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Lifting the Crude Oil Exports Ban Will Increase Exports, Decrease Trade Deficit

As the Brookings Institution observed, "After 40 years of perceived oil scarcity, the United States is in a position to help maximize its own energy and economic security by applying the same principles to free trade in energy that it applies to other goods."

More Investment in the U.S.

The U.S. already allows free trade of transportation fuels, such as gasoline and diesel. In fact, in 2014 the U.S. sold $146 billion in petroleum products (accounting for nearly 10% of the total value of products exported from the U.S.). As Brookings noted, "The benefits of these exports raises the question of why crude oil should be treated differently from all these other crude-based products, including gasoline."

According to the Council on Foreign Relations, "Republicans and Democrats alike, including President Obama, express support for boosting U.S. exports in general. Crude oil should be no exception."

Source: U.S. Energy Information Administration

Greater Exports are Pro-Consumer, Pro-Growth

Allowing the same freedom for producers to sell crude oil in global markets will increase the benefits that open trade brings to workers, consumers and the economy. As IHS Energy noted, there is a dual benefit of free trade: "producers receive greater price certainty and somewhat higher crude prices and consumers receive lower gasoline prices as a result of the direct effects of greater global crude supply."

- **Brookings:** "[A]llowing goods to flow into the international market gives buyers access to competitive prices and sellers access to world markets while enhancing free trade."
- **Columbia University:** "As a matter of principal, moreover, crude export restrictions are inconsistent with the US enjoying the benefits of petroleum trade and the US commitment to free and open markets."

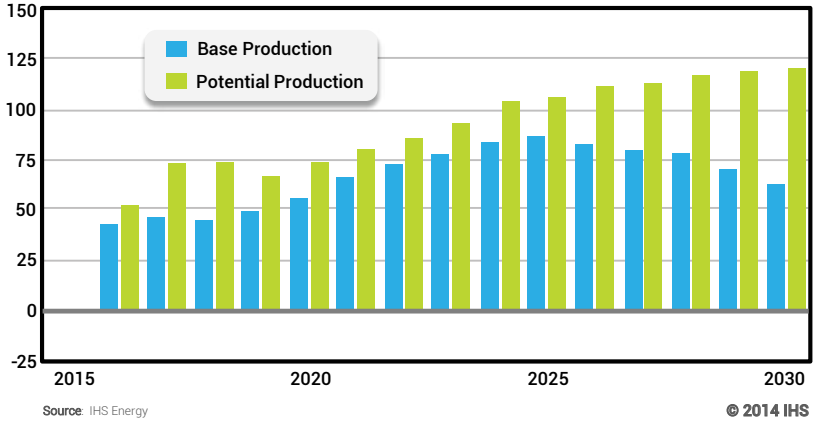
Lower Trade Deficit

Thanks to new technologies allowing producers to realize the benefits of American energy abundance, the amount consumers paid for imported oil has declined considerably. In 2013, according to IHS Energy, the United States paid $218 billion for imported petroleum, a 30 percent decline from 2011. Repealing the crude oil export ban would increase this positive trend.

- **ICF International**: "Lifting crude oil export restrictions contributes to expanded U.S. exports. This could narrow the U.S. trade deficit by $22.3 billion in 2020."

Reduction in US Net Petroleum Import Bill from Free Trade

$ Billion, Real



Source: IHS Energy

- **IHS Energy:** "Free trade reduces this [$218 billion] bill by $67 billion (Base Production) and $93 billion (Potential Production) over restricted trade per year on average from 2016 through 2030. In overall terms, the oil bill will decline from its 2013 level of $218 billion to $48 billion by 2022 – equivalent to 78 percent of 2013 oil trade deficit."

- **Government Accountability Office:** "[R]emoving restrictions is expected to contribute to further declines in net crude oil imports, reducing the U.S. trade deficit."

The Opportunity to Reduce the Trade Deficit With Exports Comes as U.S. Refineries are at Full Capacity

New sources of oil being produced in the U.S. are light, sweet grades of crude, while many U.S. refineries are configured to process heavier, sour grades of crude.

- **IHS Energy**: "Over $85 billion has been spent in the past quarter century to reconfigure these refineries to process heavy oil imported from countries like Venezuela, Mexico and Canada." As a result, "there are limits to how much of the new, domestically produced light tight oil (LTO) the refining system can efficiently and effectively process."

Moreover, the U.S. refinery system is nearly at full utilization.

- **Adam Sieminski, U.S. Energy Information Administration:** "By 2012, however, U.S. refiners ran at a utilization rate of 88.8 %, the highest level since 2007 and a level which many analysts view as effectively full utilization after accounting for typical levels of planned and unplanned outages." - Congressional Testimony, July 16th, 2013.

- According to the Energy Information Administration, refinery utilization in 2014 stood at nearly 90%, year-to-date.

In many cases existing U.S. refineries can process more light oil, but it requires running the refinery in a sub-optimal fashion that would require a steep crude price discount, which would make it uneconomic for crude to be produced. The overall system will be optimized if producers are able to export light sweet, while continuing to import heavy, sour oil.

- **IHS Energy:** "U.S. refiners' competitive advantage will be maintained under a policy change expanding U.S. crude oil exports. The export of LTO from U.S. shores would provide a competitively priced LTO feedstock (based on offshore market price minus freight cost) that would allow U.S. refiners to economically supply both the domestic and export product markets."

- **ICF International:** "Allowing crude oil exports may provide the United States the opportunity to export higher-valued light sweet crude oil while continuing to import heavier crude oils, including growing Canadian volumes, to fit the refinery system and at the same time potentially reducing the U.S. trade deficit."