



Daniel J. Weiss

Senior Fellow and Director of Climate Strategy
Center for American Progress

Testimony on “U.S. Crude Oil Exports: Opportunities and Challenges”

Committee on Energy and Natural Resources

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Chairman Wyden, Ranking Member Murkowski, thank you for the opportunity to testify about whether to lift the crude oil export ban.

Since 2008, the United States produced more and used less oil due to advances in drilling technology and more efficient vehicles. This reduced oil imports and lowered our vulnerability to a foreign oil supply disruption that could cause a gasoline price spike. However, the Energy Information Administration predicts that the growth in oil production will peak in 2019, and domestic production will slowly decline after that.

Lifting the ban on crude oil exports could squander this new energy security and price stability. To maintain these benefits, we urge you to defend the domestic crude oil export ban.

After the 1973 Arab oil embargo, Congress enacted the Energy Policy and Conservation Act, which banned nearly all exports of domestically produced crude oil to keep this precious commodity at home and insulate drivers from price shocks.¹ At the time of the ban, the U.S. produced 64 percent of its oil and liquid fuels, while importing only 36 percent.² In 2013, we produced and imported nearly the same proportions of petroleum.

The only real-world experience of lifting an oil export prohibition occurred following the 1996 removal of a ban on Alaska oil exports.³ During the ban, much Alaskan oil was shipped to the West Coast. A Congressional Research Service analysis found that lifting the oil ban exacerbated the existing price differential between West Coast and national gasoline.

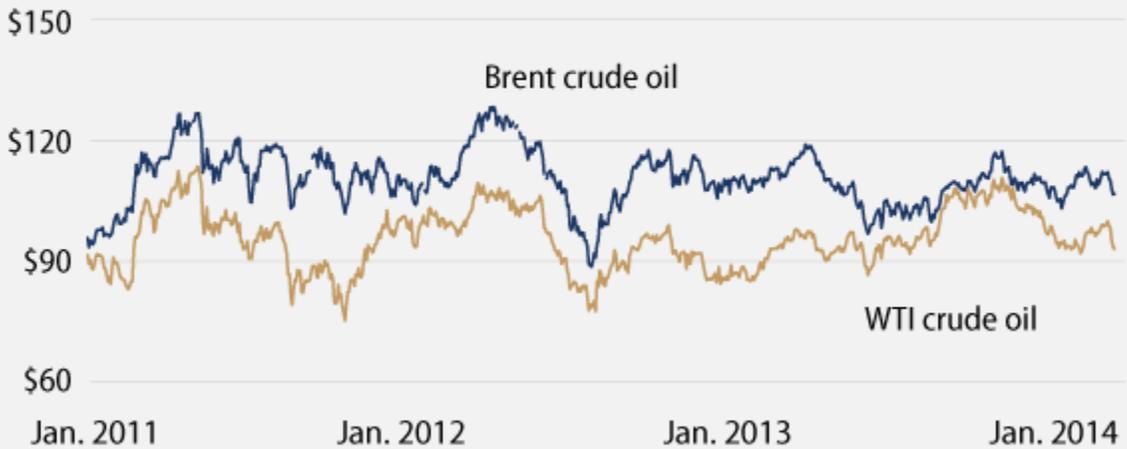
In 1995, West Coast pump prices [were] only 5 cents per gallon above the national average. But by 1999 West Coast gasoline was 15 cents per gallon higher. When crude exports stopped in 2000, the average [difference]...was 12 cents; it [later] narrowed further to 7 cents. ... When Alaskan oil exports ceased, the gasoline price differential between the West Coast and the national average did decline.⁴

This experience suggests that lifting the nationwide crude oil export ban could similarly raise gasoline prices. Barclays Plc. predicts that lifting the export ban could increase total spending on motor vehicle fuel by \$10 billion a year.⁵ Sandy Fielden, director of energy analytics at RBN Energy, told *Bloomberg* that if there are more oil exports “The most obvious thing that’s going to happen is that crude prices will go up and so will gasoline.”⁶

If the ban is lifted, oil companies could sell some of their oil at the higher world market price, which the Energy Information Administration projects will average \$9 per barrel more in 2014 for some domestic oil.⁷

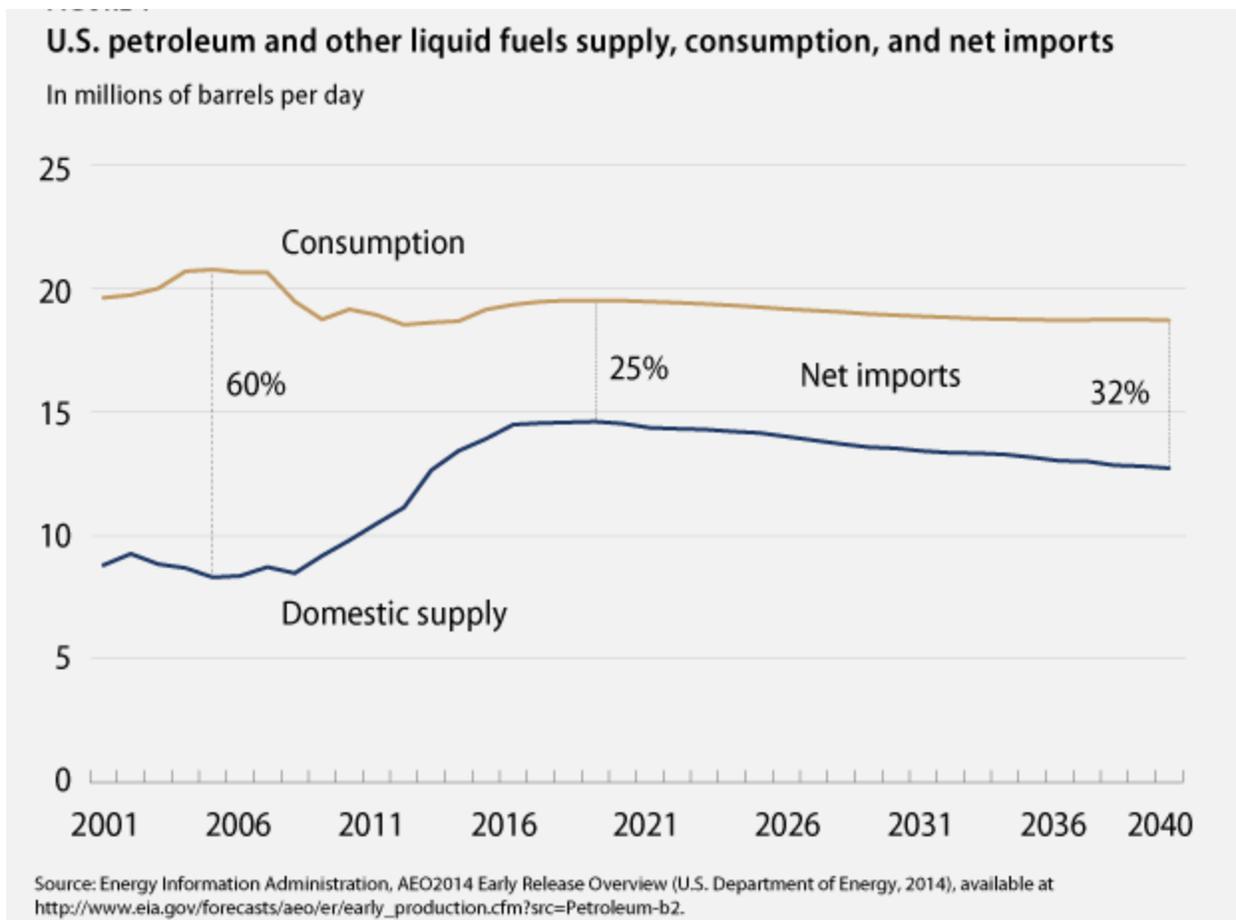
Crude oil futures prices

In dollars per barrel



Source: Energy Information Administration, "Petroleum & Other Liquids: Spot Prices," available at http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm (last accessed January 2014).

The Energy Information Administration predicts that in 2014 the U.S. will consume 5 million barrels per day (mbd) of oil and liquids more than we produce. This gap between demand and supply will continue at least through 2040, ultimately growing by 13 percent. Domestic oil sold overseas must be replaced by more expensive imported oil. This higher price could be reflected in higher gasoline prices.



The U.S. imports more oil from the Organization of Petroleum Exporting Countries (OPEC) than from any other single source. OPEC oil is very vulnerable to supply disruptions.⁸ EIA found that interruptions

May occur frequently ...for a variety of reasons, including conflicts [and] natural disasters ... Total outages among the Organization of the Petroleum Exporting Countries (OPEC) producers recently rose to historically high levels.⁹

A commission of retired senior U.S. military officers recently noted that “No matter how close the country comes to oil self-sufficiency, volatility in the global oil market will remain a serious concern.”¹⁰

Oil produced in the United States is significantly less vulnerable to supply disruptions and therefore provides more energy security.

There is little benefit to Americans from lifting the ban, particularly since oil companies are already making huge profits even with it. The five largest oil companies – BP, Chevron, ConocoPhillips, ExxonMobil, and Shell – made a combined total profit of \$1 trillion over the last decade, based on their quarterly financial reports.¹¹

In 2013, the United States exported an average of nearly 1.5 mbd of diesel fuel and finished motor gasoline.¹² The sale of finished products enables American workers to provide added value to the crude oil. AFL-CIO President Richard Trumka opposes lifting the oil export ban because he believes that American workers should make crude oil into refined products here, rather than export it and refine it overseas.¹³

Our transportation system is almost entirely powered by oil and liquid fuels.¹⁴ Since we continue to import one-third of our oil, American families, the economy, and our energy security remain vulnerable to sudden supply disruptions and price spikes. We must invest in alternative, non-petroleum transportation fuels, including electric vehicles, advanced clean biofuels, and public transit to reduce our dependence on vulnerable oil supplies. These investments would also reduce carbon pollution responsible for climate change.

Currently, there is no independent analysis that predicts that energy security and fuel prices would remain unchanged after the removal of the crude oil export ban. President Obama and Congress should not trade away our enhanced gasoline price stability and energy security. Instead, you should join together to defend the ban on crude oil exports.

Endnotes

¹ *Energy Policy and Conservation Act*, Public Law 94-163, 94th Cong., 1st sess. (December 22, 1975), available at <http://thomas.loc.gov/cgi-bin/bdquery/z?d094:SN00622:@@L&summ2=m&>.

² Energy Information Administration, *AEO2014 Early Release Overview* (U.S. Department of Energy, 2014), Figure 12, available at http://www.eia.gov/forecasts/aeo/er/early_production.cfm.

³ Lawrence Kumins, “West Coast and Alaska Oil Exports” (Washington: Congressional Research Service, 2013) available at http://assets.opencrs.com/rpts/RS22142_20060525.pdf.

⁴ Ibid.

⁵ Bradley Olson and Dan Murtaugh, “Falling Gasoline Hurts Exxon Plea for U.S. Crude Exports,” *Bloomberg Business Week*, January 28, 2014, available at <http://www.bloomberg.com/news/2014-01-28/falling-gasoline-hurts-exxon-plea-for-u-s-crude-exports-energy.html>.

⁶ Ibid.

⁷ Energy Information Administration, “Light Louisiana Sweet (LLS) crude oil now sells at a historically large discount to Brent,” *This Week in Petroleum*, December 11, 2013, available at <http://www.eia.gov/oog/info/twip/twiparch/2013/131211/twipprint.html>.

⁸ Energy Information Administration, “U.S. Imports by Country of Origin,” available at http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_ep00_im0_mbbldpd_a.htm (last accessed January 2014).

⁹ Energy Information Administration, *Short-Term Energy Outlook Supplement: EIA Estimates of Crude Oil and Liquid Fuels Supply Disruptions* (U.S. Department of Energy, 2013), available at http://www.eia.gov/forecasts/steo/special/pdf/2013_sp_05.pdf.

¹⁰ Commission on Energy and Geopolitics, “Oil Security 2025: U.S. National Security Policy in an Era of Domestic Oil Abundance” (2014), available at http://secureenergy.org/sites/default/files/Oil_Security_2025_0.pdf.

¹¹ Daniel J. Weiss, “Big Oil’s Lust for Tax Loopholes: Oil Prices and Profits Rise While Big Oil Defends Its Tax Loopholes,” *Center for American Progress*, January 31, 2011, available at <http://www.americanprogress.org/issues/green/news/2011/01/31/8951/big-oils-lust-for-tax-loopholes/>.

¹² Energy Information Administration, “Exports,” available at http://www.eia.gov/dnav/pet/pet_move_exp_dc_NUS-Z00_mbbldpd_m.htm (last accessed January 2014).

¹³ Clare Foran, “AFL-CIO President Opposes Lifting Ban on Crude-Oil Exports,” *National Journal*, January 14, 2014, available at <http://www.nationaljournal.com/energy/afl-cio-president-opposes-lifting-ban-on-crude-oil-exports-20140114>.

¹⁴ Energy Information Administration, “Energy Consumption by Sector and Source, United States, Reference Case,” available at <http://www.eia.gov/oiaf/aeo/tablebrowser/#release=AEO2013&subject=2-AEO2013&table=2-AEO2013®ion=1-0&cases=ref2013-d102312a> (last accessed January 2014).