



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

Strategic Petroleum Reserve Programme

Published On: 04-08-2023

The **underground Strategic Petroleum Reserve storages** have a total capacity of 5.33 Million Metric Tonnes (MMT) of crude oil and are located **in 2 States namely** (i) Vishakhapatnam in Andhra Pradesh (1.33 MMT), (ii) Mangaluru (1.5MMT) and Padur (2.5 MMT) in Karnataka.

These three SPRs can **meet approximately 9.5 days of national demand**.

Taking advantage of low crude oil prices in April/May 2020, the Strategic Petroleum Reserves were filled to full capacity, leading to notional savings of approximately INR 5000 crore.

In July 2021, Government had approved the **establishment of two additional commercial-cum-strategic facilities** with total storage capacity of 6.5 MMT at **Chandikhol** (4 MMT) in Odisha and **Padur** (2.5 MMT) in Karnataka, **on a Public Private Partnership (PPP) mode**.

About the programme:

Strategic petroleum reserves are **huge stockpiles of crude oil to deal with any crude oil-related crisis** like the risk of supply disruption from natural disasters, war or other calamities.

The petroleum reserves are strategic in nature and the crude oil stored in these reserves **will be used during an oil shortage event**, as and when declared so by the Government of India.

The construction of the Strategic Crude Oil Storage facilities is being **managed by Indian Strategic Petroleum Reserves Limited (ISPRL)**, a Special Purpose Vehicle, which is a **wholly owned subsidiary of Oil Industry Development Board (OIDB)** under the Ministry of Petroleum & Natural Gas.

Phase 1 and phase 2:

Under Phase I of strategic petroleum reserves (SPR) programme, Government of India, through its Special Purpose Vehicle, Indian Strategic Petroleum Reserve Limited (ISPRL), has established petroleum storage facilities with **total capacity of 5.33 Million Metric Tonnes (MMT)** at **3 locations**, namely (i) **Vishakhapatnam** (ii) **Mangaluru** and (iii) **Padur (Karnataka)**.

Under Phase II of the petroleum reserve program, the Government has approved two additional **commercial-cum-strategic facilities** at **Chandikhol** (Odisha) and **Padur (TN)** on Public-Private Partnership (PPP) model.

Significance:

They **ensure consistent energy supply** by acting as a cushion during external supply disruptions and price fluctuations. They **act like an insurance policy against future oil supply** or price shocks.

India can **save crores of rupees by stocking up oil** at times of price drop and relying on these reserves at times of price hike. When there was a fall in international crude oil prices due to COVID crisis, India was filling its strategic reserves at a low cost.

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: **044 4353 9988 / 98403 94477 / Whatsapp : 09710729833**

Investment Avenue: The government has developed plans for the commercialization of the reserves. In 2020, the Union cabinet has allowed Abu Dhabi National Oil Co (ADNOC) to export oil from its Mangalore strategic petroleum reserve (SPR).

Oil stockpiling and development **paves way for strategic collaborations** with other countries. E.g. In 2020, India and the US signed an agreement for cooperating on emergency crude oil reserves, including the possibility of India storing oil in the US emergency stockpile.

Underground rock caverns are the safest means of storing hydrocarbons. The caverns can be easily protected from threats like fires and sabotage, unlike large storage tanks.