Prepared Testimony of
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Hearing on *U.S. Crude Oil Exports: Opportunities and Challenges*
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Good morning. Chairman Wyden, Ranking Member Murkowski, and Members of the Committee: Thank you for inviting me to testify before you today.

My name is Graeme Burnett. I am the Senior Vice President for Fuel Optimization at Delta Air Lines. In this position I manage Delta's jet fuel supply as well as serve as Chairman of the Board of Monroe Energy, the company that owns and operates Delta's refinery in Trainer, Pennsylvania. I have over 30 years experience in the petrochemical and refining sectors of the energy industry and, before coming to Delta, I worked in various capacities in Texas and across the globe for one of the top five oil companies.

Delta Air Lines is the largest non-military user of jet fuel in the world and, like all airlines, we participate in oil markets on a daily basis. Jet fuel after all is our largest expense. It contributes to the price of an airplane ticket, influences the types of aircraft we purchase, and helps determine whether we serve certain routes. Because of all this, we are uniquely situated – *both* as an end user of crude oil *and* as a refiner – to comment on the crude oil export ban and the current debate over whether to lift it. We believe strongly that the ban on U.S. crude oil exports is good policy. It is good for American consumers. And it is good for the airline industry and our passengers.

As we all know, the ban dates back to the 1973 oil embargo. With gas prices then soaring, Congress established a crude oil export ban to limit our nation's reliance on foreign oil and minimize the impact of volatile global oil markets on domestic gas prices.

While U.S. oil imports did drop in the 1970s and early 1980s, the ban did not – as critics will point out – insulate the country from foreign oil. In the years after the ban was created, this country remained vulnerable to volatility in oil markets and the price of a U.S barrel of crude – known in the industry as West Texas Intermediate or WTI – tracked the price of a barrel of crude that traded on the global markets.

All that changed a just a few years ago. Beginning in 2011, when the country began to feel the impact of the domestic shale oil boom, a barrel of U.S. produced crude became cheaper than a barrel of crude trading on the global markets. *See*

Attachment 1. And today the going price for a barrel of U.S. crude is $96. That's about $11 less than a barrel sold in Europe.

This price differential can be easily explained. The U.S. crude market is a competitive one with price determined by supply and demand. Once the U.S. domestic market incorporated the increased supply of crude from places like North Dakota's Bakken formation, the price of a domestic barrel of oil came down. In contrast, the global market is influenced by an oligopoly where OPEC countries control production in order to set prices.

If we lift the export ban we would in essence be allowing the transport of crude out of a competitive market in this country and into a less competitive global one controlled by a few oil-producing states. The results would be easy to predict: U.S. crude would flow out of this country and onto the world market. OPEC would reduce supply to maintain high global prices. The United States' use of homegrown oil would diminish and prices here at home would rise to match the higher global price for a barrel of crude. As one commentator put it, allowing for the *export* of homegrown U.S. crude would do nothing more than *import* higher OPEC prices into the U.S. market.

It's clear who gains from this scenario: The oil exploration and production companies, many of which are foreign owned. With all the crude coming out of North Dakota, Wyoming, Texas, Pennsylvania and other states helping to push prices down, these companies want to lift the ban and sell U.S. crude on the global market at higher prices largely determined by OPEC. And it's equally apparent who would lose: The American consumer, who would pay more for gasoline, more for heating oil and more for the price of an airline ticket. In fact, according to Barclays PLC, lifting the export ban would stop the decline in U.S. crude prices and cost American motorists as much as $10 billion a year in higher prices at the pump.

Our country's refinery workers also stand to lose from lifting export limits. Some recent history can help explain why. Before the shale oil boom, there was too much capacity in refineries in the Northeast and along the Gulf Coast and many were closing. In fact, Delta purchased its Pennsylvania refinery in 2012 from ConocoPhillips after that facility had been closed for nearly one year.

The shale oil revolution breathed new life into these refineries and created jobs for thousands of refinery workers. By lifting the export ban and sending our crude overseas, we would reverse that trend. Refineries in Europe – where there is currently excess refining capacity – would be more than happy to refine our oil using European workers to do so. Put simply, lifting the ban will benefit European refinery workers at the expense of thousands of American jobs.

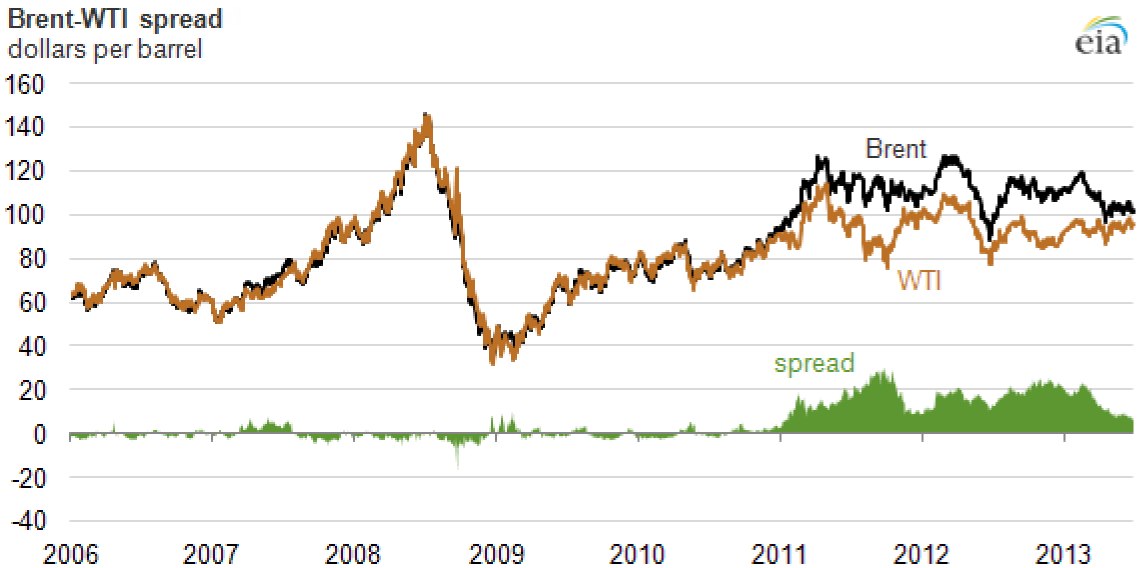
Furthermore, in thinking about the merits of the export ban, we should consider one of its goals: To help this country achieve energy independence; and by "independence," I mean the ability to meet our energy needs from sources within North America.

This country has benefited tremendously from increased domestic energy production in recent years. The shale boom and advances in production and extraction technology have helped us create jobs and reduce our dependence on foreign oil – and foreign regimes. Notwithstanding the upswing in domestic production, this country still imports around 33% of its daily crude oil needs from outside of North America. That's why exporting U.S. crude makes little sense. If we allow for the export of U.S. crude, we'll have to import more oil from overseas and subject ourselves, once again, to an increasing degree of price volatility and higher global prices.

In sum, the export ban works. It may have taken a bit longer than we anticipated in the 1970s, but we're now seeing its benefits: lower prices for crude in this country compared to global markets and an increase in homegrown energy. The ban may be unnecessary at some point in the future. But we still have a long way to go to protect against oil market volatility and achieve true energy independence. That's why - and I'll close with a sport's metaphor here - lifting the ban now would be like ending the game after the first quarter.

Thank you Mr. Chairman. I look forward to answering the questions that you and other Members of this Committee may have.

ATTACHMENT 1



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[i] Source: U.S. Energy Information Administration