

Department and the U.S. embassy in Saudi Arabia as a mechanism for obtaining “real time,” credible information, thus increasing the Department’s ability to puncture rumors that could produce significant oil price fluctuations.¹⁹⁴

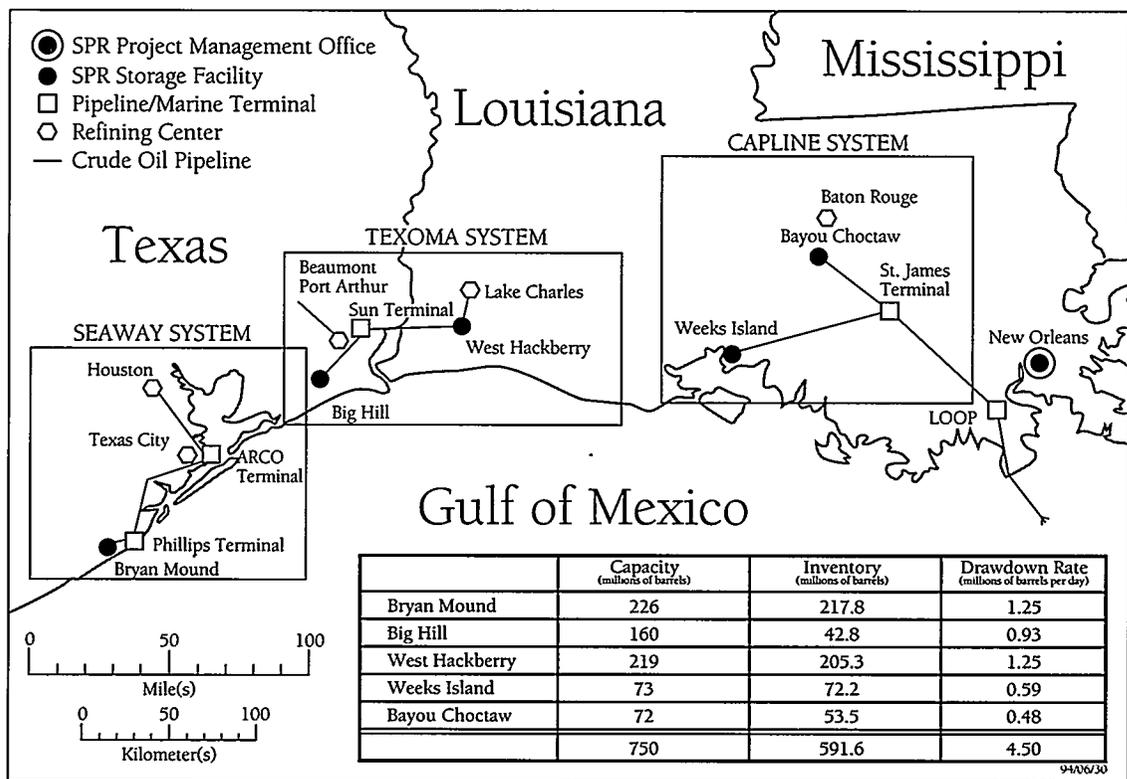
Convinced that a sharp oil price increase would invariably result at the beginning of conflict, Department officials believed that increases could best be reduced through a coordinated IEA response. In late December, Watkins instructed Assistant Secretary for International Affairs and Energy Emergencies John Easton to work with the State Department to gain agreement for a coordinated stock drawdown with the IEA. On January 11, 1991, the IEA Governing Board agreed to a contingency plan combining a stockdraw with demand restraint measures. The overall plan amounted to 2.5 million barrels per day, with a 1.9 million barrels per day stockdraw. The United States portion of this, to be drawn from the Strategic Petroleum Reserve, was 1.1 million barrels per day.¹⁹⁵

As the Department’s response options were coming together, Watkins redoubled his efforts to reassure a worried public. On December 7, before the Council on Foreign Relations, he declared that oil markets were stable, supplies were plentiful, and large price increases could be avoided in case of a gulf war if common sense prevailed. “We have our act together,” he asserted. “There is just no reason for a substantial increase in oil prices should hostilities develop.”¹⁹⁶

A month later, on January 11, Watkins informed the state governors that “oil production and inventories are more than satisfactory to meet our energy needs.” He promised that the Department would keep a careful watch on energy supplies and would distribute “real-time” information. He also described the contingency plan adopted by the IEA Governing Board to protect supplies upon war.¹⁹⁷

OPERATION DESERT STORM

The United Nations had set January 15, 1991, as the deadline for Saddam Hussein to withdraw



The Strategic Petroleum Reserve complex as of January 1991.

Source: U.S. Department of Energy