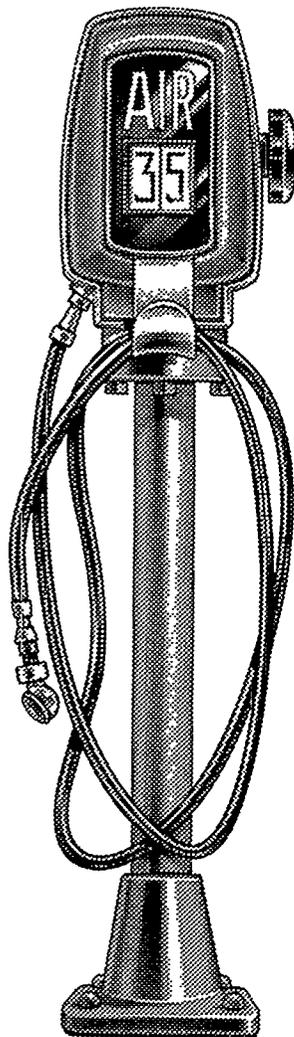


and pipeline projects, working with state and other regulatory organizations to reduce the use of oil-fired electricity, and converting government automobile fleets to operate on alternative fuels. Watkins predicted that these actions, with the “short-term” actions announced August 15, could reduce United States oil imports by more than one million barrels per day.¹⁹²

World oil prices continued to climb until they began to level off in late September. A barrel of oil, at \$35 to \$40, now cost twice as much as it had three months earlier. Nonetheless, it was apparent that “surge” production from foreign oil producers had replaced the lost Iraqi and Kuwaiti oil. Markets calmed as it became clear that the \$60, \$80, or even \$100 per barrel prices predicted by some analysts would not be realized. Over the next few months, the Department continued to exercise a soothing influence on the markets. On November 29, Watkins reported that the steps taken by the Department to increase oil production and cut oil consumption were working. “The reduction in U.S. imports and demand for oil,” Watkins concluded, “is the result of price increases and the conservation, efficiency and production measures we have taken.”¹⁹³

As the price of oil stabilized in fall 1990, the Department’s attention shifted from responding to the oil shortage produced by the Iraqi invasion to developing response options if war began between coalition and Iraqi forces. In late September-early October, the Department conducted a “readiness test” of the Strategic Petroleum Reserve by selling five million barrels of oil. During the fall, Department officials engaged in five gaming exercises based on various scenarios to test the Department’s emergency management preparedness. In early December, Admiral Watkins visited the Persian Gulf and met with General Norman Schwarzkopf, commander in chief, U.S. Central Command, who assured him that the Saudi oil fields would be safe from Iraqi attack. Watkins also established a special communications link between the

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