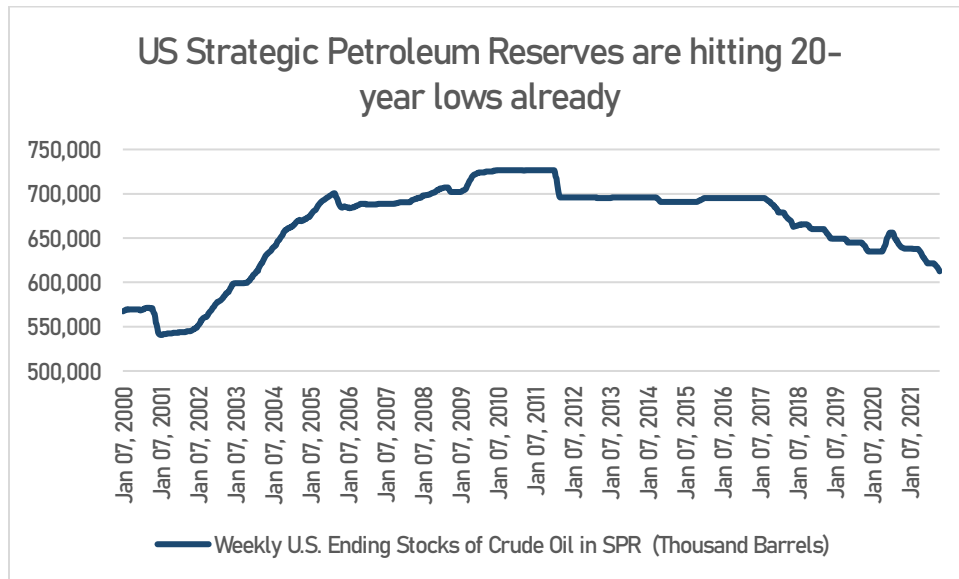
The Biden administration has brought in lots of headlines after cancelling the Keystone XL oil pipeline, closed the Arctic National Wildlife Refuge to oil and gas leases, and suspending all new oil and gas leases and drilling permits on federal lands and the Gulf of Mexico. However, after a judge [blocked](#) the ban on leases for drilling, the US is actually on pace to [approve](#) 6,000 permits, the most oil and gas drilling leases since 2008 and will [hold](#) a Gulf of Mexico oil and gas auction by 17<sup>th</sup> November. At the same time, the new Build Back Better Legislation is set to [include](#) important changes for oil and gas drilling, which will make it more expensive. The Biden administration might issue more permits arguing to lower the price of oil & gas on the one hand, and generating higher revenue for the government and more protection for the climate on the other hand.



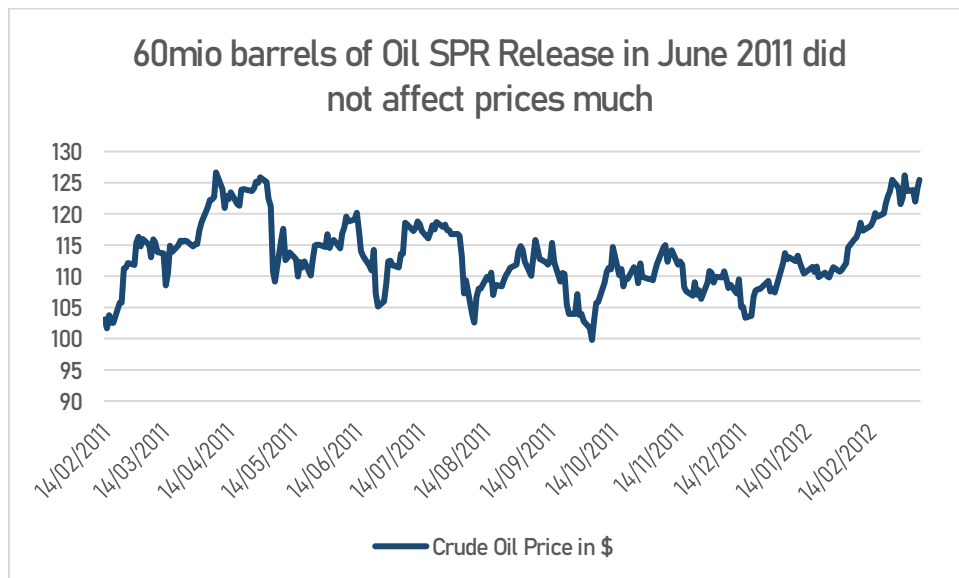
Source: Bureau of Land Management

2. Release more oil from the SPR, potentially in a globally coordinated way

The most recent special SPR releases have occurred in 2005 during Hurricane Katrina when 30mio barrels of oil were [offered](#), of which 19.2mio were sold, and in June 2011 when the US and its partners in the IEA [offered](#) 60mio barrels of oil, of which 30.6mio were sold. Given the commodity price rally is quite similar to that of 2011, I think an auction similar to that in June 2011 could occur, which ultimately had no major impact on prices.



Source: EIA

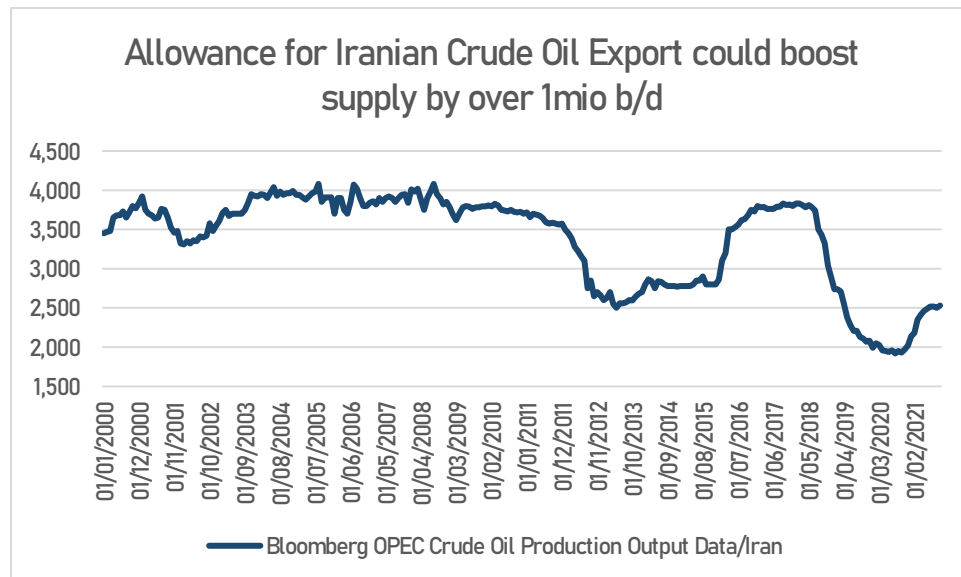


Source: Bloomberg

### 3. Allow for Iranian crude oil exports

Last but not least, the Biden administration could allow for Iranian crude oil exports despite keeping sanctions in place, according to [this](#) source. This could also stabilize the natural gas market, since Iran is the country with the largest natural gas resources. There are also nuclear talks planned for later this November.

However, given that Iran is breaking the accord by enriching much more nuclear than agreed, as well as more instability in the region amid the Iraq PM assassination attempt, I tend view option 1 or 2 as the most likely result. Furthermore, given that SPR releases have not helped bringing oil prices down and the US SPR already at a two-decade low, I view option 1 as the most likely outcome. In particular, Biden responds to the OPEC question of one reporter by [saying](#) “we are looking to put more energy in the pipeline”, which could be related to the approval of leases under a more climate friendly regulation.



Source: Bloomberg

