

A TEMPORARY DOMESTIC ENERGY SUPPLY LEVER

A Presidential Strategy to Protect U.S. Crude-Oil, Gasoline and Diesel Supply
During the Strait of Hormuz Emergency

Policy Paper — September 2026 Update

Current through September 5, 2026

Prepared for consideration by federal policymakers

Prepared by:

Adrian Eddleman, MBA
Eddleman & Eddleman, Inc.
36 Sandstone Circle, Suite C
Jackson, Tennessee 38305
731-554-2408 | info@eddeleman.biz
www.eddeleman.biz

This paper is a policy proposal and legal/economic analysis for discussion. It is not a formal legal opinion, investment advice, or a commodity-price forecast.

Funding and distribution disclosure: Printing, distribution, web-hosting, and other digital-access costs associated with this policy paper and the accompanying policy brief have been personally paid or reimbursed by Adrian Eddleman. No candidate, campaign, political committee, or political party has funded this policy analysis or its distribution. This document is circulated solely as public-policy analysis; it does not solicit political contributions or expressly advocate the election or defeat of any candidate. Distribution at a political or policy event should not be understood as sponsorship or endorsement by the event, any candidate, or any political organization.

Executive Summary

The United States is exposed to a global petroleum supply disruption that has reduced the margin of safety in U.S. energy supply and, as a consequence, is exerting upward pressure on consumer and industrial energy costs and slowing economic recovery. The disruption is driven largely by the Iran conflict and the longer-than-hoped-for impairment of the Strait of Hormuz. The President's sustained efforts to protect American energy security, restore freedom of navigation, and minimize the economic effects of the conflict are recognized. Those efforts have included the historic 172-million-barrel Strategic Petroleum Reserve (SPR) response and, since the original August 27 version of this paper, a major U.S.–Venezuela oil agreement intended to expand access to low-cost Western Hemisphere supply, support future SPR replenishment, and increase oil available to U.S. interests.¹

Even so, the United States retains a significant domestic supply-side opportunity that has not yet been fully employed. The United States is the world's largest crude-oil producer, producing a record 13.6 million barrels per day in 2025 while exporting approximately 4.0 million barrels per day. A temporary, calibrated reduction in outbound crude and selected refined-product flows could retain additional supply at home during the emergency, rebuild commercial inventories and domestic supply resilience, reduce the resulting scarcity premium through ordinary market competition, and—only after commercial conditions improve—facilitate economical replenishment of the SPR.²

This paper proposes a temporary “Domestic Energy Supply Lever” implemented solely by Presidential action. It does not depend upon new legislation. For legal resilience, it recommends two coordinated but independent Executive Orders: one governing crude oil under the unusually explicit emergency authority Congress placed in 42 U.S.C. § 6212a(d), and a second, narrower order governing gasoline and diesel/distillate exports through emergency export licensing under the International Emergency Economic Powers Act (IEEPA), supplemented where appropriate by domestic priority and allocation authorities under the Defense Production Act (DPA). The legal and policy objective of both actions is adequate and resilient domestic petroleum supply during a foreign-origin emergency. Prices are evidence of scarcity and an expected market consequence of changing domestic availability; neither order establishes or administers a Federal petroleum price. The September 2026 update also treats the new U.S.–Venezuela oil agreement as a complementary medium- and long-term supply strategy rather than a substitute for the near-term Domestic Energy Supply Lever; see Appendix D.³

Action	Initial design	Primary legal footing	Maximum policy term
Executive Order 1: Crude oil	Initial 1.0 million b/d domestic-retention target; adjustable 0.5–1.5 million b/d	42 U.S.C. § 6212a(d)(1)(A); National Emergencies Act	Hard stop no later than Day 365
Executive Order 2: Gasoline + diesel	Domestic inventory floors plus export licensing; emphasize distillate first	IEEPA §§ 1701–1702 for covered export transactions; DPA § 4511 domestic priorities/allocations after express statutory findings	Voluntary hard stop no later than Day 365

- Initial operating period: 180 days, with review every 14 days and an absolute policy sunset at 365 days.
- Sequence: stabilize domestic commercial supply first; rebuild inventories second; begin additional SPR replenishment only after supply conditions improve; progressively relax and terminate restrictions as conditions normalize.
- Production safeguard: automatically loosen the crude quota if the West Texas Intermediate (WTI)-Brent discount, storage congestion, or drilling/production indicators suggest the policy is becoming destructive to U.S. production.
- Regional safeguard: gasoline and diesel floors should be monitored nationally and by Petroleum Administration for Defense District (PADD) to avoid creating a national surplus alongside a regional shortage.

1. U.S. Department of Energy, “United States to Release 172 Million Barrels of Oil From the Strategic Petroleum Reserve,” Mar. 11, 2026, <https://www.energy.gov/articles/united-states-release-172-million-barrels-oil-strategic-petroleum-reserve>. See also White House, Aug. 31 and Sept. 2, 2026, announcing the U.S.–Venezuela oil agreement, guaranteed low-cost off-take, future SPR/military-use potential, and expected scaling of production. <https://www.whitehouse.gov/fact-sheets/2026/08/fact-sheet-president-donald-j-trump-announces-historic-oil-agreement-to-secure-american-energy-dominance-and-drive-venezuelas-economic-recovery/>; <https://www.whitehouse.gov/releases/2026/09/president-trump-secures-the-biggest-oil-deal-in-world-history/>.

2. EIA, “U.S. crude oil production rose in 2025, setting new record,” Mar. 31, 2026; and “Annual U.S. crude oil exports decrease for first time since 2021,” Mar. 10, 2026, reporting 13.6 million b/d production, 4.0 million b/d exports, and 2.2 million b/d net crude imports in 2025. <https://www.eia.gov/todayinenergy/detail.php?id=67404> and <https://www.eia.gov/todayinenergy/detail.php?id=67324>.

3. 42 U.S.C. § 6212a(d)(1)(A)–(2), permitting the President to impose crude-oil export licensing requirements or other restrictions for not more than one year after declaring and formally noticing a national emergency; the statute also permits renewal, on which this proposal deliberately does not rely. Official text: <https://uscode.house.gov/view.xhtml?edition=prelim&path=%2Fprelim%40title42%2Fchapter77%2Fsubchapter1>.

Two Coordinated but Legally Independent Presidential Actions

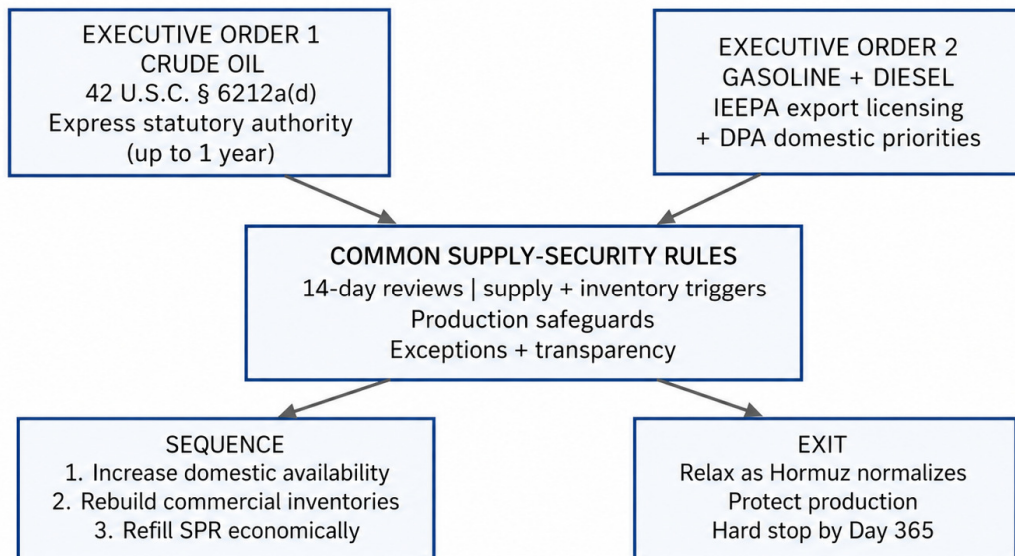


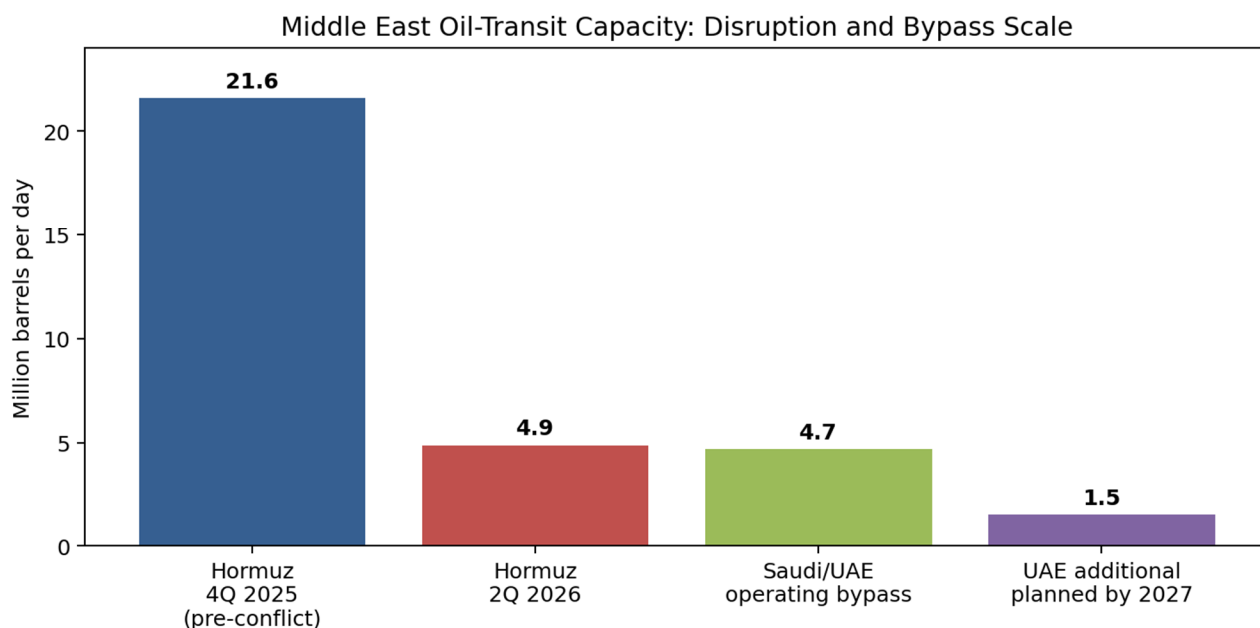
Figure 1. Recommended structure: two coordinated but legally independent Executive Orders, each with its own findings, agency record, severability clause and termination mechanism.

1. Strategic Rationale and Timeframe

The Strait of Hormuz remains the central near-term constraint. The U.S. Energy Information Administration (EIA) estimates that crude oil and petroleum liquids moving through the Strait averaged 21.6 million barrels per day in the fourth quarter of 2025 before the conflict, but only 4.9 million barrels per day in the second quarter of 2026. On September 3, preliminary shipping data showed only four observed commodity-vessel transits, down from nine the prior day and well below a 10-day average of about 15. On September 5, renewed U.S.–Iran hostilities included U.S. strikes on three Iranian crude-oil carriers after Iranian missile attacks on U.S. Navy ships, underscoring that the foreign-source disruption remains active rather than durably normalized. The Administration’s August 24 launch of Operation Economic Outcast addresses the foreign source of the disruption; the Domestic Energy Supply Lever is intended as a complementary domestic supply bridge while military, sanctions, diplomatic, logistics, and new Western Hemisphere supply measures work to restore durable energy security.⁴⁵

The President and the U.S. military have restored freedom of navigation sufficiently to enable periods of partial and intermittent safe transit. Those efforts, together with diplomacy, allied maritime activity, rerouting, and new bypass infrastructure, remain the most durable long-term solution. However, even an immediate recovery to pre-conflict throughput would stop the ongoing disruption; it would not instantly rebuild depleted inventories, reverse production shut-ins, clear shipping and refinery logistics backlogs, or eliminate the freight, insurance, refined-product and geopolitical risk premiums accumulated during more than six months of conflict.

Existing Saudi Arabian and United Arab Emirates (UAE) pipelines can bypass approximately 4.7 million barrels per day of Hormuz-dependent flows, and the UAE plans roughly 1.5 million barrels per day of additional bypass capacity by 2027.⁶ That is meaningful, but still far below the pre-conflict flow through Hormuz. EIA’s August outlook assumes severe constraints through August, gradual improvement beginning in September, and generally does not expect production and trade patterns to return to pre-conflict conditions until early 2027.⁷



Source data: U.S. Energy Information Administration, August 2026. Bypass capacity is not the same as immediately unused capacity.

Figure 2. Middle East supply-chain bridge. The chart compares pre-conflict Hormuz flows, 2Q26 flows, existing Saudi/UAE bypass capacity and additional UAE bypass capacity planned by 2027.

4. U.S. Energy Information Administration (EIA), Short-Term Energy Outlook, Global Oil Markets, Aug. 2026, reporting 4.9 million b/d through Hormuz in 2Q26 versus 21.6 million b/d in 4Q25 and gradual recovery beginning in September, https://www.eia.gov/outlooks/steo/report/global_oil.php.

5. Reuters, “Gulf shipping traffic via Hormuz keeps below 10-day average, data shows,” Sept. 4, 2026, reporting four observed commodity-vessel transits on Sept. 3 versus a 10-day average of about 15. <https://www.reuters.com/world/middle-east/gulf-shipping-traffic-via-hormuz-keeps-below-10-day-average-data-shows-2026-09-04/>. Reuters, “US military strikes three Iranian crude oil carriers, Central Command says,” Sept. 5, 2026. <https://www.reuters.com/world/middle-east/us-military-strikes-three-iranian-crude-oil-carriers-central-command-says-2026-09-05/>. U.S. Department of the Treasury, Aug. 24, 2026, announcing Operation Economic Outcast and expanded action against Iranian oil-revenue and shipping networks. <https://home.treasury.gov/news/press-releases/sb0613>.

6. EIA, World Oil Transit Chokepoints / August 2026 energy-security analysis. Existing Saudi and United Arab Emirates bypass capacity is approximately 4.7 million b/d; the United Arab Emirates plans an additional roughly 1.5 million b/d route to Fujairah by 2027. https://www.eia.gov/international/content/analysis/special_topics/World_Oil_Transit_Chokepoints/.

7. U.S. Energy Information Administration (EIA), Short-Term Energy Outlook, Global Oil Markets, Aug. 2026, reporting 4.9 million b/d through Hormuz in 2Q26 versus 21.6 million b/d in 4Q25 and gradual recovery beginning in September, https://www.eia.gov/outlooks/steo/report/global_oil.php.

This argues for a bridge policy rather than permanent protectionism. A 180-day initial period is long enough for domestic supply response, inventory rebuilding, market-price transmission, shipping normalization, refinery adjustment and supply-chain rerouting to become visible. A hard one-year endpoint matches the explicit one-year limit in the crude statute and gives the overall policy a disciplined emergency character.

1.1 Current U.S. supply-security pressure points

Indicator	Current / recent level	Supply-security significance
SPR physical inventory	286.6 million barrels (Aug. 28)	Emergency buffer materially below authorized capacity; physical stock must be distinguished from contracted exchange returns and prospective Venezuelan at-cost supply.
Distillate stocks	104.2 million barrels (Aug. 28)	A modest weekly increase from 103.4 million barrels, but still exceptionally low and directly relevant to freight, agriculture, emergency response and defense logistics.
Gasoline stocks	205.7 million barrels (Aug. 28)	Continued decline in core domestic transportation supply; should be monitored nationally and by PADD.
Refinery utilization	98.0% of operable capacity (Aug. 28)	Near-full utilization means near-term product-supply relief cannot rely solely on materially higher refinery throughput.
Brent / WTI crude	\$96.28 / \$91.48 per barrel (Sept. 4 close)	Secondary market signal of renewed global scarcity/risk premium and continuing supply-route concern.
Regular gasoline / diesel	\$4.071 / \$5.599 per gallon (Aug. 31 EIA)	Latest comparable EIA national retail series; secondary market-transmission signal, not the legal predicate or administered target of the policy.

Interpretive principle — Throughout this paper, price is treated as a secondary indicator of physical scarcity and as an expected market outcome, not as the legal predicate or administered objective of the proposed Executive Orders. The primary measures are physical availability, commercial inventories, days-of-supply, refining and logistics resilience, and adequacy for national defense and critical domestic systems.

These conditions are not merely a crude-oil story. Diesel is particularly important. U.S. distillate inventories increased modestly to approximately 104.2 million barrels in the week ending August 28 after falling to 103.4 million barrels a week earlier, but they remain exceptionally low; Reuters reported on September 4 that the national retail diesel average had reached a record \$5.85 per gallon amid continuing supply concerns. The inventory condition—not the price itself—is the central supply-security concern, because diesel and related distillates support defense logistics, emergency response, agriculture and food distribution, freight and other critical infrastructure. That is why the proposal pairs the legally stronger crude action with a separately structured refined-products action.⁸

As of the week ending August 28, 2026, Strategic Petroleum Reserve (SPR) inventories had declined to approximately 286.6 million barrels; total motor gasoline stocks were approximately 205.7 million barrels and distillate fuel oil stocks approximately 104.2 million barrels. Domestic refiners were operating at approximately 98.0 percent of operable capacity, so near-term supply relief cannot simply rely on materially higher refinery throughput. EIA's latest comparable national retail series, for August 31, reported approximately \$4.071 per gallon for regular gasoline and \$5.599 per gallon for on-highway diesel. Those prices are secondary indicators of tight physical supply; the core policy concern is reduced inventory resilience. Prices may understate that risk because inventories and reserve depth—not merely spot benchmarks

8. Reuters, "US diesel crack surpasses \$100 a barrel for the first time on supply disruptions," Aug. 17, 2026, reporting a record \$102.20/bbl crack and the lowest August U.S. distillate inventory since 1996 amid strong exports. Reuters, "Oil ends week higher on renewed US-Iran strikes, diesel hits record," Sept. 4, 2026, reporting a record national retail diesel average of \$5.85/gal amid continuing supply concerns. <https://www.reuters.com/business/energy/us-diesel-crack-surpasses-100-barrel-first-time-supply-disruptions-2026-08-17/>; <https://www.reuters.com/business/energy/oil-set-steepest-weekly-gain-since-mid-july-over-intensifying-us-iran-tensions-2026-09-04/>.

or pump prices—determine the Nation’s ability to absorb another disruption and support military readiness, agriculture and food distribution, emergency response, freight, and critical infrastructure.⁹¹⁰¹¹

That distinction is especially important because a market price is a flow signal; inventory is the resilience buffer available when another disruption occurs. The observed 2026 market has already been supported by an extraordinary 172-million-barrel SPR emergency exchange scheduled for delivery over roughly 120 days—an average scale of about 1.4 million barrels per day if spread evenly. In other words, today’s price is being observed after the United States has already drawn heavily on its emergency buffer. Low commercial distillate inventories and a materially reduced physical SPR therefore deserve independent weight even if spot prices temporarily stabilize.¹²

9. U.S. Energy Information Administration (EIA), weekly petroleum stocks for the week ending Aug. 28, 2026: Strategic Petroleum Reserve 286.604 million barrels; total motor gasoline 205.669 million barrels; distillate fuel oil 104.187 million barrels. https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPC0_SAS_MBBL_W.htm; https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPM0_SAE_MBBL_W.htm; https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPD0_SAE_MBBL_W.htm.

10. EIA, U.S. Total Weekly Inputs & Utilization, week ending Aug. 28, 2026: operable refinery capacity 18.027 million barrels per day and percent operable utilization 98.0 percent. https://www.eia.gov/dnav/pet/pet_pnp_wiup_dcu_nus_w.htm.

11. EIA, Gasoline and Diesel Fuel Update, release Sept. 1, 2026: U.S. regular gasoline \$4.071 per gallon and on-highway diesel \$5.599 per gallon for Aug. 31, 2026. <https://www.eia.gov/petroleum/gasdiesel/>.

12. U.S. Department of Energy, “United States to Release 172 Million Barrels of Oil From the Strategic Petroleum Reserve,” Mar. 11, 2026, stating that the 172-million-barrel U.S. emergency exchange would take approximately 120 days to deliver and that the United States had arranged for approximately 200 million barrels to be returned within the following year, including premium barrels. <https://www.energy.gov/articles/united-states-release-172-million-barrels-oil-strategic-petroleum-reserve>. EIA weekly petroleum data for the week ending Aug. 28, 2026 report SPR inventory of 286.604 million barrels, total motor gasoline stocks of 205.669 million barrels, and distillate fuel oil stocks of 104.187 million barrels.

2. Presidential-Only Architecture: Two Coordinated Executive Orders

Separating the actions is preferable. The two policies solve related economic problems but rest on different statutory foundations. Keeping them in separate Executive Orders produces a cleaner legal record and reduces the likelihood that a defect in the refined-product order unnecessarily contaminates the crude order.

Reason to separate	Practical benefit
Different statutes	Crude relies on express 42 U.S.C. § 6212a(d) authority; refined products rely principally on IEEPA transaction/export licensing with DPA support.
Independent findings	Each order can contain only the factual findings necessary for its own statute, reducing overbreadth arguments.
Narrower judicial remedies	A court can enjoin or narrow the challenged refined-product mechanism without automatically disturbing the crude order.
Independent adjustment	The President can suspend, tighten or terminate one order without reopening the other.
Separate severability	Each order should expressly preserve unaffected sections if a particular provision is held invalid.

Important limitation: two orders are not a litigation shield. A court could consolidate challenges or issue overlapping relief. Separation improves severability and statutory discipline; it does not guarantee that judicial remedies remain isolated.

2.1 Institutional Readiness Review — Questions Senior Federal Reviewers Will Ask

A proposal intended for Presidential consideration should identify the implementation questions before agency lawyers and energy officials have to ask them. The following issues are not reasons to abandon the strategy; they are the factual and procedural workstreams that should be resolved in the Executive Branch record before implementation.

Two procedural points should be explicit. Under the National Emergencies Act, the President should specify the statutory provisions under which emergency authority will be exercised, publish the action in the Federal Register and transmit it to Congress. IEEPA separately requires consultation with and reporting to Congress when its authorities are exercised. Those are statutory accountability requirements; they do not make either order dependent on new legislation or congressional approval. Executive Order 14420 of August 26, 2026 likewise invokes IEEPA and the NEA and directs agency implementation under existing authority, providing a current procedural analogue even though its substantive subject differs.¹³

Agency roles should also be aligned with current delegations. Executive Order 14391 of March 13, 2026 amended the Defense Production Act delegation framework so that the Secretary of Commerce and the Secretary of Energy may each independently exercise the relevant delegated authority to maximize domestic energy supplies. That makes a DOE-led supply record with Commerce implementation support administratively plausible, while the precise IEEPA licensing roles should still be settled by White House Counsel, the Office of Legal Counsel (OLC), Treasury and Commerce.¹⁴

Reviewer	Immediate question	Recommended disposition/validation needed
White House Counsel / OLC	Does the crude order satisfy the exact emergency procedure?	Use a fresh, tailored declaration; identify 42 U.S.C. § 6212a(d)(1)(A) expressly; publish and transmit as required; maintain an independent administrative record.
White House Counsel / OLC	Does IEEPA reach the refined-product transactions actually licensed?	Do not claim a general commodity-control power. Limit licensing to transaction classes in which the statutory foreign-country/foreign-national interest is present and document that nexus before enforcement.
DOE / EIA	Is the domestic supply vulnerability material, and where?	Validate current national and PADD inventories, days-of-supply, refinery utilization, export flows and seasonal norms; identify the inventory deficit the program is intended to repair.
DOE / Commerce	Can the domestic system physically absorb retained barrels?	Model crude grade, refinery configuration, storage, pipeline, port and regional constraints; use exceptions and automatic relaxation rather than a uniform embargo.

13. 50 U.S.C. §§ 1621 and 1631 require publication/transmittal and specification of statutory authorities; 50 U.S.C. § 1703 requires consultation and reporting when IEEPA authorities are exercised. These requirements do not require new legislation before otherwise valid statutory authority is exercised. See also Executive Order 14420, Aug. 26, 2026, invoking IEEPA and the National Emergencies Act and directing agency implementation under existing authority. <https://www.whitehouse.gov/presidential-actions/2026/08/declaring-a-national-emergency-to-secure-the-united-states-bulk-power-system/>.

14. Executive Order 14391, “Adjusting Certain Delegations Under the Defense Production Act,” Mar. 13, 2026, amended Executive Order 13603 § 203 by providing that the Secretary of Commerce and the Secretary of Energy may each exercise the delegated authority independently. <https://www.whitehouse.gov/presidential-actions/2026/03/adjusting-certain-delegations-under-the-defense-production-act/>.

Reviewer	Immediate question	Recommended disposition/validation needed
DOE / SPR	Does the paper overstate the refill requirement?	Separate current physical inventory from barrels already contractually due back under 2026 SPR exchanges; calculate the remaining uncommitted refill requirement and feasible receipt schedule.
Defense / DHS / USDA / DOT	Are the national-security and critical-system needs sufficiently documented?	Build an interagency record—classified or nonpublic where appropriate—covering military logistics, emergency response, agriculture/food distribution, freight and critical infrastructure.
State / NSC	Could allied exceptions undermine the domestic objective?	Quantify Canada, Mexico and critical-allied flows and create a hierarchy of security exceptions that preserves the minimum domestic supply objective.
OMB / agency counsel	Can implementing rules and licenses be issued quickly and lawfully?	Select the correct regulatory instruments, procedural basis and effective dates under the Administrative Procedure Act and applicable emergency authorities; do not assume a blanket procedural exemption.
Senior congressional office	If Congress need not legislate, what role remains?	Statutory consultation, transmittal and reporting remain mandatory where applicable, but implementation is designed to rest on existing Presidential authority rather than new legislation.

Commerce lawyers may also ask whether the Export Control Reform Act of 2018 or the existing Export Administration Regulations provide a cleaner short-supply route for refined petroleum. This proposal does not rely on that theory. Current Part 754 petroleum short-supply controls are narrow and principally address certain products derived from the Naval Petroleum Reserves; the proposal therefore keeps IEEPA as the core refined-product export authority and treats other Commerce authorities only as possible supplementary implementation tools after agency review.¹⁵

3. Legal Footing

3.1 Executive Order 1 — crude oil: unusually strong express authority

42 U.S.C. § 6212a generally protects crude-oil exports, but subsection (d)(1) creates express Presidential exceptions. Most importantly here, subsection (d)(1)(A) authorizes the President to impose “export licensing requirements or other restrictions” for not more than one year if the President declares a national emergency and formally notices that declaration in the Federal Register. This proposal additionally recommends that the declaration expressly identify § 6212a(d)(1)(A) as the authority being activated and comply with the National Emergencies Act’s publication and transmittal requirements.¹⁶

That places the crude order in the strongest category of the familiar Youngstown framework: the President would be acting pursuant to express congressional authorization rather than attempting to infer a new economic power from silence.¹⁷ The recommended order therefore should rely first and foremost on § 6212a(d)(1)(A), not on an expansive reading of IEEPA.

The statute permits renewal in additional one-year periods, but this proposal deliberately does not depend on renewal. The order would begin with an approximately 180-day operating plan and expire absolutely no later than Day 365 unless a wholly independent lawful action is later taken.

3.2 Executive Order 2 — gasoline and diesel: strong textual export authority, but more litigation risk

The refined-products order should be narrower and more transaction-specific. The International Emergency Economic Powers Act authorizes the President, during a qualifying foreign-source national emergency, to regulate covered transactions by “instructions, licenses, or otherwise,” including exportation involving property in which a foreign country or

15. Bureau of Industry and Security, Export Administration Regulations, 15 C.F.R. Part 754, § 754.3. Current short-supply petroleum licensing under this provision applies to specified petroleum products derived from the Naval Petroleum Reserves or made available through exchanges of Naval Petroleum Reserve-produced commodities; this proposal therefore does not treat Part 754 as a general short-supply authority for all U.S. gasoline and diesel exports. <https://www.bis.gov/ear/title-15/subtitle-b/chapter-vii/subchapter-c/part-754/ss-7543-petroleum-products-not-including>.

16. 42 U.S.C. § 6212a(d)(1)(A)-(2), permitting the President to impose crude-oil export licensing requirements or other restrictions for not more than one year after declaring and formally noticing a national emergency; the statute also permits renewal, on which this proposal deliberately does not rely. Official text: <https://uscode.house.gov/view.xhtml?edition=prelim&path=%2Fprelim%40title42%2Fchapter77%2Fsubchapter1>.

17. Youngstown Sheet & Tube Co. v. Sawyer, 343 U.S. 579, 635–38 (1952) (Jackson, J., concurring). Justice Jackson described Presidential authority as at its maximum when the President acts pursuant to express or implied congressional authorization. <https://www.law.cornell.edu/supremecourt/text/343/579>.

foreign national has an interest.¹⁸ A licensing regime is therefore much closer to IEEPA's actual text than an unrelated tariff or domestic price-control program.

The Supreme Court's February 2026 decision in *Learning Resources, Inc. v. Trump* makes careful drafting essential. The Court rejected use of IEEPA to impose the tariffs before it because tariff authority was not textually granted. That cuts against creative emergency-law extensions, but it also highlights an important distinction here: export regulation and licensing are activities the statute actually names.¹⁹

The paper should not overstate the case. The former Energy Policy and Conservation Act provision dealing broadly with domestic use of energy supplies, 42 U.S.C. § 6212, was repealed in 2015.²⁰ Therefore, the refined-products order should not pretend that Congress preserved the same explicit "short supply" authority for gasoline and diesel that it created for crude oil. Its strongest route is a tightly drawn IEEPA licensing system tied to the foreign Iran/Hormuz emergency, with domestic priority/allocation measures used only where DPA prerequisites are satisfied.

3.3 Defense Production Act support and existing Presidential findings

The Defense Production Act can provide supplemental authority for domestic priorities and allocations where statutory findings are met.²¹ That record is strengthened by the President's April 20, 2026 determination that domestic petroleum production, refining, storage, pipelines and marine terminals are industrial resources essential to national defense and that immediate Federal action is necessary.²²

The existing record also includes Executive Order 14156, the January 2025 national energy emergency, and the continuing national emergency regarding Iran.^{23,24} The refined-products order should nevertheless make its own tailored factual findings linking the foreign-source Iran/Hormuz disruption to the specific export transactions it regulates. That is safer than relying only on older or broader declarations.

3.4 Litigation-hardening principles for both orders

The refined-products order should make the statutory purpose unmistakable. International Emergency Economic Powers Act authority may be exercised only to deal with the unusual and extraordinary foreign-source threat for which the national emergency is declared. Accordingly, the operative findings should connect the Iran/Hormuz disruption to inadequate or vulnerable U.S. supplies of gasoline and distillate needed for national security and critical systems; they should not characterize domestic price reduction as the legal object of the order. Lower prices are an anticipated market consequence of restored domestic availability.²⁵

The national-security supply record is substantial. Petroleum fuels military operations and the defense industrial base, while gasoline and especially diesel support emergency services, transportation, agriculture and food distribution, communications backup generation and other critical infrastructure. The Defense Production Act defines "national defense" to include military and energy production, stockpiling, homeland security, emergency preparedness and critical-infrastructure protection. The President's April 20, 2026 petroleum determination already found domestic petroleum production, refining, pipelines, storage and marine terminals essential to national defense.²⁶

18. 50 U.S.C. §§ 1701–1702. IEEPA permits Presidential regulation, by instructions, licenses or otherwise, of specified transactions and property during a declared national emergency arising from an unusual and extraordinary foreign-source threat; § 1702 expressly includes regulation of covered importation or exportation transactions. Official text: <https://uscode.house.gov/view.xhtml?req=%28title%3A50+section%3A1702+edition%3Aprelim%29>.

19. *Learning Resources, Inc. v. Trump*, 607 U.S. ____ (Feb. 20, 2026), holding that IEEPA did not authorize the tariffs at issue. The decision emphasized statutory text and separation of powers; IEEPA expressly addresses specified import/export regulation but does not expressly confer tariff authority. https://www.supremecourt.gov/opinions/25pdf/24-1287_new_3135.pdf.

20. 42 U.S.C. § 6212 (former Energy Policy and Conservation Act § 103), which addressed domestic use of energy supplies, was repealed by Pub. L. 114-113 in 2015. Current code: <https://uscode.house.gov/view.xhtml?edition=prelim&path=%2Fprelim%40title42%2Fchapter77%2Fsubchapter1%2FpartA>.

21. 50 U.S.C. § 4511 (Defense Production Act § 101) authorizes priority performance and, subject to statutory conditions, allocation of materials, services and facilities when necessary or appropriate to promote the national defense. <https://www.law.cornell.edu/uscode/text/50/4511>.

22. Presidential Determination Pursuant to Section 303 of the Defense Production Act of 1950 on Domestic Petroleum Production, Refining, and Logistics Capacity, Apr. 20, 2026. The President found domestic petroleum production, refining, pipelines, storage and marine terminals essential to national defense and immediate Federal action necessary. <https://www.whitehouse.gov/presidential-actions/2026/04/presidential-determination-pursuant-to-section-303-of-the-defense-production-act-of-1950-as-amended-on-domestic-petroleum-production-refining-and-logistics-capacity/>.

23. Executive Order 14156, "Declaring a National Energy Emergency," Jan. 20, 2025, finding inadequate U.S. energy production, transportation, refining and generation capacity to threaten the economy, national security and foreign policy. Federal Register, <https://www.federalregister.gov/d/2025-02003>.

24. Continuation of the National Emergency With Respect to Iran, Mar. 2, 2026, continuing the Iran emergency because the actions and policies of the Government of Iran continue to pose an unusual and extraordinary threat to U.S. national security, foreign policy and economy. Federal Register, <https://www.federalregister.gov/documents/2026/03/05/2026-04450.html>.

25. 50 U.S.C. §§ 1701(a)-(b) and 1702(a)(1)(B). IEEPA authority may be exercised only to deal with the unusual and extraordinary foreign-source threat for which the national emergency is declared; § 1702 expressly authorizes licensing and the regulation, prevention or prohibition of covered exportation transactions involving property in which a foreign country or national has an interest. See also *Learning Resources, Inc. v. Trump*, 607 U.S. ____ (Feb. 20, 2026), distinguishing powers IEEPA expressly grants from tariff authority it does not expressly grant. Official Code: <https://uscode.house.gov/view.xhtml?edition=prelim&path=%2Fprelim%40title50%2Fchapter35>. Opinion: https://www.supremecourt.gov/opinions/25pdf/24-1287_new_3135.pdf.

26. 50 U.S.C. § 4552 defines "national defense" to include military and energy production, stockpiling, homeland security, emergency preparedness, and critical-infrastructure protection and restoration. CISA identifies Energy, Emergency Services, Food and Agriculture, and Transportation Systems among the Nation's critical-infrastructure sectors. The President's Apr. 20, 2026 petroleum determination found domestic petroleum production, refining, pipelines, storage and marine terminals essential to national defense. Sources: <https://uscode.house.gov/view.xhtml?edition=2023&req=granuleid%3AUSC-2023-title50-chapter55>; <https://www.cisa.gov/topics/critical-infrastructure-security-and-resilience/critical-infrastructure-sectors/sector-risk-management-agencies>;

For Defense Production Act use under Executive Order 2, the President should make the statutory findings expressly rather than infer them from earlier declarations: covered refined products and the relevant refining, transportation, storage and distribution services are scarce, critical and essential to maintaining refining and transportation or conserving energy supplies; and adequate continuity of those functions cannot reasonably be accomplished during the emergency without temporary priority or allocation authority. The April 2026 determination should be treated as strong supporting evidence, not as a substitute for these transaction-specific findings.²⁷

Both orders should also state four limiting principles: no Federal petroleum price is established; no title to privately owned petroleum is confiscated or vested in the United States; export restrictions may be no broader than reasonably necessary to meet the stated domestic supply objective; and each material quota or licensing adjustment must be supported by a contemporaneous written agency record using published aggregate indicators. Those limitations do not eliminate judicial review, but they make the action materially harder to characterize as a disguised price-control program, an uncompensated seizure, or an arbitrary embargo.²⁸

The separate-order structure should remain. Each Executive Order should contain independent findings, independent delegations, independent review criteria and its own severability clause. Although related lawsuits could still be consolidated, a court considering a defect in the refined-products order would have substantially less reason to disturb the crude-oil order, whose authority is independently and expressly supplied by 42 U.S.C. § 6212a(d)(1)(A).

3.5 Historical Presidential precedents

Precedent	Authority/action	Relevance and limitation
Carter — Iran (1980)	IEEPA / National Emergencies Act (NEA) export and transaction prohibitions directed at Iran	Strong evidence that IEEPA can support actual export restrictions; fact pattern was country-specific, not a worldwide domestic-price quota.
Biden — Russia/Ukraine (2022)	SPR emergency finding and 180-million-barrel release	Modern precedent for using petroleum emergency authority to cushion U.S. consumers/economy from a foreign geopolitical supply shock; not “solely economic.”
Trump — Iran/Hormuz (2026)	172-million-barrel U.S. SPR contribution to 400-million-barrel International Energy Agency (IEA) action	Directly relevant current precedent: the Administration is already using a large supply-side intervention to lower energy prices and stabilize supply.
Trump — DPA petroleum finding (2026)	DPA § 303 determination for production, refining and logistics	Confirms current Presidential findings that domestic petroleum infrastructure is essential to national defense.

President Carter’s 1980 Iran order is useful precedent for actual export restrictions under IEEPA, although its destination-specific structure was materially narrower than this proposal.²⁹ President Biden’s 2022 SPR action is also relevant, not because it was “solely economic,” but because it shows a modern President using petroleum emergency authority to protect U.S. consumers and the national economy from a foreign geopolitical supply shock.^{30,31}

The March 2026 SPR action remains the closest current precedent for a large, immediate U.S. supply-side intervention. At the President’s request, 32 International Energy Agency (IEA) members agreed to a coordinated 400-million-barrel release, including 172 million U.S. barrels, to address the Iran-related supply disruption and stabilize energy markets; DOE also expressly identified lower energy prices as an expected objective. The proposed Supply Lever is therefore best presented as a next-stage complement to measures the Administration has already used. A separate September 2026 development—the new U.S.–Venezuela oil agreement and its prospective at-cost supply stream—is addressed in Appendix D as a complementary medium- and long-term strategy.³²

<https://www.whitehouse.gov/presidential-actions/2026/04/presidential-determination-pursuant-to-section-303-of-the-defense-production-act-of-1950-as-amended-on-domestic-petroleum-production-refining-and-logistics-capacity/>.

27. 50 U.S.C. § 4511(c) permits domestic-energy priority or allocation action only after the required findings, including that the relevant materials, services or facilities are scarce, critical and essential to maintaining or expanding exploration, production, refining or transportation, conserving energy supplies, or constructing or maintaining energy facilities, and that the objective cannot reasonably be accomplished without exercising the authority. Official text: <https://uscode.house.gov/view.xhtml?edition=prelim&num=0&req=granuleid%3AUSC-prelim-title50-section4511>.

28. *Dames & Moore v. Regan*, 453 U.S. 654, 671–74 (1981), sustained Presidential action within IEEPA’s expressly granted transaction authorities while emphasizing the congressional grant; *Learning Resources, Inc. v. Trump*, 607 U.S. ____ (Feb. 20, 2026), likewise centered the inquiry on powers Congress actually placed in IEEPA. These cases support drafting the present orders around express export/licensing authority and narrow, reviewable implementation rather than an implied general power to set domestic petroleum prices. <https://www.law.cornell.edu/supremecourt/text/453/654>; https://www.supremecourt.gov/opinions/25pdf/24-1287_new_3135.pdf.

29. Executive Order 12205, Apr. 7, 1980, issued under IEEPA and the National Emergencies Act, prohibited specified exports and other transactions involving Iran. National Archives codification: <https://www.archives.gov/federal-register/codification/executive-order/12205.html>. The precedent is destination/adversary-specific and is not identical to a worldwide petroleum quota.

30. President Joseph R. Biden Jr., Memorandum on the Finding of a Severe Energy Supply Interruption, Mar. 31, 2022, finding that Russia’s invasion of Ukraine created a severe energy supply interruption with potential major adverse effects on the U.S. economy and authorizing SPR drawdown and sale under the Energy Policy and Conservation Act. <https://www.govinfo.gov/content/pkg/DCPD-202200233/pdf/DCPD-202200233.pdf>.

31. U.S. Department of Energy, 2022–2024 SPR releases and replenishment materials. DOE described the 2022 release as protecting consumers from geopolitical supply disruption and later reported repurchases below the average 2022 sale price. See, e.g., <https://www.energy.gov/articles/doe-announces-final-contract-awards-president-bidens-emergency-release-strategic-petroleum> and <https://www.energy.gov/articles/biden-harris-administration-purchases-more-4-million-barrels-strategic-petroleum-reserve>.

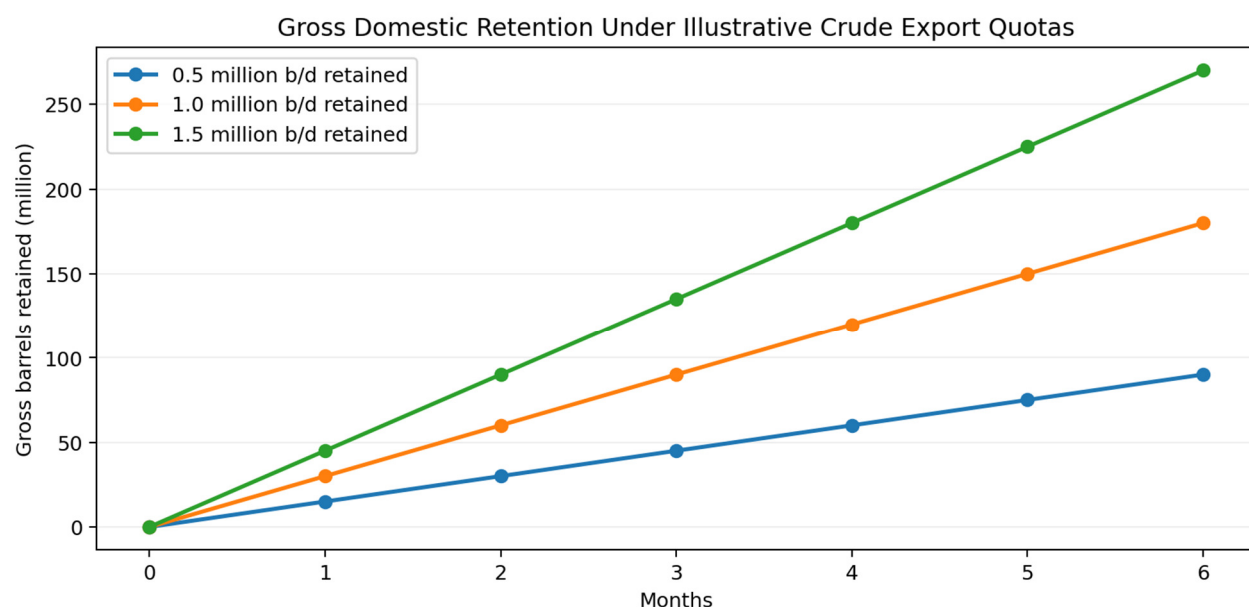
32. U.S. Department of Energy, “United States to Release 172 Million Barrels of Oil From the Strategic Petroleum Reserve,” Mar. 11, 2026, <https://www.energy.gov/articles/united-states-release-172-million-barrels-oil-strategic-petroleum-reserve>.

4. The Domestic Energy Supply Lever — Quota and Inventory Mechanism

4.1 Crude-oil export retention

The crude order should begin with a target rather than an embargo. A reasonable opening setting for policy discussion is to retain approximately 1.0 million barrels per day of crude that otherwise would have been exported, measured against a rolling eight-week export baseline. The Secretary of Commerce, in consultation with the Secretary of Energy, could adjust the target within an initial 0.5–1.5 million barrels-per-day band every 14 days.

Setting	Gross 30-day retention	Gross 180-day retention	Use case
0.50 million b/d	15 million bbl	90 million bbl	Conservative / initial easing
1.00 million b/d	30 million bbl	180 million bbl	Recommended opening target
1.50 million b/d	45 million bbl	270 million bbl	Upper emergency band; use only if storage/production remain healthy



Gross retained volume is not forecast inventory accumulation; imports, refinery runs, production, storage and exports would adjust.

Figure 3. Gross retention arithmetic. These volumes are not forecasts of inventory accumulation because the market will adjust through imports, refinery runs, storage, production and remaining exports.

The main physical control variables should be commercial inventory, storage utilization, refinery absorption and production continuity. The WTI-Brent spread remains an important secondary safeguard because an excessively wide domestic discount can signal that retained crude is outrunning domestic capacity. The policy objective is not to make WTI “cheap at any cost”; it is to retain enough supply to improve domestic availability while avoiding storage congestion, drilling cancellations or shut-ins. If the discount widens beyond a pre-established safety band or storage fills rapidly, export licenses should loosen automatically.

4.2 Gasoline and diesel domestic inventory floors

Refined products should use an inventory-floor structure rather than a crude-style blanket percentage reduction. The first objective should be to rebuild U.S. distillate and gasoline inventories to normal seasonal ranges. EIA reported that international disruption drove U.S. petroleum exports to a record in April 2026, including 5.6 million barrels per day of crude and 1.6 million barrels per day of distillate.³³

For modeling purposes only, the second order could initially target approximately 0.20–0.40 million barrels per day of additional domestic distillate availability and 0.10–0.25 million barrels per day of additional gasoline availability, subject to refinery output, regional balances and days-of-supply. These are not proposed statutory caps; they are starting ranges for DOE and Commerce to convert into licensed export ceilings and inventory floors.

33. EIA, “U.S. exports of crude oil and petroleum products reached record in April,” July 8, 2026. April 2026 crude exports averaged 5.6 million b/d and distillate exports 1.6 million b/d as global disruption increased demand for U.S. barrels; weekly estimates remained above seasonal highs into May and June. <https://www.eia.gov/todayinenergy/detail.php?id=67825>.

The modeled refined-product ranges are large enough to matter physically. Thirty days of retaining 0.20–0.40 million barrels per day of distillate represents roughly 6–12 million barrels—about 6–11% of the current distillate inventory before market adjustments. Thirty days of retaining 0.10–0.25 million barrels per day of gasoline represents roughly 3–7.5 million barrels, or about 1–4% of current gasoline inventory. Sixty days would double those gross amounts. These are not forecasts of net stock builds, but they demonstrate why a temporary export-licensing adjustment can be material to supply resilience.³⁴

- National floor: seasonal inventory and days-of-supply threshold for gasoline and distillate.
- Regional floor: parallel PADD thresholds to prevent shortages in the East Coast, Midwest, Gulf Coast, Rocky Mountain or West Coast regions.
- Priority protection: defense, emergency services, agriculture, freight/logistics and critical infrastructure receive priority treatment where DPA findings and delegations support it.
- Ally and integrated-market exceptions: permit tailored treatment for Canada, Mexico and critical allied-security needs where interruption would create greater U.S. economic or security harm.

5. Commercial Supply Stabilization First; Strategic Petroleum Reserve Replenishment Second

The SPR should not compete aggressively for barrels on Day 1. The first objective is to increase the supply available to commercial users and allow inventories, refinery logistics and regional availability to respond. Market prices should be observed as a secondary transmission signal. Only after commercial supply conditions have materially improved should DOE begin additional discretionary replenishment, and then only when acquisition can occur without materially reversing the domestic supply benefit.

Phase	Indicative timing	Primary objective	SPR posture
I. Commercial supply response	Days 0–30	Increase domestic availability; observe inventories, refinery/logistics response and secondary market signals	No new discretionary acceleration beyond existing legal/exchange commitments
II. Inventory repair	Days 30–60	Commercial crude/product stocks and regional days-of-supply begin normalizing	Begin modest additional purchases/exchanges only if supply and operational triggers are satisfied
III. Stabilization	Days 60–180	Maintain adequate domestic supply without harming production	Expand economical replenishment within site, funding, crude-quality and existing-return constraints
IV. Exit	Days 180–365	Progressively restore normal export flows as supply resilience returns	Continue only incremental, opportunistic refill; terminate export policy by Day 365

As of August 28, 2026, the SPR held approximately 286.6 million barrels. DOE lists authorized capacity at approximately 714 million barrels, so the physical inventory gap was approximately 427 million barrels at that moment. That figure is not the same as the amount that must be newly purchased: existing 2026 exchange-return obligations and the new prospective Venezuelan at-cost supply stream must both be reconciled before calculating any additional discretionary refill requirement.³⁵³⁶

An important accounting distinction is required before implementation: the Administration structured the 2026 emergency release as exchanges. DOE announced that participating companies would return the borrowed barrels with premiums and stated that approximately 200 million barrels were expected to be returned within the following year. Therefore, this proposal does not treat the entire physical gap to 714 million barrels as new barrels the Supply Lever must purchase. DOE should first reconcile current inventory, awarded exchange-return obligations and return timing, then determine the remaining uncommitted replenishment need. The newly announced U.S.–Venezuela agreement can become an additional low-cost refill source as production and delivery scale; see Appendix D. Any additional purchases attributable to this policy should remain trigger-based and subordinate to commercial supply stabilization.³⁷

34. Gross retention arithmetic based on the illustrative 0.20–0.40 million barrels per day distillate and 0.10–0.25 million barrels per day gasoline ranges in this paper and EIA stocks for the week ending Aug. 28, 2026 (104.187 million barrels distillate; 205.669 million barrels total motor gasoline). These are gross volumes before behavioral, trade, refinery or storage adjustments. EIA weekly petroleum stocks, https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPM0_SAE_MBBL_W.htm and https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPC0_SAS_MBBL_W.htm.

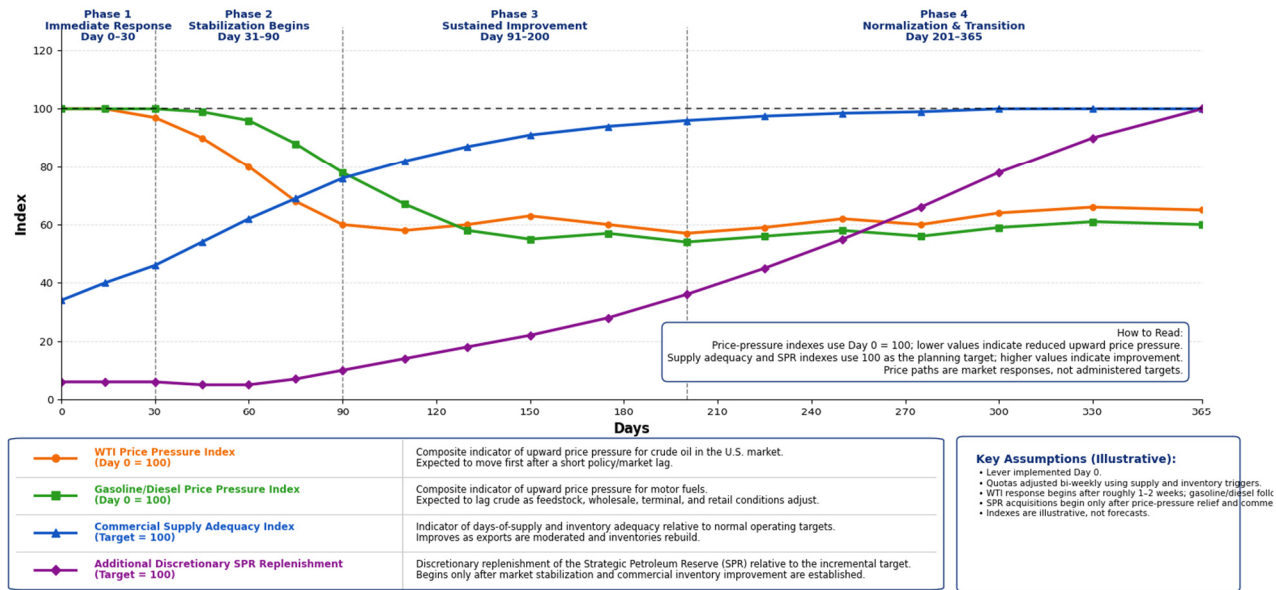
35. EIA, Stocks of SPR Crude Oil, week ending Aug. 28, 2026: 286.604 million barrels. https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPC0_SAS_MBBL_W.htm.

36. U.S. Department of Energy, SPR Quick Facts, authorized storage capacity approximately 714 million barrels. <https://www.energy.gov/hgeo/opr/spr-quick-facts>.

37. U.S. Department of Energy stated on Mar. 11, 2026 that the 172-million-barrel emergency action was structured to return approximately 200 million barrels to the SPR within the following year. DOE's Mar. 13 exchange solicitation likewise required participating companies to return borrowed oil with additional barrels as a

Figure 4. Supply-Security Response Sequence: Hypothetical 12-Month Illustration

Illustrative only — based on expected sequence of supply improvement, market response, and reserve management.



Note: This figure is a conceptual illustration of the expected sequence of supply and market responses under the Domestic Energy Supply Lever. Actual outcomes will depend on global market conditions, Middle East developments, seasonal demand, refinery/logistics constraints, and implementation details.

Figure 4. Illustrative supply-security response sequence. Commercial availability and inventory adequacy are the primary control variables; WTI and retail-fuel price paths are secondary market-response indicators. Additional discretionary SPR acquisition begins only after approximately 30–60 days of demonstrated commercial improvement and is shown separately from barrels already due back under 2026 exchange contracts. The paths are hypothetical illustrations of sequencing—not forecasts.

6. Illustrative Supply and Market Outcomes

The supply quantities in this section are policy design inputs; the commodity-price ranges are secondary decision-analysis scenarios, not forecasts. Actual outcomes depend on global supply, crude quality, refinery utilization, imports, storage, regional logistics, elasticity, futures-market expectations and the behavior of producers and exporters. Before implementation, EIA, DOE, Treasury and the Council of Economic Advisers (CEA) should model the program at refinery- and region-level resolution and establish the inventory and days-of-supply gains expected from each quota setting.

Historical export-ban modeling provides a useful but imperfect benchmark. Pre-2015 studies commonly found that export restrictions could create a several-dollar-per-barrel domestic crude discount; Government Accountability Office reviews discussed estimates in roughly a \$2–\$8 per barrel range under then-prevailing conditions.³⁸ EIA also warned that U.S. gasoline prices historically track Brent more closely than WTI; therefore a crude-only export restriction is not guaranteed to lower retail gasoline and can even have ambiguous effects if it suppresses U.S. production and raises global prices.³⁹ This is a central reason for pairing the crude order with a separate refined-products order and for using automatic production safeguards.

Scenario	Crude retained	30-day gross crude availability	Illustrative WTI response*	Illustrative gasoline response*	Illustrative diesel response*
Conservative	0.50–0.75m b/d	15–22.5m bbl	\$3–\$6/bbl	\$0.05–\$0.15/gal	\$0.10–\$0.25/gal
Target	0.75–1.25m b/d	22.5–37.5m bbl	\$6–\$12/bbl	\$0.10–\$0.30/gal	\$0.20–\$0.50/gal
Aggressive	1.25–1.50m b/d	37.5–45m bbl	\$10–\$18/bbl	\$0.20–\$0.40/gal	\$0.35–\$0.70/gal

These ranges are intentionally rough policy stress tests, not econometric estimates. Their purpose is to test whether the modeled domestic supply retention is large enough to produce observable market transmission without damaging production. The retail ranges assume the refined-products order is operating alongside the crude order; crude-only retail effects are materially less certain.

premium. <https://www.energy.gov/articles/united-states-release-172-million-barrels-oil-strategic-petroleum-reserve>; <https://www.energy.gov/articles/energy-department-initiates-strategic-petroleum-reserve-emergency-exchange-stabilize>.

38. U.S. Government Accountability Office, “Crude Oil: Uncertainty about Future Oil Supply Makes It Important to Develop a Strategy for Addressing a Peak and Decline in Oil Production” / 2015 crude-export review literature summarized estimates that lifting then-existing restrictions could increase domestic crude prices by roughly \$2–\$8/bbl depending on assumptions. See GAO-15-745 and related 2015 export-ban analysis, <https://www.gao.gov/assets/680/671706.pdf>.

39. EIA, Effects of Removing Restrictions on U.S. Crude Oil Exports (2015). EIA found gasoline prices tend to track Brent rather than WTI and concluded that lifting crude-export restrictions could leave gasoline unchanged or slightly lower in modeled cases because higher U.S. production can reduce global crude prices. <https://www.eia.gov/analysis/requests/crude-exports/>.

A \$6–\$12 per barrel reduction in WTI corresponds mechanically to roughly 14–29 cents per gallon of crude-input value before refinery margins, distribution, taxes and other adjustments. That calculation illustrates potential market transmission; it is not the program’s target. Diesel could show a larger response if export licensing directly rebuilds exceptionally tight distillate inventories. Gasoline likely responds with a lag because inventory, refinery scheduling and retail pass-through take time.

The secondary economic benefit follows from the supply improvement. Motor fuel enters household expenditures directly, while diesel affects freight, agriculture, construction and distribution costs throughout the economy. The proposal cannot isolate the United States completely from a global shock, but it can temporarily reduce the degree to which a foreign-origin supply shortage depletes domestic resilience. If improved physical availability also reduces the scarcity premium embedded in U.S. prices, that is an economically valuable consequence rather than a federally administered price outcome.

7. Middle East Supply-Chain Adaptation and Exit Conditions

The strategy should be explicitly temporary because the Middle East system is adapting. Saudi Arabia has rerouted more barrels toward the Red Sea; UAE bypass capacity is expanding; commercial shipping is experimenting with new routing and risk management; and EIA expects gradual Hormuz improvement beginning in September with broader normalization toward early 2027.^{40,41}

- Hormuz test: sustained petroleum throughput of approximately 75–85% of the pre-conflict baseline for at least 30 consecutive days, with improving tanker availability and insurance/freight conditions.
- Domestic inventory test: gasoline and distillate inventories return to normal seasonal ranges nationally and no material PADD-level shortage remains.
- Supply-security test: commercial inventories, days-of-supply, refinery/logistics conditions and the foreign disruption normalize sufficiently that continued restrictions no longer deliver a material U.S. supply-security benefit. Brent, WTI and retail motor-fuel prices remain useful secondary indicators of market transmission, but do not determine the legal existence of the emergency or establish an administered price objective.
- Production-safety test: if the WTI-Brent discount, storage congestion, rig activity or production data indicate material risk of shut-ins or investment destruction, crude quotas automatically loosen regardless of other tests.
- Hard sunset: both orders terminate no later than Day 365. The crude proposal does not rely on the statute’s renewal provision; the refined-products order adopts the same one-year ceiling voluntarily for policy discipline.

8. Principal Risks and Mitigations

8.1 Operational and market risks

Risk	Why it matters	Mitigation
Domestic production decline	Too-large WTI discount could reduce drilling and future supply	14-day reviews; WTI-Brent safety band; automatic quota relaxation
Refinery mismatch	U.S. refineries cannot absorb every light-crude barrel displaced from exports	Quota rather than ban; grade/location exceptions; preserve imports needed by refinery configuration
Regional fuel shortages	National averages can conceal East Coast/West Coast constraints	PADD inventory floors; regional waivers and emergency licenses
Allied disruption	Mexico, Canada and allies rely on U.S. energy flows	Integrated-market and security exceptions; targeted rather than indiscriminate licensing
Retaliation / global price increase	Reduced U.S. exports can raise prices elsewhere and feed back to Brent	Moderate quotas, short duration, allied coordination and automatic exit
SPR purchases compete with commercial supply	Premature government buying can reduce the domestic availability created by the program	No accelerated discretionary refill in the initial commercial-supply phase; reconcile exchange returns and use trigger-based incremental purchases thereafter

40. U.S. Energy Information Administration (EIA), Short-Term Energy Outlook, Global Oil Markets, Aug. 2026, reporting 4.9 million b/d through Hormuz in 2Q26 versus 21.6 million b/d in 4Q25 and gradual recovery beginning in September, https://www.eia.gov/outlooks/steo/report/global_oil.php.

41. EIA, World Oil Transit Chokepoints / August 2026 energy-security analysis. Existing Saudi and United Arab Emirates bypass capacity is approximately 4.7 million b/d; the United Arab Emirates plans an additional roughly 1.5 million b/d route to Fujairah by 2027. https://www.eia.gov/international/content/analysis/special_topics/World_Oil_Transit_Chokepoints/.

8.2 Litigation and implementation risks

Risk	Why it matters	Mitigation
Judicial challenge	Refined-product authority is less explicit than crude authority; plaintiffs may attack emergency nexus, statutory scope or overbreadth	Separate EOs; fresh tailored emergency findings; exact IEEPA foreign-interest nexus; express DPA findings; severability; independent agency record
IEEPA purpose / pretext attack	Opponents may argue the Iran emergency is being used primarily to manipulate domestic prices rather than deal with the foreign-source supply threat	Make physical supply adequacy for national defense and critical systems the stated legal purpose throughout the paper and EOs; treat prices only as secondary evidence and market consequences
Major-questions / overbreadth attack	A court may scrutinize a sweeping economic program even during an emergency	Use authorities Congress actually named—crude export restrictions under § 6212a and covered export transactions under IEEPA; employ quotas/licenses rather than an indiscriminate embargo
Arbitrary-and-capricious implementation	Unsupported quota changes could invite challenges to agency implementing actions	Require 14-day written findings using inventories, days-of-supply, refinery utilization, WTI-Brent spread, storage, Hormuz throughput and production indicators; automatically relax when need diminishes
Price-control / property-rights characterization	Opponents may portray the policy as price fixing or confiscation	State expressly that market prices remain privately determined, title remains private, and the government regulates only covered export transactions and lawful domestic priorities

9. Recommended Presidential Decision

Issue two coordinated Executive Orders establishing a temporary Domestic Energy Supply Lever. Executive Order 1 should declare and formally notice the national emergency required by 42 U.S.C. § 6212a(d)(1)(A), expressly identify that statutory authority for National Emergencies Act purposes, establish an adjustable crude export licensing quota beginning near 1.0 million barrels per day of domestic retention, and terminate no later than Day 365. Executive Order 2 should establish a separately supported, narrowly tailored IEEPA export-licensing regime for gasoline and distillate/diesel, reinforced by DPA domestic priorities only where statutory findings are satisfied. Required congressional consultation, transmittal and reporting should be treated as statutory compliance—not as a request for new legislative authority.

The policy should be publicly described as a temporary bridge to complement the President’s existing maritime, diplomatic, production, SPR, and newly announced Venezuela supply measures. Its purpose is not to retreat from U.S. energy exports and not to establish Federal prices. It is to ensure adequate domestic physical supply while the foreign disruption persists, commercial inventories recover, and additional Western Hemisphere production becomes available.

If the market improves, the policy should relax automatically and disappear. If domestic petroleum availability remains abnormally constrained by the foreign disruption while American production remains adequate, the President should retain only the incremental supply reasonably necessary to protect national defense, agriculture and food distribution, freight, emergency services, critical infrastructure and the broader economy—then, after commercial inventories improve and market conditions permit, use lower-cost surplus supply to begin rebuilding the nation’s strategic reserve.

Appendix A — Draft Executive Order 1: Crude Oil

DRAFT FOR POLICY DISCUSSION — requires review by the Office of Legal Counsel (OLC), White House Counsel, Department of Energy, Department of Commerce, Department of the Treasury, Department of Defense, Office of Management and Budget and other affected agencies.

EXECUTIVE ORDER

TEMPORARILY ENSURING ADEQUATE DOMESTIC CRUDE-OIL SUPPLY DURING THE IRAN AND STRAIT OF HORMUZ EMERGENCY

By the authority vested in me as President by the Constitution and the laws of the United States of America, including section 101 of title I of division O of the Consolidated Appropriations Act, 2016, codified at 42 U.S.C. 6212a; the National Emergencies Act, 50 U.S.C. 1601 et seq.; and section 301 of title 3, United States Code, it is hereby ordered as follows:

Section 1. Purpose and Findings.

The conflict involving Iran and the sustained disruption of petroleum transportation through the Strait of Hormuz have materially reduced global petroleum availability, increased shipping and insurance costs, caused production shut-ins, and weakened the reliability of petroleum supply available to the United States. Adequate petroleum supply is necessary for national defense, military operations, emergency response, critical infrastructure, freight and logistics, agriculture and food distribution, and the broader resilience of the United States economy. The United States is the world's largest crude-oil producer and exports substantial volumes of domestically produced crude oil. Temporary and calibrated export licensing can increase domestic availability while preserving production incentives, refinery compatibility and essential allied supply. Market prices may respond to greater domestic availability and competition, but no Federal petroleum price is established or administered by this order.

Sec. 2. Declaration of National Emergency and Federal Register Notice.

For purposes of 42 U.S.C. 6212a(d)(1)(A), sections 201 and 301 of the National Emergencies Act (50 U.S.C. 1621 and 1631), and the authorities specified in this order, I hereby declare a national emergency with respect to the extraordinary disruption of global petroleum supply and transportation arising from the conflict involving Iran and the impairment of commercial transit through the Strait of Hormuz. I hereby specify 42 U.S.C. 6212a(d)(1)(A) as an emergency authority to be exercised pursuant to this order. This declaration and order shall be published in the Federal Register and transmitted to the Congress as required by law.

Sec. 3. Temporary Crude-Oil Export Licensing Program.

(a) Within 5 days of this order, the Secretary of Commerce, in consultation with the Secretary of Energy, shall establish a temporary licensing program for exports of crude oil produced in the United States.

(b) The program shall initially be calibrated to retain domestically approximately 1,000,000 barrels per day of crude oil relative to a rolling 8-week export baseline. The Secretaries may adjust the domestic-retention target within an initial range of 500,000 to 1,500,000 barrels per day based upon the criteria in section 4.

(c) Nothing in this section requires a uniform percentage reduction across exporters, grades, ports or destinations. The Secretaries may use quotas, licenses, grade-specific adjustments, regional rules and case-specific exceptions as necessary to carry out this order.

(d) Restrictions imposed under this section shall be no broader than reasonably necessary to maintain adequate domestic crude-oil availability during the declared emergency. Nothing in this order establishes or mandates a Federal price for crude oil or refined petroleum products, confiscates or vests title to privately owned petroleum, or authorizes retention beyond the amount reasonably necessary to accomplish the purposes of this order.

Sec. 4. Market Safeguards and 14-Day Review.

At least every 14 days, the Secretary of Energy, in consultation with the Secretary of Commerce, shall review: (i) commercial crude inventories and storage utilization, including Cushing and Gulf Coast conditions; (ii) refinery utilization and crude-grade compatibility; (iii) crude imports and exports; (iv) drilling, rig activity and production; (v) Hormuz throughput, tanker availability and freight/insurance conditions; (vi) the WTI-Brent price spread as a secondary production and market-balance safeguard; and (vii) other indicators relevant to domestic supply adequacy. Each material adjustment to the retention target shall be supported by contemporaneous written findings explaining why the restriction remains reasonably necessary and why a materially less restrictive setting would not adequately meet the stated supply objective.

If the domestic crude discount, storage congestion or production indicators demonstrate a material risk of economically damaging domestic shut-ins or sustained reduction in production capacity, export restrictions shall be relaxed promptly.

Sec. 5. Strategic Petroleum Reserve Coordination.

The Secretary of Energy shall not use this order as a basis for accelerated discretionary SPR acquisition during the initial commercial-supply response phase. After commercial inventories show material improvement and domestic supply conditions permit, the Secretary shall, consistent with applicable law, available funds, existing exchange-return obligations and operational receipt capacity, evaluate purchases, exchanges and other lawful mechanisms to replenish the SPR without materially reversing the domestic supply benefit.

Sec. 6. Exceptions.

The Secretary of Commerce, in consultation with the Secretary of Energy and other appropriate officials, may grant categorical or case-specific exceptions necessary for national defense; U.S. military requirements; prevention of regional domestic shortages; integrated supply chains with Canada or Mexico; critical allied-security interests; crude-grade or refinery-configuration constraints; contractual circumstances where denial would materially harm U.S. national security; or other circumstances consistent with the purposes of this order.

Sec. 7. Transparency.

The Secretary of Energy shall publish at least weekly aggregate information on licensed crude exports, estimated domestic-retention volumes, commercial inventories, refinery utilization and SPR acquisitions, subject to applicable protections for classified, law-enforcement-sensitive and confidential commercial information.

Sec. 8. Statutory Reporting and Records.

The Secretary of Commerce, in consultation with the Secretary of Energy and other appropriate officials, shall maintain the records and provide the information necessary for the President to satisfy applicable reporting and accountability requirements under the National Emergencies Act and other applicable law.

Sec. 9. Duration and Termination.

(a) The Secretaries shall begin a formal termination review on Day 150, with an initial policy objective of ending restrictions at or near Day 180 if conditions permit.

(b) Restrictions shall be progressively relaxed when verified Hormuz throughput materially normalizes, domestic inventories return to normal seasonal ranges, or the restrictions cease providing a material U.S. supply-security benefit. Price indicators may inform market-balance analysis but shall not establish an administered price target.

(c) Notwithstanding any renewal authority otherwise available under 42 U.S.C. 6212a(d)(2), all restrictions imposed solely pursuant to this order shall terminate no later than 365 days after its effective date.

Sec. 10. Severability.

If any provision of this order, or the application of any provision to any person or circumstance, is held invalid, the remainder of this order and its application to other persons or circumstances shall not be affected.

Sec. 11. General Provisions.

(a) Nothing in this order shall impair authority granted by law to an executive department or agency, or the functions of the Director of the Office of Management and Budget.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This order creates no right or benefit, substantive or procedural, enforceable at law or in equity against the United States, its departments, agencies, officers, employees, agents, or any other person.

Appendix B — Draft Executive Order 2: Gasoline and Diesel

DRAFT FOR POLICY DISCUSSION — this order presents greater litigation risk than the crude order and requires particularly close OLC and White House Counsel review of the precise IEEPA transaction classes, foreign-interest nexus, DPA predicates and agency delegations.

EXECUTIVE ORDER

TEMPORARILY PROTECTING DOMESTIC GASOLINE AND DISTILLATE SUPPLIES DURING THE IRAN AND STRAIT OF HORMUZ EMERGENCY

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the International Emergency Economic Powers Act, 50 U.S.C. 1701 et seq.; the National Emergencies Act, 50 U.S.C. 1601 et seq.; the Defense Production Act of 1950, as amended, including 50 U.S.C. 4511 to the extent its statutory predicates are satisfied; and section 301 of title 3, United States Code, it is hereby ordered as follows:

Section 1. Purpose and Foreign-Source Emergency Findings.

The conflict involving Iran, attacks and threats affecting maritime commerce, and the severe impairment of commercial petroleum transportation through and near the Strait of Hormuz constitute an unusual and extraordinary threat, originating in substantial part outside the United States, to the national security, foreign policy and economy of the United States. The resulting disruption has constrained global supplies of gasoline, distillate fuel and refinery feedstocks; increased freight and insurance costs; and contributed to unusually tight U.S. distillate and other refined-product inventories. Reliable domestic availability of gasoline and distillate is necessary to sustain military readiness and defense logistics, emergency services, agriculture and food production and distribution, freight and transportation, communications and backup generation, and other critical infrastructure. The adequacy and resilience of those physical supplies—not the establishment of any Federal petroleum price—are the purposes of the temporary measures directed by this order. Market prices may respond to increased domestic availability, but they are not administered targets under this order.

I hereby declare a national emergency with respect to this foreign-source threat for purposes of the authorities invoked in this order. Pursuant to sections 201 and 301 of the National Emergencies Act (50 U.S.C. 1621 and 1631), I specify the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) and, to the extent its statutory predicates are satisfied, section 101 of the Defense Production Act of 1950 (50 U.S.C. 4511) as authorities to be exercised under this order. The authorities granted by IEEPA shall be exercised solely to deal with the foreign-source threat described herein and shall not be used under this order for an unrelated domestic purpose. This emergency is related to, but shall be administered on the independent factual and legal record set forth in this order. This declaration and order shall be published and transmitted as required by law.

For purposes of any action taken under section 101(c) of the Defense Production Act of 1950, as amended (50 U.S.C. 4511(c)), I find that covered refined petroleum products and the refining, transportation, storage and distribution services necessary to make such products available are scarce, critical and essential to maintain or expand refining and transportation and to conserve energy supplies during this emergency; and that maintenance of adequate refining, transportation and conservation of such supplies cannot reasonably be accomplished during the emergency without the temporary use, where necessary, of lawful priority or allocation authority. These findings are supported by, and are in addition to, the Presidential Determination of April 20, 2026, concerning domestic petroleum production, refining and logistics capacity.

Sec. 2. Covered Products.

For purposes of this order, “covered refined petroleum products” means motor gasoline and distillate fuel oil, including diesel fuel, as further defined by the Secretary of Energy in consultation with the Secretary of Commerce and the Secretary of the Treasury.

Sec. 3. Temporary Export Licensing.

(a) Within 5 days, the Secretary of the Treasury and the Secretary of Commerce, in consultation with the Secretary of Energy, shall identify with specificity the classes of export transactions involving covered refined petroleum products that fall within the authorities of the International Emergency Economic Powers Act, including the statutory requirement that the regulated property or transaction involve an interest of a foreign country or national thereof, and shall establish a temporary licensing regime only for such covered transactions.

(b) Licensing decisions shall be calibrated to maintain adequate domestic inventories and days-of-supply needed for national defense and critical domestic systems before permitting incremental covered exports. The Secretaries shall

initially evaluate whether retaining approximately 100,000 to 250,000 barrels per day of gasoline and 200,000 to 400,000 barrels per day of distillate would materially improve domestic supply adequacy without creating refinery, storage, regional or allied-security harm.

(c) The licensing regime shall be no broader than reasonably necessary to deal with the foreign-source emergency and maintain adequate domestic supply, and shall be revised promptly if the legal or factual predicates for any transaction category are no longer satisfied. Nothing in this order establishes or mandates a Federal price for gasoline, diesel, crude oil or any other petroleum product; market prices remain privately determined. Nothing in this order confiscates or vests title to privately owned petroleum in the United States.

Sec. 4. Domestic Inventory and Regional Supply Standards.

The Secretary of Energy shall establish seasonal national and PADD-level inventory and days-of-supply benchmarks for gasoline and distillate, giving particular attention to supplies necessary for military and defense logistics, emergency response, agriculture and food distribution, freight and transportation, communications resilience and other critical infrastructure. Export licenses shall be administered only to the extent reasonably necessary to reduce the risk that covered exports materially worsen a national or regional supply vulnerability.

Sec. 5. Defense Production Act Priorities and Allocations.

Based on the findings set forth in section 1 of this order, and only to the extent authorized by 50 U.S.C. 4511 and other applicable law, the Secretary of Energy and other appropriate officials may use Defense Production Act priority or allocation authority to protect petroleum supplies necessary for national defense, military operations, emergency preparedness, critical infrastructure, and food, agriculture, freight or transportation functions whose continuity materially supports those national-defense purposes. Such authority shall be used only when and to the extent the statutory conditions remain satisfied.

Sec. 6. Exceptions and Allied Coordination.

The Secretaries shall establish appropriate exceptions for integrated North American supply chains, including Canada and Mexico; national-defense and military needs; critical allied-security interests; refinery outages or regional imbalances; product-specification constraints; humanitarian needs; and circumstances in which denial of an export license would materially increase U.S. economic or security risk.

Sec. 7. Review, Transparency and Automatic Relaxation.

At least every 14 days, the Secretary of Energy shall review gasoline and distillate inventories, regional days-of-supply, refinery utilization, exports, freight and insurance costs, Hormuz throughput, military and critical-infrastructure supply conditions, and other relevant physical indicators. Crack spreads and retail prices may be monitored as secondary indicators of market transmission and refinery balance but shall not be used to establish or administer a Federal price. Each material tightening or relaxation shall be supported by contemporaneous written findings. Restrictions shall be relaxed when domestic inventories and supply resilience normalize, Hormuz throughput improves, or a materially less restrictive setting will adequately address the foreign-source threat.

Sec. 8. Statutory Consultation, Reporting, and Records.

The Secretary of the Treasury, in consultation with the Secretary of State, the Secretary of Commerce, the Secretary of Energy and other appropriate officials, is authorized and directed to provide the information and recommendations necessary for the President to satisfy the consultation, reporting and accountability requirements of section 204 of IEEPA (50 U.S.C. 1703) and the National Emergencies Act, including recurring and final reports as applicable.

Sec. 9. Duration and Termination.

This order is intended as a temporary emergency bridge. The Secretaries shall conduct a formal termination review beginning on Day 150. All licensing restrictions established solely pursuant to this order shall terminate no later than 365 days after the effective date unless earlier terminated or superseded by separate lawful action.

Sec. 10. Severability.

If any provision of this order, or the application of any provision to any person, transaction or circumstance, is held invalid, the remainder of this order and its application to other persons, transactions or circumstances shall not be affected.

Sec. 11. General Provisions.

- (a) Nothing in this order shall impair authority granted by law to an executive department or agency, or the functions of the Director of the Office of Management and Budget.
- (b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.
- (c) This order creates no right or benefit, substantive or procedural, enforceable at law or in equity against the United States, its departments, agencies, officers, employees, agents, or any other person.

Appendix C — Modeling Assumptions and Acronym Reference

C.1 Modeling assumptions

- All price ranges are illustrative stress-test ranges. They are not forecasts and should be replaced or supplemented with EIA/DOE/Treasury/CEA modeling before public implementation.
- The crude quota should be measured against a rolling export baseline to reduce manipulation around a fixed historical month.
- Gross retained barrels are not equivalent to inventory build. The market will adjust through imports, refinery runs, storage, production and remaining exports.
- Gasoline and diesel inventory standards should be regional as well as national because pipeline and refinery constraints can make a national surplus coexist with a regional shortage.
- SPR acquisition must account for funding, current exchange commitments, site maintenance, cavern integrity, crude quality and injection capacity.
- The refined-product order should be re-reviewed by OLC immediately after implementation and after any significant judicial development involving IEEPA or the DPA.

Price variables in this paper are secondary indicators and scenario outputs. Implementation triggers should be anchored first to physical supply adequacy, inventory, days-of-supply, infrastructure constraints and production continuity.

SPR planning must reconcile physical inventory with already-awarded 2026 exchange-return obligations and their delivery schedule before calculating any additional discretionary purchase requirement attributable to this policy.

C.2 Acronym check

Strategic Petroleum Reserve (SPR); West Texas Intermediate (WTI); U.S. Energy Information Administration (EIA); International Emergency Economic Powers Act (IEEPA); Defense Production Act (DPA); National Emergencies Act (NEA); Department of Energy (DOE); United Arab Emirates (UAE); International Energy Agency (IEA); Petroleum Administration for Defense District (PADD); Council of Economic Advisers (CEA); Office of Legal Counsel (OLC); Office of Management and Budget (OMB); National Security Council (NSC); Department of Defense (DoD); Department of Homeland Security (DHS); Department of Agriculture (USDA); Department of Transportation (DOT); Bureau of Industry and Security (BIS); North American Blue Energy Partners (NABEP).

Appendix D — September 2026 Update: U.S.–Venezuela Oil Agreement and Policy Complementarity

D.1 Material new supply development

Since the original August 27 version of this paper, the Administration announced a major U.S.–Venezuela oil agreement. The White House states that North American Blue Energy Partners (NABEP) received 100-year concessions covering 17 Venezuelan oil fields with approximately 65 billion barrels of proven reserves; the U.S. government receives a 35 percent equity stake in NABEP’s corporate parent, a guaranteed right to purchase 20 percent of current and future production at production cost, and a right of first refusal on the remaining 80 percent. The White House states that the guaranteed at-cost supply can facilitate SPR replenishment and support military and other sensitive uses, while NABEP plans up to \$100 billion of new oil-infrastructure investment to scale production.⁴²

The agreement is therefore highly significant to U.S. energy security, but its principal incremental production effect is not instantaneous. The White House reported on September 2 that NABEP already produces approximately 250,000 barrels per day, that some at-cost oil is expected to flow to the market by the end of 2026, and that material production is expected to begin reaching the United States early in 2027 and then scale over the following year.⁴³

D.2 Why the Venezuela agreement and Domestic Energy Supply Lever are complementary

The two strategies address different time horizons and different supply variables. The Venezuela agreement expands access to additional low-cost Western Hemisphere production and creates unusually strong U.S. procurement rights. The Domestic Energy Supply Lever instead acts on petroleum already being produced or refined in the United States by temporarily changing the geographic disposition of a marginal portion of existing export supply. In economic terms, additional Venezuelan production increases the broader available supply pool, while the Supply Lever is designed to increase effective domestic availability during the emergency. The first can improve global and U.S. supply conditions over time; the second can act much more quickly on U.S. inventories and domestic resilience.

The Venezuela agreement also strengthens the proposed SPR sequence rather than displacing it. The Supply Lever continues to prioritize commercial inventory repair before accelerated discretionary SPR buying, so that Federal replenishment does not compete unnecessarily with an already stressed commercial market. As Venezuelan at-cost supply becomes physically available, it can provide an additional replenishment source and may help reduce the need for extraordinary export restrictions. The policies can therefore overlap during a transition period: near-term domestic retention and inventory repair first, increasing Venezuelan supply and SPR replenishment over time, and progressive relaxation of the Supply Lever as conditions normalize.

D.3 Why the Venezuela agreement does not eliminate the near-term supply problem

Potential objection — *The Venezuela agreement secures U.S. access and procurement rights associated with more than 65 billion barrels of proven Venezuelan reserves and guaranteed low-cost off-take. A reviewer could therefore ask whether the agreement has removed the supply problem that would justify a separate temporary domestic-retention policy.*

Response — It has not removed the near-term timing problem. The 65 billion barrels are proven reserves underlying the concession, not immediately deliverable production. NABEP currently produces about 250,000 barrels per day; the Administration expects some at-cost oil to reach the market by the end of 2026, material production to begin reaching the United States early in 2027, and output to scale thereafter. The agreement therefore materially improves the medium- and long-term supply outlook without instantly repairing September 2026 U.S. commercial inventories.

At NABEP’s current production of approximately 250,000 barrels per day, the guaranteed 20 percent at-cost U.S. off-take corresponds to only about 50,000 barrels per day before any production expansion. Moreover, those 250,000 barrels are already part of existing global petroleum supply; the procurement right reallocates access to current production rather

42. White House, “Fact Sheet: President Donald J. Trump Announces Historic Oil Agreement to Secure American Energy Dominance and Drive Venezuela’s Economic Recovery,” Aug. 31, 2026. The fact sheet describes 100-year concessions for 17 fields with approximately 65 billion barrels of proven reserves, a 35% U.S. equity stake, guaranteed at-cost purchase rights for 20% of production, first refusal on the remaining 80%, SPR and military-use potential, and up to \$100 billion of planned infrastructure investment. <https://www.whitehouse.gov/fact-sheets/2026/08/fact-sheet-president-donald-j-trump-announces-historic-oil-agreement-to-secure-american-energy-dominance-and-drive-venezuelas-economic-recovery/>.

43. White House, “President Trump Secures the Biggest Oil Deal in World History,” Sept. 2, 2026, stating that NABEP already produces approximately 250,000 b/d, that at-cost oil is expected to flow to the market by the end of 2026, and that material production is expected to begin reaching the United States early in 2027 and scale over the following year. <https://www.whitehouse.gov/releases/2026/09/president-trump-secures-the-biggest-oil-deal-in-world-history/>.

than immediately creating new supply. If the guaranteed share were directed to SPR replenishment, those barrels would strengthen the strategic reserve but would not simultaneously increase commercial petroleum availability.⁴⁴

Scale also matters. Pre-conflict Hormuz flows averaged approximately 21.6 million barrels per day, versus 4.9 million barrels per day in 2Q26, a gross transit gap of about 16.7 million barrels per day. Even under an intentionally generous illustration that credits the full 4.7 million barrels per day of existing Saudi/UAE bypass capacity and the planned 1.5 million barrels per day UAE expansion by 2027 as additive substitutes for impaired Hormuz flows, roughly 10.5 million barrels per day of the pre-conflict transit gap would remain. That residual is approximately 42 times NABEP's current 250,000-barrel-per-day production rate. The comparison does not imply that Venezuela must replace Hormuz; it illustrates the scale difference between the present global supply-and-logistics disruption and the production base from which the Venezuela agreement must expand. The calculation is conservative because bypass capacity is not the same as immediately available incremental throughput, and some existing bypass infrastructure is already in use.⁴⁵

Nor does every additional Venezuelan barrel translate barrel-for-barrel into higher U.S. commercial inventory. The guaranteed 20 percent at-cost off-take and right of first refusal on the remaining production give the United States unusually strong access, but incremental Venezuelan output still expands a globally traded petroleum supply pool. Crude delivered to U.S. refiners can displace other imports, and resulting gasoline and diesel remain subject to ordinary domestic and export-market incentives unless separately retained. Accordingly, the global supply increase can benefit U.S. consumers and prices while producing a more gradual and diffuse effect on U.S. commercial inventories than a temporary policy that directly retains a marginal portion of existing U.S. exports.

SPR replenishment is also distinct from commercial inventory repair. Venezuelan at-cost crude directed to the SPR strengthens the emergency reserve, but it does not simultaneously rebuild privately held crude, gasoline, or diesel inventories available to absorb current transportation, agriculture, freight, emergency-response, national-defense, and critical-infrastructure needs. The Supply Lever therefore retains a separate near-term function: stabilize commercial supply first and accelerate discretionary SPR replenishment only after commercial conditions improve.

The policies are therefore self-limiting complements rather than substitutes. If Venezuelan output scales as planned, Hormuz conditions normalize, and U.S. commercial inventories recover, those developments should cause the Supply Lever's 14-day review mechanism to loosen restrictions and ultimately terminate them. Success of the Venezuela agreement is therefore an expected exit driver for the proposed bridge policy, not a reason to assume that the immediate bridge period has already disappeared.

D.4 September 5 current-condition check

The newest U.S. data continue to support treating the near-term problem separately from the longer-term Venezuela opportunity. For the week ending August 28, EIA reported SPR stocks of 286.604 million barrels, total motor gasoline stocks of 205.669 million barrels, distillate stocks of 104.187 million barrels, and refinery utilization of 98.0 percent. EIA's August 31 national retail series reported regular gasoline at \$4.071 per gallon and on-highway diesel at \$5.599 per gallon.⁴⁶

Foreign-supply conditions also remain unstable. Reuters reported that only four observed commodity vessels transited Hormuz on September 3 versus a 10-day average of about 15, while Brent and WTI settled September 4 at \$96.28 and \$91.48 per barrel, respectively; Reuters also reported a record national diesel average of \$5.85. On September 5, U.S. Central Command said U.S. forces struck three Iranian crude-oil carriers after Iranian missile attacks on two U.S. Navy ships. These developments reinforce that the near-term emergency can remain severe even while a materially improved medium-term supply strategy is being built.⁴⁷

44. White House, Aug. 31 and Sept. 2, 2026. The U.S.–Venezuela agreement grants the United States a guaranteed right to purchase 20% of current and future NABEP production at production cost; the White House states that NABEP currently produces approximately 250,000 b/d. Twenty percent of 250,000 b/d is approximately 50,000 b/d. The guaranteed supply may facilitate SPR replenishment and military or other sensitive uses. <https://www.whitehouse.gov/fact-sheets/2026/08/fact-sheet-president-donald-j-trump-announces-historic-oil-agreement-to-secure-american-energy-dominance-and-drive-venezuelas-economic-recovery/>; <https://www.whitehouse.gov/releases/2026/09/president-trump-secures-the-biggest-oil-deal-in-world-history/>.

45. U.S. Energy Information Administration (EIA), Short-Term Energy Outlook, Global Oil Markets, Aug. 2026, reporting 21.6 million b/d through Hormuz in 4Q25 and 4.9 million b/d in 2Q26; EIA, World Oil Transit Chokepoints, reporting approximately 4.7 million b/d of Saudi/UAE bypass capacity and a planned additional 1.5 million b/d UAE route by 2027. White House, Sept. 2, 2026, reporting current NABEP production of approximately 250,000 b/d. Illustrative arithmetic: $21.6 - 4.9 = 16.7$ million b/d; $16.7 - 4.7 - 1.5 = 10.5$ million b/d; $10.5 / 0.25 = 42$. The 4.7 million b/d figure is pipeline capacity, not necessarily unused incremental throughput. https://www.eia.gov/outlooks/steo/report/global_oil.php; https://www.eia.gov/international/content/analysis/special_topics/World_Oil_Transit_Chokepoints/; <https://www.whitehouse.gov/releases/2026/09/president-trump-secures-the-biggest-oil-deal-in-world-history/>.

46. U.S. Energy Information Administration (EIA), week ending Aug. 28, 2026: SPR 286.604 million barrels; total motor gasoline 205.669 million barrels; distillate fuel oil 104.187 million barrels; refinery utilization 98.0%. EIA Gasoline and Diesel Fuel Update, Sept. 1, 2026, reporting Aug. 31 U.S. regular gasoline at \$4.071/gal and on-highway diesel at \$5.599/gal. https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPC0_SAS_MBBL_W.htm; https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPM0_SAE_MBBL_W.htm; https://www.eia.gov/dnav/pet/PET_STOC_WSTK_A_EPD0_SAE_MBBL_W.htm; https://www.eia.gov/dnav/pet/pet_pnp_wiup_dcu_nus_w.htm; <https://www.eia.gov/petroleum/gasdiesel/>.

47. Reuters, "Gulf shipping traffic via Hormuz keeps below 10-day average, data shows," Sept. 4, 2026, reporting four observed commodity-vessel transits on Sept. 3 versus a 10-day average of about 15. Reuters, "Oil ends week higher on renewed US-Iran strikes, diesel hits record," Sept. 4, 2026, reporting Brent at \$96.28/bbl, WTI at \$91.48/bbl and a record national diesel average of \$5.85/gal. Reuters, "US military strikes three Iranian crude oil carriers, Central Command says," Sept. 5, 2026. <https://www.reuters.com/world/middle-east/gulf-shipping-traffic-via-hormuz-keeps-below-10-day-average-data-shows-2026-09-04/>; <https://www.reuters.com/business/energy/oil-set-steepest-weekly-gain-since-mid-july-over-intensifying-us-iran-tensions-2026-09-04/>; <https://www.reuters.com/world/middle-east/us-military-strikes-three-iranian-crude-oil-carriers-central-command-says-2026-09-05/>.

D.5 Updated policy conclusion

The Venezuela agreement should be treated as a material strengthening of the Administration's medium- and long-term energy-security position and as an important potential source of future SPR replenishment. It does not, by itself, eliminate the immediate domestic inventory and supply-resilience problem addressed by this paper, nor does increased Venezuelan production guarantee a barrel-for-barrel increase in U.S. commercial inventories. The Domestic Energy Supply Lever should therefore be evaluated as a time-limited bridge: retain enough marginal existing U.S. supply to restore domestic adequacy now, permit market prices and production incentives to continue operating, use commercial-inventory recovery as the primary control signal, and allow increasing Venezuelan and normalized Middle East supply to help make the intervention progressively less necessary.

Selected Source Notes

Substantive factual and legal assertions are footnoted throughout. Primary governmental sources are preferred; Reuters is used for fast-moving market and shipping conditions where agency releases lag. Statutory and case citations are included where legal propositions materially affect the recommended design. Current-condition citations in this September 2026 Update are refreshed through September 5, 2026.