

Clinton establishes oil reserve for region

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WASHINGTON - President Clinton established a home heating oil reserve for the Northeast yesterday, hoping to prevent a repeat of last winter's fuel shortages that drove prices sky high as residents struggled to stay warm.

Clinton asked Energy Secretary Bill Richardson to prepare to withdraw oil from the nation's emergency energy supply, the Strategic Petroleum Reserve, and offer it to oil refiners in exchange for 2 million barrels of home heating oil. It will be set aside to prevent oil shortages in the Northeastern states.

"Winter may seem far off on this hot day, but if we don't do something now, reserve stocks of heating oil may not be in place before the cold weather comes," Clinton said from the White House lawn before leaving to speak at the National Governors' Association meeting in State College, Pa.

Larry Chretien, director of Boston Oil Consumers Alliance, said the creation of the reserve will help control a spike in the price of home heating oil caused

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by temporary shortages such as the one that struck New England last winter. But the reserve will not affect the day-to-day price.

"It's used in a short-term situation," Chretien said. "That two million barrels would have come in handy in the first part of 2000. It's good news to be thinking in July what is going on in the winter."

Heating oil prices in the Northeast nearly tripled in February during a cold spell, which oil refiners and the Clinton administration had failed to anticipate. The sudden price increases, brought on by the jump in demand, caused an uproar on the Eastern Seaboard, where residents consume almost three-quarters of US heating oil.

Joseph P. Kennedy II, president of the Citizens Energy Corp., said he expects prices to be even higher than they were during last winter's crisis.

"Two million additional barrels will barely heat our region for two days," the former US representative from Brighton said in a statement. "A reserve of that size for the whole Northeast is a small and regrettably inadequate step to protect us against big price spikes."

Jason Kauppi, spokesman for Governor Paul Cellucci, said the president's action is coming a season too late. Last winter, Clinton declined to tap into the Strategic Petroleum Reserve, a huge oil reserve in underground salt caverns in Texas and Louisiana. The reserve that was set up after the 1973-74 OPEC oil embargo is intended for emergencies only.

"Obviously, it's good news for New England, it's just too bad the president didn't take this action in the winter time when we needed it," Kauppi said. "Now that his vice president is having some political problems in this region, he sees it fit to release the oil. We could have used it last winter."

While Clinton used administrative action to set aside the reserves, he doesn't have the legal power to order the release of the oil. Clinton urged Congress to pass legislation that would authorize a way to tap into the new heating oil reserve.

"The action I take today will leave us far better prepared to face the winter months, but it does not relieve Congress of the responsibility to act," said Clinton, adding that he has been asking Congress since March to authorize the creation of a permanent heating oil reserve.

Last month, the House approved legislation that would create a Northeast oil reserve, but the Senate has not acted.

Representative Bernard Sanders, the Vermont independent who was chief sponsor of the House measure, said he hopes Clinton's announcement will send a message to Congress to "act immediately so that we can have a reserve up and running as soon as possible."

Both Massachusetts senators are trying to push legislation in the Senate for a heating oil reserve system.

"Northeastern senators from both parties have repeatedly urged passage of legislation, and I hope the president's action will break the log jam," said Senator Edward M. Kennedy in a statement.

Senator John F. Kerry said Congress should "pass legislation that will further protect consumers and ensure the reserve is fiscally and economically sound for the government, consumers, and the industry."

There are currently 37 million barrels of heating oil in the United States, down from 65 million barrels this time last year, said Gene Sperling, the president's chief economic adviser.

The goal is to create the reserve in the next 90 days so that the oil being placed in the reserve is not diverted from the marketplace, inadvertently driving the price up, Sperling said.

As outlined by the White House, the Energy Department, through an agent, will take offers from the private sector to exchange the Strategic Petroleum Reserve crude oil for up to 2 million barrels

of heating oil, plus transportation and necessary storage.

Companies wanting to participate in the exchange must have stocks in place in October, and contracts will be awarded to the com-

panies that offer the "best exchange value."

Until now, the Strategic Petroleum Reserve has been tapped only once - by George Bush during the 1991 Persian Gulf War.