Originally Processed With FOIA(s): 2005-0954-MR; 2005-1003-F; 2009-0857-F; 2011-1613-F[

FOIA Number: S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group/Collection:	George H.W. Bush Presidential Records
Collection/Office of Origin:	National Security Council
Series:	H-Files
Subseries:	NSC Meetings Files

OA/ID Number:	90002
Folder ID Number:	90002-024

Folder Title:
NSC0055 - September 20, 1990 - Oil Supply, Energy, Persian Gulf [2]

Stack:	Row:	Section:	Shelf:	Position:
V	0	0	0	0

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Cover Sheet	From White House Situation Room to Robert Gates [telephone number redacted] (1 pp.)	9/19/90	(b)(2)	
01b. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C
01c. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C
01d. List	NSC Meeting [names, dates of birth, and social security numbers redacted] (1 pp.)	9/20/90	(b)(3), (b)(6)	
01e. Memo	From Eric Melby to Brent Scowcroft, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/17/90	(b)(1)	C
01f. Memo	For John Sununu and Brent Scowcroft from Admiral James D. Watkins re Drawdown (3 pp.)	9/14/90	(b)(1)	C
01g. Chart	re Net Worldwide Petroleum Supply (1 pp.)	n.d.	(b)(1)	
01h. Table	re Strategic Stocks on Hand (1 pp.)	n.d.	(b)(1)	
01i. Draft Proclamation	re Energy Supply (2 pp.)	n.d.	(b)(1)	

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Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0055 - September 20, 1990 - Oil Supply, Energy, Persian Gulf [2]

Pinksheet Number: bc171
OA/ID Number: 90002-024
Date Closed: 3/24/2008
FOIA/Sys Case #: 2005-0954-MR
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01j. Outline	From Brent Scowcroft, Re: National Security Council Meeting [FOIA restrictions redacted] (3 pp.)	9/19/90	(b)(1)	S
01k. Talking Points	To be Made for NSC Meeting on the Oil Supply Situation (1 pp.)	n.d.	(b)(1)	C
01l. Memo	For Brent Scowcroft from Eric Melby re NSC Meeting on Oil Supply Situation (1 pp.)	9/19/90	(b)(1)	S
01m. Memo	For John Sununu and Brent Scowcroft from Admiral James D. Watkins re Drawdown (3 pp.)	9/14/90	(b)(1)	C
01n. Chart	re Net Worldwide Petroleum Supply (1 pp.)	n.d.	(b)(1)	
01o. Table	re Strategic Stocks on Hand (1 pp.)	n.d.	(b)(1)	
01p. Draft Proclamation	re Energy Supply (2 pp.)	n.d.	(b)(1)	
01q. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C
01r. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C
01s. Memo	From Eric Melby to Brent Scowcroft, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/17/90	(b)(1)	C

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~~SECRET~~ ~~SECRET~~ 21060

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 18, 1990

SIGNED

ACTION

MEMORANDUM FOR WILLIAM F. SITTMANN

THROUGH: TIMOTHY E. DEAL

FROM: ERIC MELBY

SUBJECT: Notification of NSC Meeting

Attached at Tab I is a memorandum to the agencies notifying them of the September 20 NSC meeting on the oil supply situation and forwarding an agenda.

RECOMMENDATION

That you sign the memorandum to the agencies at Tab I.

Attachments
Tab I Memo to the Agencies
Tab A Agenda

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By blc NARA, Date 3/13/08

~~SECRET~~
Declassify on: OADR ~~SECRET~~

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9021059
RECEIVED: 17 SEP 90 17

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 19 SEP 90
SOURCE REF:

KEYWORDS: OIL
PERSIAN GULF
ENERGY
NSC

PERSONS:

SUBJECT: PRES TALKER FOR NSC MTG ON 20 SEP RE OIL SUPPLY

ACTION: NOTED BY PRES
DUE DATE: 20 SEP 90
STATUS: C

STAFF OFFICER: MELBY
LOGREF: 9021053 9021060

FILES: IFM O
NSCP: NS0055
CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAL
		MELBY
		NSC CHRON

COMMENTS:

DISPATCHED BY ______ DATE ______ BY HAND W/ATTCH

OPENED BY: NSLMS CLOSED BY: NSEF DOC 2 OF 2

~~CONFIDENTIAL~~

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	SCOWCROFT	Z	90091718	FOR SIGNATURE AND DECISION
001		X	90092110	SCOWCROFT APPROVED RECOM
002	PRESIDENT	Z	90091910	FOR INFORMATION
002		X	90092110	NOTED BY PRES

The oil Supply Situation

National Security Council
The White House

PROOFED BY: LMS

LOG # 21059

URGENT NOT PROOFED:

SYSTEM PRS NSC INT

BYPASSED WW DESK:

DOCLOG LMS A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1	KH	A
Bill Sittmann	2	Copy	
Bob Gates	3	g	
Brent Scowcroft	4		
Bill Sittmann			
Situation Room	5	EA. 9/19	Dacom
West Wing Desk	6	EA. 9/19	D
NSC Secretariat	7	LMS 10/9	R

RECEIVED 90 SEP 17 P6: 12

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other

Should be seen by: ______ (Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

Please Fax to Bob Gates (he's expecting this). Done EA 9/19
this can't get to him in LA he needs it NLT San Francisco. Mr. Gates will give to the President. * Copy back to Diane Edwards.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Cover Sheet	From White House Situation Room to Robert Gates [telephone number redacted] (1 pp.)	9/19/90	(b)(2)	

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AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
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P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
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(b)(9) Release would disclose geological or geophysical information

21054

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CLASSIFICATION

CIRCLE ONE BELOW

IMMEDIATE

PRIORITY

ROUTINE

MODE

SECURE FAX # [redacted] (b)(2)

ADMIN FAX #____

PAGES 11

DTG 191405Z

RELEASER JD

FROM/LOCATION

1. WHITE HOUSE SITUATION ROOM

TO/LOCATION/TIME OF RECEIPT

1. MR. ROBERT GATES/
2. TOR: 191415Z
3.
4.
5.
6.
7.

INFORMATION ADDEES/LOCATION/TIME OF RECEIPT

1.
2.

SPECIAL INSTRUCTIONS/REMARKS:

Deliver Immediately

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS
b/c 3/13/08

WHITE HOUSE
90 SEP 19 A11:07
SITUATION ROOM

~~CONFIDENTIAL~~

CLASSIFICATION

~~CONFIDENTIAL~~

CLASSIFICATION

CIRCLE ONE BELOW

IMMEDIATE

PRIORITY

ROUTINE

MODE

SECURE FAX # ______

ADMIN FAX # ______

RECORD # ______

PAGES ~~2~~ 6

DTG ______

RELEASER ______

FROM/LOCATION

1. FRAN WESSEL/THE WHITE HOUSE

TO/LOCATION/TIME OF RECEIPT

1. JIM CICCONI/LOS ANGELES

2.

3.

4.

5.

6.

7.

INFORMATION ADDEES/LOCATION/TIME OF RECEIPT

1.

2.

SPECIAL INSTRUCTIONS/REMARKS:

Jim, The attached is being faxed to Gates by Sit. Rm. for him to give to the President. Per Sit. Rm. Staff this is an FYI copy for you. --Fran

~~Also attached is a memo from Rogers/Carney re September 18th Primaries.~~

~~CONFIDENTIAL~~

CLASSIFICATION

WHCA FORM 8, 15 OCTOBER 84

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS

blc 3/13/08

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01b. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0055 - September 20, 1990 - Oil Supply, Energy, Persian Gulf [2]

Document Partially Declassified
(Copy of Document Follows)
By MM on 4/21/2022

Date Closed:	3/24/2008	**OA/ID Number:**	90002-024
FOIA/SYS Case #:	2005-0954-MR	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	2005-0954-MR(183)
AR Disposition:		**MR Disposition:**	Released in Part
AR Disposition Date:		**MR Disposition Date:**	7/17/2015

RESTRICTION CODES

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Deed of Gift Restrictions

C(1) Closed by Executive Order 13526, governing access to national security information
C(2) Closed by statute or by the agency which originated the information
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PRM. Removed as a personal record misfile

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~~CONFIDENTIAL~~

21059

per Lonnie/NSC being faxed to Gates to give to (P)

90 SEP 19 AM 10: ~~09~~ 07

THE WHITE HOUSE

WASHINGTON

September 19, 1990

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: The Oil Supply Situation

DECLASSIFIED IN PART
PER E.O. 13526
2005-0954-MR
MM 7/17/2015

Secretary Watkins has requested an NSC meeting this week to decide upon a coordinated draw of strategic stocks by International Energy Agency countries. He recommends a 500,000 b/d drawdown of the Strategic Petroleum Reserve (SPR) as the U.S. contribution.

Secretary Watkins' recommendation is based on his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand is likely to exceed supply during the fourth quarter even without military hostilities.

Secretary Watkins' view is confirmed by the CIA's latest intelligence assessment of the oil market. The CIA anticipates a shortfall 3.3(b)(1) [redacted] 3.3(b)(1) [redacted] in 1991 to meet demand that existed at pre-invasion prices. The supply shortfall will be felt starting in October, since the Iraqi and Kuwaiti oil shipped before the invasion has now arrived in consuming countries, as has the oil certain OPEC producers had stored outside the Gulf region.

3.3(b)(1) [redacted] Even at $30/barrel, the world production system would be operating at full capacity and be unable to accommodate additional disruptions, e.g., sharp cold spells, oil production accidents, oil industry strikes or terrorist actions.

Because of this supply uncertainty, the CIA estimates that crude prices are likely to fluctuate between $30-$40/barrel over the next year with higher price spikes possible.

Compounding the difficult supply picture is the loss of 1,000,000 b/d of refined products that were exported from Kuwait and Iraq. The loss of Kuwait's refinery (capacity 700,000 b/d) is likely to lead to spot shortages of products refined from higher quality crude.

~~CONFIDENTIAL~~
Declassify on: OADR

cc: The Vice President
Chief of Staff

The coordinated use of strategic stocks would reduce market instability by providing some slack to the tightly balanced market. Market psychology plays a large part in determining oil prices; evidence that IEA governments are willing to bring some of their strategic oil to the market would reassure consumers. Traders would be less likely to bid up future prices; oil companies would be more likely to draw down their commercial stocks. Developing countries would benefit from the resulting lower oil prices and realize that industrialized countries are not just content to bid oil away from the developing countries. Oil producers who have increased production to maximum sustainable rates will appreciate this significant gesture from consuming countries.

I support Secretary Watkins' recommendation for a meeting to consider a coordinated stockdraw. As he suggested, I believe we should consider an IEA-wide coordinated stock draw of 1.5 million b/d for three months, starting in October. An illustrative sharing of the burden would be: U.S. -- 500,000 b/d; Japan -- 250,000 b/d; Germany -- 250,000 b/d; other IEA, including France -- 500,000 b/d (some of this would come from restraining demand). Such a stockdraw would reduce the SPR from 590 million barrels to 545 barrels over three months, a reduction of 7.5 percent. The coordinated stock draw would have to be reviewed monthly in light of prevailing market conditions.

For maximum effectiveness in calming volatile markets, an ideal time to implement the coordinated stock draw would be the September 28 meeting of the IEA Governing Board. If you decide to draw the SPR as part of a coordinated IEA effort, you should call Prime Ministers Kaifu and Thatcher and Chancellor Kohl in advance of the IEA meeting to enlist their support. Secretaries Baker and Watkins also would have to contact their counterparts to stress the political imperative of a meaningful, coordinated response. We would also want to inform the Saudis, Venezuelans and Mexicans of our intentions.

At the NSC meeting, we should consider, at least briefly, other actions which we, either individually or collectively with other IEA countries, should take to improve our energy security. These include how best to:

-- overcome technical and political constraints on expanding nuclear energy;

-- reduce oil consumption in the transportation and electric utility sectors; and

-- ensure that strategic stocks are rebuilt once this crisis is over.

I will try to schedule an NSC meeting on September 20.

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01c. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C

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AR Case #:	**MR Case #:** 2005-0954-MR(183)
AR Disposition:	**MR Disposition:** Released in Part
AR Disposition Date:	**MR Disposition Date:** 7/17/2015

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~~CONFIDENTIAL~~

21059

THE WHITE HOUSE
WASHINGTON

September 19, 1990

90 SEP 19 AM 10:07

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: The Oil Supply Situation

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Secretary Watkins' recommendation is based on his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand is likely to exceed supply during the fourth quarter even without military hostilities.

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~~CONFIDENTIAL~~

cc: The Vice President
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NSC MEETING
THURSDAY, SEPTEMBER 20, 1990
1:15 PM - 2:00 PM
CABINET ROOM

WHITE HOUSE
The President
The Vice President
Brent Scowcroft
Marlin Fitzwater
Governor Sununu
Andrew Card
Roger Porter
Ede Holiday
Robert Gates

OFC OF THE VP
Carnes Lord

NSC
Tim Deal

STATE
Lawrence Eagleburger
Richard McCormack

[redacted] (b)(6) [redacted] (b)(6)

TREASURY
Secretary Brady
John Robson

(b)(6) [redacted] (passholder)

DOD
Donald Atwood
Paul Wolfowitz

[redacted] (b)(6)

JCS
General Howard Graves
(No +1)

CIA
Director Webster
[redacted] (b)(3)

OMB
Richard Darman
(no +1)

COMMERCE
Wayne Berman
(no +1)

ENERGY
Secretary Watkins
W. Henson Moore

TRANSPORTATION
Secretary Skinner
John Gaughan

CEA
Richard Schmalensee
(no +1)

Withdrawal/Redaction Sheet
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AR Case #:	**MR Case #:** 2005-0954-MR(185)
AR Disposition:	**MR Disposition:** Released in Part
AR Disposition Date:	**MR Disposition Date:** 7/17/2015

RESTRICTION CODES

Freedom of Information Act (FOIA) - [5 U.S.C. 552(b)]

(b)(1) National security classified information
(b)(2) Release would disclose internal personnel rules and practices of an agency
(b)(3) Release would violate a Federal statute
(b)(4) Release would disclose trade secrets or confidential or financial information
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy
(b)(7) Release would disclose information compiled for law enforcement purposes
(b)(8) Release would disclose information concerning the regulation of financial institutions
(b)(9) Release would disclose geological or geophysical information concerning wells

Deed of Gift Restrictions

C(1) Closed by Executive Order 13526, governing access to national security information
C(2) Closed by statute or by the agency which originated the information
C(3) Closed in accordance with restrictions contained in donor's deed of gift [formerly listed as only C]
PRM. Removed as a personal record misfile

Presidential Records Act - [44 U.S.C. 2204(a)]

P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

~~CONFIDENTIAL~~ 21059

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 17, 1990

Natl Sec Advisor
has seen

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: TIMOTHY E. DEAL

FROM: ERIC MELBY

SUBJECT: The Oil Supply Situation

DECLASSIFIED IN PART
PER E.O. 13526
2005-0954-MR
MM 7/17/2015

You have seen Secretary Watkins' memorandum to you and Governor Sununu, recommending an NSC meeting to decide upon a coordinated draw of strategic stocks by IEA countries (Tab II). Watkins recommends a 500,000 b/d drawdown of the Strategic Petroleum Reserve (SPR) as the U.S. contribution.

Secretary Watkins' recommendations are based on his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand is likely to exceed supply during the fourth quarter even without military hostilities.

Secretary Watkins' view is confirmed by the CIA's latest intelligence assessment of the oil market and is shared by energy officials at State. The CIA anticipates a shortfall 3.3(b)(1) [redacted] 3.3(b)(1) [redacted] in 1991 to meet demand that existed at pre-invasion prices.

Because of this supply uncertainty, the CIA estimates that crude prices are likely to fluctuate between \$30-\$40/barrel over the next year with higher price spikes possible. Oil prices rose above \$32.00 today.

We support Secretary Watkins' recommendation for an NSC meeting to consider a coordinated stockdraw. A good time to implement the coordinated stock draw would be the September 28 meeting of the IEA Governing Board. Given the lead time necessary to ensure a successful IEA meeting, the NSC meeting should be Thursday, September 20.

At the NSC meeting, we should consider other actions which we, either individually or collectively with other IEA countries, should take to improve our energy security. This includes how best to:

-- overcome technical and political constraints on expanding nuclear energy. In the U.S., no nuclear power plants have

~~CONFIDENTIAL~~
Declassify on: OADR

been ordered since 1979. White House leadership is critical to getting the U.S. nuclear industry back on its feet.

-- reduce oil consumption in the transportation and electric utility sectors. U.S. automobile manufacturers lag their foreign competitors in building fuel-efficient cars.

-- ensure that strategic stocks are rebuilt once this crisis is over. Only 3 out of 21 IEA countries have credible strategic stocks. Several IEA countries are even below the 90-day stock-holding requirement.

RECOMMENDATION

That you sign the information memorandum to the President at Tab I.

That you approve the scheduling of an NSC meeting for September 20 to discuss the oil supply situation, including the advisability of a coordinated stockdraw.

Approve ______ Disapprove ______

Attachments
Tab I Memo to the President
Tab II Memo from Secretary Watkins

The Secretary of Energy
Washington, DC 20585

September 14, 1990

~~CONFIDENTIAL~~ -- "EYES ONLY"

MEMORANDUM FOR THE HONORABLE JOHN H. SUNUNU
CHIEF OF STAFF TO THE PRESIDENT

THE HONORABLE BRENT SCOWCROFT
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

SUBJECT: SPR DRAWDOWN

Brent:

1. The purpose of this memorandum is to ask you to schedule an NSC meeting early next week for me to present my case for executing an integrated strategic oil stock drawdown in concert with our allies. I have concluded that a coordinated announcement should be made as soon as possible to allow delivery of SPR oil early in October (a minimum of 16 days is required from Presidential finding to oil delivery from the SPR).

2. In previous NSC and follow-on discussions with the President, I pointed out the fragility and potential volatility of the oil supply/demand situation we now expect in the fourth quarter of calendar year 1990. Attachment 1 was shown to the President on 30 August and depicts the ripple effect of the sudden, early-August 4.3 MMBD oil loss from the world-wide marketplace. This depiction takes into account all promised new production supply as well as price-induced demand reductions. On the other hand, effectiveness of international oil-conserving measures are not included and could help reduce amplitudes of net-loss standpipes shown; but just how much remains unquantifiable at this juncture.

3. While pre-conflict world-wide stocks were fortunately inflated above norms, they will no longer be so in October. Based on recent EIA projections, stocks of crude oil will be below normal by the end of October.

4. A thorough review of the SPR drawdown concept and process has been provided to you previously. I would propose modifying the earlier proposal and presenting the following implementing strategy for discussion and decision by the NSC:

   a. Seek agreements from Japan's Prime Minister and Germany's Chancellor to commit to draw down our three strategic reserves by a total of one million barrels per day for three months commencing in early October. As you can see from Attachment 2, the combined government-owned or controlled stocks of the United States, Japan, and Germany amount to 96% of the IEA total.

   b. Commit the United States to draw down at a rate not to exceed 500,000 B/D and ask Japan and Germany to come to a mutual agreement as to a fair split between them for the remaining amount.

   c. Prior to a coordinated three-nation announcement, inform other IEA nations of our intentions and seek their support. Simultaneously, ask the Executive Director of the IEA to call for a ministerial meeting of the IEA in Paris to seek both unanimous support for our actions and contributions by other SPR holders as feasible.

   d. Ask IEA to reassess the world-wide supply and demand situation during the fourth quarter and recommend changes to drawdown rates or termination as the situation clarifies and results of enhanced production and conservation measures can be seen and measured.

5. The draft proclamation at Attachment 3 is the Presidential finding document which the law demands under EPCA to be made.

6. In conclusion, I no longer see any significant "downsides" to what I am proposing. Rather, I believe the "upsides" are compelling as the following pros and cons suggest:

   Pros

   o Additional crude into market at exact time and duration of shortage hitting the world market (Oct.-Dec.).

   o Supports other efforts to reduce supply shortfall and comes after OPEC agreement to produce to capacity (Saudi Arabia, UAE, Venezuela, United States and others). Therefore, an SPR draw is no longer a deterrent to enhanced OPEC production.

- o Will influence holders of commercial inventories to use stocks by providing assurance that additional supplies are forthcoming.

- o Will reduce likelihood of Congressional mischief (e.g. price controls, windfall profits tax).

- o Will not appreciably reduce SPR stockpile (less than 8% United States, 11% Japan and Germany together).

- o Action to prevent a probable shortage, higher prices and adverse political reaction just before elections.

- o Will have favorable effect on markets and reduce economic damage of oil price increase.

Cons

- o Uses a portion of the stockpile, as a result there will be moderately less oil available if the situation gets worse.

- o Drawdown might not operate smoothly.

- o May pay a price higher than selling price to replace oil drawdown.

- o Resulting lower price will lessen the drive towards conservation and production.

- o Could give impression that crisis is expected.

- o Some would say it interferes with the market to affect prices.

7. I personally hold the only copy of this document. Only the following principals in my office are aware of its contents: Henson Moore, John Tuck, John Easton, Polly Gault and Linda Stuntz -- no others.

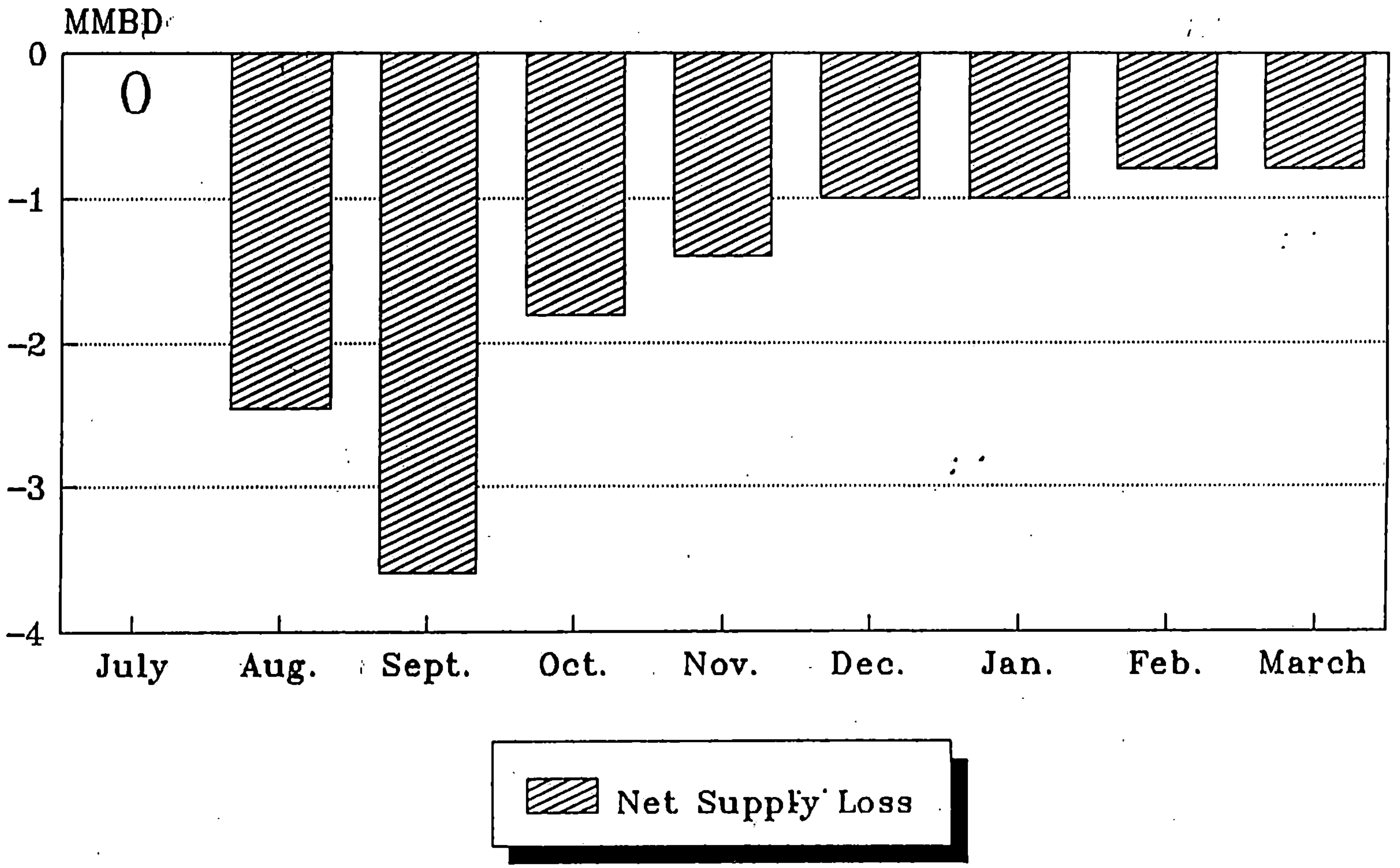
8. To this point, we have religiously supported the "not yet" approach to SPR drawdown. But now we feel it's time to move. Please let me present my case to the NSC.

Jim

James D. Watkins
Admiral, U.S. Navy (Retired)

3 Attachments

Net Worldwide Petroleum Supply Loss*: 1990-1991



*Average Monthly Loss

ATTACHMENT 1

IEA STRATEGIC STOCKS ON HAND
AS OF JULY 1, 1990*
(Millions of Barrels)

Australia	0
Austria	2
Belgium	0
Canada	0
Denmark	13
Germany	189
Greece	0
Ireland	0
Italy	6
Japan	206
Luxembourg	0
Netherlands	17
New Zealand	0
Norway	0
Portugal	0
Spain	0
Sweden	1
Switzerland	0
Turkey	0
United Kingdom	0
United States	580
IEA Total	1014
France**	0

* Preliminary Data
** Not an IEA Member

Proclamation ______ of ______________________________, 1990

By the President of the United States of America

A Proclamation

The Secretary of Energy has advised me that the recent events in the Persian Gulf have resulted in a national energy supply shortage constituting a severe energy supply interruption as defined in Section 3(8) of the Energy Policy and Conservation Act (42 U.S.C. 6202(8)). On the basis of the Secretary's advice, and other information available to me, I hereby find and determine, in accordance with Sections 161 and 3(8) of the Energy Policy and Conservation Act (42 U.S.C. 6241, 6202(8)), the existence of a national energy supply shortage constituting a severe energy supply interruption, which:

(A) is of significant scope and duration and of an emergency nature;

(B) may cause major adverse impact on national safety or the national economy; and

(C) has resulted from an interruption in the supply of imported petroleum products.

I further find that implementation of the Distribution Plan contained in the Strategic Petroleum Reserve Plan is required by the severe energy supply interruption, and in the interest of the national defense. This Plan was transmitted by President Reagan to the Congress and took effect on December 1, 1982.

NOW, THEREFORE, I GEORGE BUSH, President of the United States of America, by the authority vested in me by the Constitution and laws of the United States, including Section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), do hereby proclaim that:

Section 1. A severe energy supply interruption, as defined in Section 3(8) of the Energy Policy and Conservation Act (42 U.S.C. 6202(8)), currently exists with respect to the supply of imported crude oil and petroleum products.

Sec. 2. The Secretary of Energy is authorized to draw down and distribute the Strategic Petroleum Reserve, at such rate as he may determine, in accordance with the Distribution Plan contained in the Strategic Petroleum Reserve Plan which is in effect, or any amendment thereto which may take effect.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _______________, in the year of our Lord nineteen hundred and ninety, and of the Independence of the United States of America the two hundred and fifteenth.

~~SECRET~~
NSC/S PROFILE

RECORD ID: 9021066
RECEIVED: 19 SEP 90 10

TO: SCOWCROFT

FROM: MELBY
DEAL

DOC DATE: 20 SEP 90
SOURCE REF:

KEYWORDS: OIL
NSC

AGENDA

PERSONS:

SUBJECT: REVISED POINTS TO BE MADE RE NSC MTG ON OIL SUPPLY SITUATION
20 SEP

ACTION: NOTED BY SCOWCROFT   DUE DATE: 22 SEP 90   STATUS: C

STAFF OFFICER: MELBY   LOGREF: 9021052   9021053

FILES: IFM O   NSCP: NS0055   CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		DEAL
		MELBY
		NSC CHRON

COMMENTS: __________

DISPATCHED BY __________ DATE __________ BY HAND   W/ATTCH

OPENED BY: NSEF   CLOSED BY: NSEF   DOC 3 OF 3

~~SECRET~~

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS
blc 3/13/08

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	SCOWCROFT	Z	90091914	FWD TO PRES FOR INFORMATION
002	PRESIDENT	Z	90091919	FOR INFORMATION
002		X	91013113	OBE / STATUS ORIGINAL UNKNOWN
003	SCOWCROFT	Z	90092010	FOR INFORMATION
003		X	90092108	NOTED BY SCOWCROFT

RECORD ID LAST ACTION DATE	FROM SUBJECT KEYWORDS	TO	DOC.DATE STATUS DUE DATE	NOTES
9021066	MELBY	SCOWCROFT	SEP 20	
SEP 21	REVISED POINTS TO BE MADE RE NSC MTG ON OIL SUPPLY SITUATION 20 SEP		IP	
	AGENDA OIL	NSC	09/22/90	

CLASSIFIED BY NSC EXECUTIVE SECRETARY
DECLASSIFY ON: OADR

~~SECRET~~

CLASSIFICATION

CIRCLE ONE BELOW

IMMEDIATE

PRIORITY

ROUTINE

MODE

SECURE FAX #

ADMIN FAX #

PAGES 9

DTG

RELEASER

FROM/LOCATION

1. William Sittmann / Exec Sec / White House

TO/LOCATION/TIME OF RECEIPT

1. President Bush

2.

3.

4.

5.

6.

7.

INFORMATION ADDEES/LOCATION/TIME OF RECEIPT

1.

2.

SPECIAL INSTRUCTIONS/REMARKS:

#21066 - NSC Meeting on Oil Supply

~~SECRET~~

CLASSIFICATION

UNCLASSIFIED UPON
REMOVAL OF CLASSIFIED
ATTACHMENTS
blc 3/13/08

National Security Council
The White House

PROOFED BY: 27

LOG # 21066

URGENT NOT PROOFED:

SYSTEM PRS NSC INT

BYPASSED WW DESK:

DOCLOG 27 A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	1	KH	A
Bill Sittmann	2	Has copy	
Bob Gates	3	✓	
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	4	LMS 9/19	~~① FAX to plane for Pres ② Orig. for Cicconi~~
NSC Secretariat			

A = Action   I = Information   D = Dispatch   R = Retain   N = No further Action

cc: VP   Sununu   Other

Should be seen by: ______ (Date/Time)

COMMENTS

NSC Meeting 9/20

DISPATCH INSTRUCTIONS:

Exec Sec Ofc has diskette

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01j. Outline	From Brent Scowcroft, Re: National Security Council Meeting [FOIA restrictions redacted] (3 pp.)	9/19/90	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0055 - September 20, 1990 - Oil Supply, Energy, Persian Gulf [2]

Document Partially Declassified
(Copy of Document Follows)
By MM on 4/21/2022

Date Closed:	3/24/2008	**OA/ID Number:**	90002-024
FOIA/SYS Case #:	2005-0954-MR	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	2005-0954-MR(190)
AR Disposition:		**MR Disposition:**	Released in Part
AR Disposition Date:		**MR Disposition Date:**	7/17/2015

RESTRICTION CODES

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P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

SECRET

~~SECRET~~ 21066

THE WHITE HOUSE

WASHINGTON

September 19, 1990

NATIONAL SECURITY COUNCIL MEETING
DATE: September 20, 1990
LOCATION: Cabinet Room
TIME: 1:15-2:00 p.m.

FROM: BRENT SCOWCROFT

I. PURPOSE

To review the current international oil supply situation and decide whether a limited drawdown of the Strategic Petroleum Reserve (SPR), in coordination with our allies in the International Energy Agency (IEA), is warranted.

II. BACKGROUND

A. Supply Situation

Secretary Watkins requested this NSC meeting. It is his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand for oil in the fourth quarter of this year will likely exceed supply. This assumes no military hostilities.

Secretary Watkins' view is confirmed by the CIA's latest intelligence assessment of the oil market. The CIA anticipates a shortfall 1.4(c); 1.4(d); 3.3(b)(1) [redacted] 1.4(c); 1.4(d); 3.3(b)(1) [redacted] 1991 to meet demand that existed at pre-invasion prices. The supply shortfall will be felt starting in October, since the Iraqi and Kuwaiti oil shipped before the invasion has now arrived in consuming countries, as has the oil certain OPEC producers had stored outside the Gulf region.

Unless additional supplies come on the market, prices will have to rise further to balance supply and demand. Even at $30/barrel, the world production system would be operating at full capacity and thus unable to accommodate additional disruptions, e.g., sharp cold spells, oil production accidents, oil industry strikes or terrorist actions.

Because of this supply uncertainty, the CIA estimates that crude prices are likely to fluctuate between $30-$40/barrel over the next year with higher price spikes possible.

Compounding the difficult supply picture is the loss of about 800,000 b/d of refined products that were exported

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Declassify on: OADR

cc: The Vice President
Chief of Staff

SECRET

from Kuwait and Iraq. The loss of Kuwait's refinery (capacity 800,000 b/d) is likely to lead to spot shortages of products refined from higher quality crude.

B. Strategic Stockdraw: Pros and Cons

The coordinated use of strategic stocks would reduce market instability by providing some slack to the tightly balanced market. Market psychology plays a large part in determining oil prices; evidence that IEA governments are willing to bring some of their strategic oil stocks to the market would reassure consumers. Traders would be less likely to bid up future prices. Oil companies would be more likely to draw down their commercial stocks, particularly of refined products.

Developing countries would benefit from the resulting lower oil prices and realize that industrialized countries are not just content to bid oil away from the developing countries. Oil producers who have increased production to maximum sustainable rates will appreciate this significant gesture from consuming countries.

On the other hand, any use of the SPR will leave less for the future should the situation worsen. The drawdown may go less smoothly than DOE anticipates. Release of government stocks will put downward pressure on prices, thus possibly reducing the incentive to conserve. Germany and Japan may be reluctant to use their stocks.

C. A Stockdraw Proposal

Were we to decide on a coordinated IEA-wide stockdraw, the consensus among U.S. officials is to recommend 1.5 million b/d for three months. An illustrative sharing of the burden would be: U.S. -- 500,000 b/d; Japan -- 250,000 b/d; Germany -- 250,000 b/d; other IEA (including France) -- 500,000 b/d. Such a stockdraw would reduce the SPR from 590 million barrels to 545 barrels over three months, a reduction of 7.5 per cent. The coordinated stockdraw should be reviewed monthly in light of prevailing market conditions.

D. Implementing Strategy

The IEA Governing Board is scheduled to meet September 28. If a coordinated stockdraw were agreed to at that meeting, the oil would be on the market by late October or early November. Based on our informal soundings, I believe that most -- if not all-- agencies favor a coordinated stockdraw at this time in order to place additional oil on the market in November.

If you agree to authorize a drawdown of the SPR as part of a coordinated IEA effort, I recommend you send messages to

Prime Ministers Kaifu and Thatcher and Chancellor Kohl to elicit their support. German and Japanese energy officials are likely to be reluctant to draw down strategic reserves, preferring to rely on higher prices to restrain demand, and thus your personal intervention at the political level may be necesary to ensure German and Japanese support for such an approach. Secretaries Baker and Watkins would also have to contact their counterparts to stress the political imperative of a meaningful, coordinated response. We will want to keep our decision confidential until we get other IEA countries on board.

If there is time at the NSC meeting, we might consider briefly other actions which we, either individually or collectively with other IEA countries, should take to improve our energy security. These include how best to:

-- overcome technical and political constraints on expanding nuclear energy; and

-- reduce oil consumption in the transportation and electric utility sectors.

III. PARTICIPANTS

A list of participants is attached at Tab C.

IV. PRESS PLAN

White House Photographer only.

V. SEQUENCE

After your welcoming remarks, I will outline the key issue for discussion. Judge Webster will give the intelligence community's perspective of the global oil supply situation. Admiral Watkins will follow with DOE's perspective and his recommendations regarding a coordinated stockdraw. There will then be a general discussion. I will summarize the discussion.

Attachments

Tab A	Points to be Made
Tab B	Agenda
Tab C	List of Participants

POINTS TO BE MADE FOR NSC MEETING ON THE OIL SUPPLY SITUATION

-- Jim asked for this meeting so that he could outline his case for a strategic oil stock drawdown in concert with our allies.

-- All countries have been affected by the disruption in oil supplies caused by Iraq's invasion of Kuwait.

-- While some countries have benefited financially from the resulting rise in prices, most have been hurt, particularly oil-importing developing countries.

-- I have said we would work closely with our allies in the International Energy Agency to monitor the situation and take action if necessary.

-- I would like to hear your views on the oil market and any actions you would recommend I take.

-- Brent, would you like to lead off the discussion?

~~SECRET~~ ~~SECRET~~

NATIONAL SECURITY COUNCIL MEETING
DATE: September 20, 1990
LOCATION: Cabinet Room
TIME: 1:15-2:00 P.M.

THE OIL SUPPLY SITUATION

Agenda

I. Opening Statement . . . . The President

II. Introduction . . . . General Scowcroft

III. Intelligence Assessment . . . . Director Webster

IV. Energy Situation . . . . Admiral Watkins

IV. General Discussion . . . . All Participants

V. Summary . . . . General Scowcroft

~~SECRET~~
Declassify on: OADR

~~SECRET~~

PARTICIPANTS

The President
The Vice President
Nicholas Brady, Secretary of Treasury
Samuel Skinner, Secretary of Transportation
James Watkins, Secretary of Energy
Richard Darman, Director, Office of Management and Budget
John Sununu, Chief of Staff to the President
Brent Scowcroft, Assistant to the President for National Security Affairs
William Webster, Director of Central Intelligence
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Lawrence Eagleburger, Deputy Secretary of State
Donald Atwood, Deputy Secretary of Defense
Wayne Berman, Counsellor to the Secretary of Commerce
Howard D. Graves, Lt General, USA, Assistant to the Chairman Joint Chiefs of Staff
Richard L. Schmalensee, Member of Council of Economic Advisers
Timothy Deal, Senior Director for International Economic Affairs (Notetaker)

SECRET

~~SECRET~~

21066

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 19, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: TIMOTHY E. DEAL

FROM: ERIC MELBY EM.

SUBJECT: National Security Council Meeting on the Oil Supply Situation, 1:15 p.m., Thursday, September 20, Cabinet Room

Attached at Tab I is a memorandum from you to the President for tomorrow's NSC meeting on the oil supply situation.

Should the consensus of the meeting favor a coordinated stockdraw with our IEA partners, we will forward tomorrow afternoon the necessary determination to the President, as well as messages to key leaders.

If the President decides to authorize a draw on the SPR, the decision should be held closely until we get our principal partners on board. In that regard, we would intend to call together a small working group of State, DOE and NSC staff to coordinate our approach at the IEA. The goal would be to announce the coordinated stockdraw simultaneously at the next IEA Governing Board (scheduled for September 28) and in Washington.

Talking points for your use are at Tab II. They include two issues you may wish to raise at the end of the meeting: nuclear power and improving oil use in the transport and utility sector.

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments
Tab I Memo to the President
- Tab A Points to be Made
- Tab B Agenda
- Tab C List of Participants

Tab II Your Talking Points

cc: Richard Haass

DECLASSIFIED
PER E.O. 13526
2005-0954-MR
SCS 2/28/13

~~SECRET~~
Declassify on: OADR

SECRET

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9021059
RECEIVED: 17 SEP 90 17

TO: SCOWCROFT
SUNUNU, J

FROM: WATKINS, J

DOC DATE: 14 SEP 90
SOURCE REF:

KEYWORDS: OIL, PERSIAN GULF, KUWAIT, ENERGY, NSC, IRAQ

PERSONS:

SUBJECT: REQUEST FOR NSC MTG ON SPR DRAWDOWN / LIMITED ACCESS

ACTION: FOR RECORD PURPOSES   DUE DATE: 20 SEP 90   STATUS: C

STAFF OFFICER: MELBY   LOGREF: 9021052   9021053

FILES: IFM 0   NSCP: NS0055   CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION   FOR CONCURRENCE   FOR INFO

COMMENTS:

DISPATCHED BY ________ DATE ________ BY HAND W/ATTCH

OPENED BY: NSLMS   CLOSED BY: NSEF   DOC 3 OF 3

~~CONFIDENTIAL~~

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS
blc 3/13/08

~~CONFIDENTIAL~~

RECORD ID: 9021059

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	SCOWCROFT	Z	90091718	FOR SIGNATURE AND DECISION
001		X	90092110	SCOWCROFT APPROVED RECOM
002	PRESIDENT	Z	90091910	FOR INFORMATION
002		X	90092110	NOTED BY PRES
003		X	91031813	FOR RECORD PURPOSES

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NS0055

National Security Council
The White House

PROOFED BY:		*LOG #*	21059
URGENT NOT PROOFED:		*SYSTEM*	PRS NSC INT
BYPASSED WW DESK:		*DOCLOG*	*A/O*

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill			
Bill Sittmann			
Bob Gates			
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk		EJ 3/14	
NSC Secretariat			
Brian / LISA		AMS 3/18	Add TO File

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other

Should be seen by: (Date/Time)

COMMENTS

IFM O

Brian CAN you get this Added

DISPATCH INSTRUCTIONS: TO THE file for me?

Lorraine

NATIONAL SECURITY COUNCIL

March 15, 1991

Lonnie/Anita:

We were cleaning out some files and came across the attached original memo which I'm returning to you for the files. Looks like it should be filed with Log 21059 (copy attached).

thanks,

Pat Battenfield

The Secretary of Energy
Washington, DC 20585

September 14, 1990

~~CONFIDENTIAL~~ -- "EYES ONLY"

MEMORANDUM FOR THE HONORABLE JOHN H. SUNUNU
CHIEF OF STAFF TO THE PRESIDENT

THE HONORABLE BRENT SCOWCROFT
ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

SUBJECT: SPR DRAWDOWN

Brent:

1. The purpose of this memorandum is to ask you to schedule an NSC meeting early next week for me to present my case for executing an integrated strategic oil stock drawdown in concert with our allies. I have concluded that a coordinated announcement should be made as soon as possible to allow delivery of SPR oil early in October (a minimum of 16 days is required from Presidential finding to oil delivery from the SPR).

2. In previous NSC and follow-on discussions with the President, I pointed out the fragility and potential volatility of the oil supply/demand situation we now expect in the fourth quarter of calendar year 1990. Attachment 1 was shown to the President on 30 August and depicts the ripple effect of the sudden, early-August 4.3 MMBD oil loss from the world-wide marketplace. This depiction takes into account all promised new production supply as well as price-induced demand reductions. On the other hand, effectiveness of international oil-conserving measures are not included and could help reduce amplitudes of net-loss standpipes shown; but just how much remains unquantifiable at this juncture.

3. While pre-conflict world-wide stocks were fortunately inflated above norms, they will no longer be so in October. Based on recent EIA projections, stocks of crude oil will be below normal by the end of October.

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4. A thorough review of the SPR drawdown concept and process has been provided to you previously. I would propose modifying the earlier proposal and presenting the following implementing strategy for discussion and decision by the NSC:

   a. Seek agreements from Japan's Prime Minister and Germany's Chancellor to commit to draw down our three strategic reserves by a total of one million barrels per day for three months commencing in early October. As you can see from Attachment 2, the combined government-owned or controlled stocks of the United States, Japan, and Germany amount to 96% of the IEA total.

   b. Commit the United States to draw down at a rate not to exceed 500,000 B/D and ask Japan and Germany to come to a mutual agreement as to a fair split between them for the remaining amount.

   c. Prior to a coordinated three-nation announcement, inform other IEA nations of our intentions and seek their support. Simultaneously, ask the Executive Director of the IEA to call for a ministerial meeting of the IEA in Paris to seek both unanimous support for our actions and contributions by other SPR holders as feasible.

   d. Ask IEA to reassess the world-wide supply and demand situation during the fourth quarter and recommend changes to drawdown rates or termination as the situation clarifies and results of enhanced production and conservation measures can be seen and measured.

5. The draft proclamation at Attachment 3 is the Presidential finding document which the law demands under EPCA to be made.

6. In conclusion, I no longer see any significant "downsides" to what I am proposing. Rather, I believe the "upsides" are compelling as the following pros and cons suggest:

   <u>Pros</u>

   o Additional crude into market at exact time and duration of shortage hitting the world market (Oct.-Dec.).

   o Supports other efforts to reduce supply shortfall and comes <u>after</u> OPEC agreement to produce to capacity (Saudi Arabia, UAE, Venezuela, United States and others). Therefore, an SPR draw is no longer a deterrent to enhanced OPEC production.

- o Will influence holders of commercial inventories to use stocks by providing assurance that additional supplies are forthcoming.
- o Will reduce likelihood of Congressional mischief (e.g. price controls, windfall profits tax).
- o Will not appreciably reduce SPR stockpile (less than 8% United States, 11% Japan and Germany together).
- o Action to prevent a probable shortage, higher prices and adverse political reaction just before elections.
- o Will have favorable effect on markets and reduce economic damage of oil price increase.

<u>Cons</u>

- o Uses a portion of the stockpile, as a result there will be moderately less oil available if the situation gets worse.
- o Drawdown might not operate smoothly.
- o May pay a price higher than selling price to replace oil drawdown.
- o Resulting lower price will lessen the drive towards conservation and production.
- o Could give impression that crisis is expected.
- o Some would say it interferes with the market to affect prices.

7. I personally hold the only copy of this document. Only the following principals in my office are aware of its contents: Henson Moore, John Tuck, John Easton, Polly Gault and Linda Stuntz -- no others.

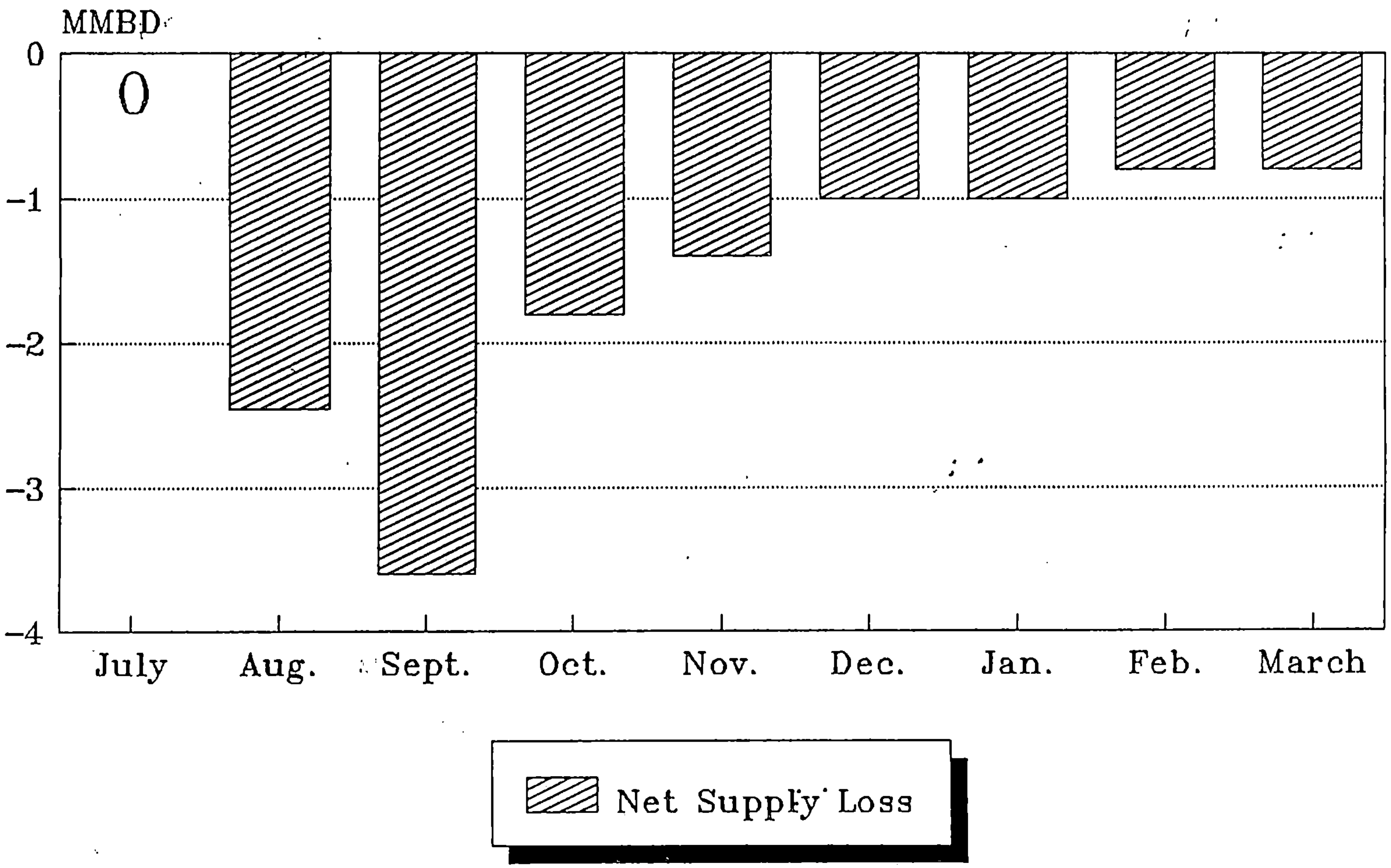
8. To this point, we have religiously supported the "not yet" approach to SPR drawdown. But now we feel it's time to move. Please let me present my case to the NSC.

Jim

James D. Watkins
Admiral, U.S. Navy (Retired)

3 Attachments

Net Worldwide Petroleum Supply Loss*: 1990-1991



*Average Monthly Loss

ATTACHMENT 1

IEA STRATEGIC STOCKS ON HAND
AS OF JULY 1, 1990*
(Millions of Barrels)

Australia	0
Austria	2
Belgium	0
Canada	0
Denmark	13
Germany	189
Greece	0
Ireland	0
Italy	6
Japan	206
Luxembourg	0
Netherlands	17
New Zealand	0
Norway	0
Portugal	0
Spain	0
Sweden	1
Switzerland	0
Turkey	0
United Kingdom	0
United States	580
IEA Total	1014
France**	0

* Preliminary Data
** Not an IEA Member

Proclamation ______ of ______________________________, 1990

By the President of the United States of America

A Proclamation

The Secretary of Energy has advised me that the recent events in the Persian Gulf have resulted in a national energy supply shortage constituting a severe energy supply interruption as defined in Section 3(8) of the Energy Policy and Conservation Act (42 U.S.C. 6202(8)). On the basis of the Secretary's advice, and other information available to me, I hereby find and determine, in accordance with Sections 161 and 3(8) of the Energy Policy and Conservation Act (42 U.S.C. 6241, 6202(8)), the existence of a national energy supply shortage constituting a severe energy supply interruption, which:

(A) is of significant scope and duration and of an emergency nature;

(B) may cause major adverse impact on national safety or the national economy; and

(C) has resulted from an interruption in the supply of imported petroleum products.

I further find that implementation of the Distribution Plan contained in the Strategic Petroleum Reserve Plan is required by the severe energy supply interruption, and in the interest of the national defense. This Plan was transmitted by President Reagan to the Congress and took effect on December 1, 1982.

NOW, THEREFORE, I GEORGE BUSH, President of the United States of America, by the authority vested in me by the Constitution and laws of the United States, including Section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), do hereby proclaim that:

Section 1. A severe energy supply interruption, as defined in Section 3(8) of the Energy Policy and Conservation Act (42 U.S.C. 6202(8)), currently exists with respect to the supply of imported crude oil and petroleum products.

Sec. 2. The Secretary of Energy is authorized to draw down and distribute the Strategic Petroleum Reserve, at such rate as he may determine, in accordance with the Distribution Plan contained in the Strategic Petroleum Reserve Plan which is in effect, or any amendment thereto which may take effect.

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _______________, in the year of our Lord nineteen hundred and ninety, and of the Independence of the United States of America the two hundred and fifteenth.

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01q. Memo	From Brent Scowcroft to POTUS, Re: The Oil Supply Situation [FOIA restrictions redacted] (2 pp.)	9/19/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0055 - September 20, 1990 - Oil Supply, Energy, Persian Gulf [2]

Document Partially Declassified
(Copy of Document Follows)
By MM on 4/21/2022

Date Closed:	3/24/2008	**OA/ID Number:**	90002-024
FOIA/SYS Case #:	2005-0954-MR	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	2005-0954-MR(183)
AR Disposition:		**MR Disposition:**	Released in Part
AR Disposition Date:		**MR Disposition Date:**	7/17/2015

RESTRICTION CODES

Freedom of Information Act (FOIA) - [5 U.S.C. 552(b)]

(b)(1) National security classified information
(b)(2) Release would disclose internal personnel rules and practices of an agency
(b)(3) Release would violate a Federal statute
(b)(4) Release would disclose trade secrets or confidential or financial information
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy
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(b)(8) Release would disclose information concerning the regulation of financial institutions
(b)(9) Release would disclose geological or geophysical information concerning wells

Deed of Gift Restrictions

C(1) Closed by Executive Order 13526, governing access to national security information
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Presidential Records Act - [44 U.S.C. 2204(a)]

P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]

Per Lonnie/NSC ... to Gates to give to (P)

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90 SEP 19 AM 10: 07 ~~09~~

Deal

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

September 19, 1990

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: The Oil Supply Situation

Secretary Watkins has requested an NSC meeting this week to decide upon a coordinated draw of strategic stocks by International Energy Agency countries. He recommends a 500,000 b/d drawdown of the Strategic Petroleum Reserve (SPR) as the U.S. contribution.

Secretary Watkins' recommendation is based on his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand is likely to exceed supply during the fourth quarter even without military hostilities.

Secretary Watkins' view is confirmed by the CIA's latest intelligence assessment of the oil market. The CIA anticipates a shortfall 3.3(b)(1) [redacted] in 1991 to meet demand that existed at pre-invasion prices. The supply shortfall will be felt starting in October, since the Iraqi and Kuwaiti oil shipped before the invasion has now arrived in consuming countries, as has the oil certain OPEC producers had stored outside the Gulf region.

3.3(b)(1) [redacted] Even at $30/barrel, the world production system would be operating at full capacity and be unable to accommodate additional disruptions, e.g., sharp cold spells, oil production accidents, oil industry strikes or terrorist actions.

Because of this supply uncertainty, the CIA estimates that crude prices are likely to fluctuate between $30-$40/barrel over the next year with higher price spikes possible.

Compounding the difficult supply picture is the loss of 1,000,000 b/d of refined products that were exported from Kuwait and Iraq. The loss of Kuwait's refinery (capacity 700,000 b/d) is likely to lead to spot shortages of products refined from higher quality crude.

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cc: The Vice President
Chief of Staff

The coordinated use of strategic stocks would reduce market instability by providing some slack to the tightly balanced market. Market psychology plays a large part in determining oil prices; evidence that IEA governments are willing to bring some of their strategic oil to the market would reassure consumers. Traders would be less likely to bid up future prices; oil companies would be more likely to draw down their commercial stocks. Developing countries would benefit from the resulting lower oil prices and realize that industrialized countries are not just content to bid oil away from the developing countries. Oil producers who have increased production to maximum sustainable rates will appreciate this significant gesture from consuming countries.

I support Secretary Watkins' recommendation for a meeting to consider a coordinated stockdraw. As he suggested, I believe we should consider an IEA-wide coordinated stock draw of 1.5 million b/d for three months, starting in October. An illustrative sharing of the burden would be: U.S. -- 500,000 b/d; Japan -- 250,000 b/d; Germany -- 250,000 b/d; other IEA, including France -- 500,000 b/d (some of this would come from restraining demand). Such a stockdraw would reduce the SPR from 590 million barrels to 545 barrels over three months, a reduction of 7.5 percent. The coordinated stock draw would have to be reviewed monthly in light of prevailing market conditions.

For maximum effectiveness in calming volatile markets, an ideal time to implement the coordinated stock draw would be the September 28 meeting of the IEA Governing Board. If you decide to draw the SPR as part of a coordinated IEA effort, you should call Prime Ministers Kaifu and Thatcher and Chancellor Kohl in advance of the IEA meeting to enlist their support. Secretaries Baker and Watkins also would have to contact their counterparts to stress the political imperative of a meaningful, coordinated response. We would also want to inform the Saudis, Venezuelans and Mexicans of our intentions.

At the NSC meeting, we should consider, at least briefly, other actions which we, either individually or collectively with other IEA countries, should take to improve our energy security. These include how best to:

- overcome technical and political constraints on expanding nuclear energy;
- reduce oil consumption in the transportation and electric utility sectors; and
- ensure that strategic stocks are rebuilt once this crisis is over.

I will try to schedule an NSC meeting on September 20.

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THE WHITE HOUSE
WASHINGTON

September 19, 1990

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: The Oil Supply Situation

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Secretary Watkins' recommendation is based on his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand is likely to exceed supply during the fourth quarter even without military hostilities.

Secretary Watkins' view is confirmed by the CIA's latest intelligence assessment of the oil market. The CIA anticipates a shortfall 3.3(b)(1) [redacted] 3.3(b)(1) [redacted] in 1991 to meet demand that existed at pre-invasion prices. The supply shortfall will be felt starting in October, since the Iraqi and Kuwaiti oil shipped before the invasion has now arrived in consuming countries, as has the oil certain OPEC producers had stored outside the Gulf region.

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For maximum effectiveness in calming volatile markets, an ideal time to implement the coordinated stock draw would be the September 28 meeting of the IEA Governing Board. If you decide to draw the SPR as part of a coordinated IEA effort, you should call Prime Ministers Kaifu and Thatcher and Chancellor Kohl in advance of the IEA meeting to enlist their support. Secretaries Baker and Watkins also would have to contact their counterparts to stress the political imperative of a meaningful, coordinated response. We would also want to inform the Saudis, Venezuelans and Mexicans of our intentions.

At the NSC meeting, we should consider, at least briefly, other actions which we, either individually or collectively with other IEA countries, should take to improve our energy security. These include how best to:

-- overcome technical and political constraints on expanding nuclear energy;

-- reduce oil consumption in the transportation and electric utility sectors; and

-- ensure that strategic stocks are rebuilt once this crisis is over.

I will try to schedule an NSC meeting on September 20.

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P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	2005-0954-MR(185)
AR Disposition:		**MR Disposition:**	Released in Part
AR Disposition Date:		**MR Disposition Date:**	7/17/2015

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21059

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 17, 1990

Nat'l Sec Advisor has seen

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: TIMOTHY E. DEAL

FROM: ERIC MELBY

SUBJECT: The Oil Supply Situation

You have seen Secretary Watkins' memorandum to you and Governor Sununu, recommending an NSC meeting to decide upon a coordinated draw of strategic stocks by IEA countries (Tab II). Watkins recommends a 500,000 b/d drawdown of the Strategic Petroleum Reserve (SPR) as the U.S. contribution.

Secretary Watkins' recommendations are based on his assessment that, despite the additional crude oil brought to the market by oil producers, the drawdown of commercial stocks, and the reduction in demand expected from the 50% increase in crude oil prices since August 2, demand is likely to exceed supply during the fourth quarter even without military hostilities.

Secretary Watkins' view is confirmed by the CIA's latest intelligence assessment of the oil market and is shared by energy officials at State. The CIA anticipates a shortfall 3.3(b)(1) [redacted] in 1991 to meet demand that existed at pre-invasion prices.

Because of this supply uncertainty, the CIA estimates that crude prices are likely to fluctuate between $30-$40/barrel over the next year with higher price spikes possible. Oil prices rose above $32.00 today.

We support Secretary Watkins' recommendation for an NSC meeting to consider a coordinated stockdraw. A good time to implement the coordinated stock draw would be the September 28 meeting of the IEA Governing Board. Given the lead time necessary to ensure a successful IEA meeting, the NSC meeting should be Thursday, September 20.

At the NSC meeting, we should consider other actions which we, either individually or collectively with other IEA countries, should take to improve our energy security. This includes how best to:

-- overcome technical and political constraints on expanding nuclear energy. In the U.S., no nuclear power plants have

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been ordered since 1979. White House leadership is critical to getting the U.S. nuclear industry back on its feet.

-- reduce oil consumption in the transportation and electric utility sectors. U.S. automobile manufacturers lag their foreign competitors in building fuel-efficient cars.

-- ensure that strategic stocks are rebuilt once this crisis is over. Only 3 out of 21 IEA countries have credible strategic stocks. Several IEA countries are even below the 90-day stock-holding requirement.

RECOMMENDATION

That you sign the information memorandum to the President at Tab I.

That you approve the scheduling of an NSC meeting for September 20 to discuss the oil supply situation, including the advisability of a coordinated stockdraw.

Approve ____ Disapprove ____

Attachments
Tab I Memo to the President
Tab II Memo from Secretary Watkins