

# U.S. Crude Oil Export Policy

*EIA Energy Conference*



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# Current Crude Export Law

## The Bureau of Industry and Security (Commerce Dept) grants licenses to export for:

- Shipments to Canada for consumption or use therein.
- Crude exported from Alaska's Cook Inlet.
- Heavy California crude oil.
- Exports connected to refining or exchange of petroleum reserve oil.
- Re-exportation of non-comingled foreign crude.
- Exports of Alaskan North Slope crude.

## Other restrictions (waived in the above cases) barring export of:

- Crude transported by pipeline over federal rights-of-way (with exceptions).
- Crude produced from OCS.
- Crude from Naval Petroleum Reserve.



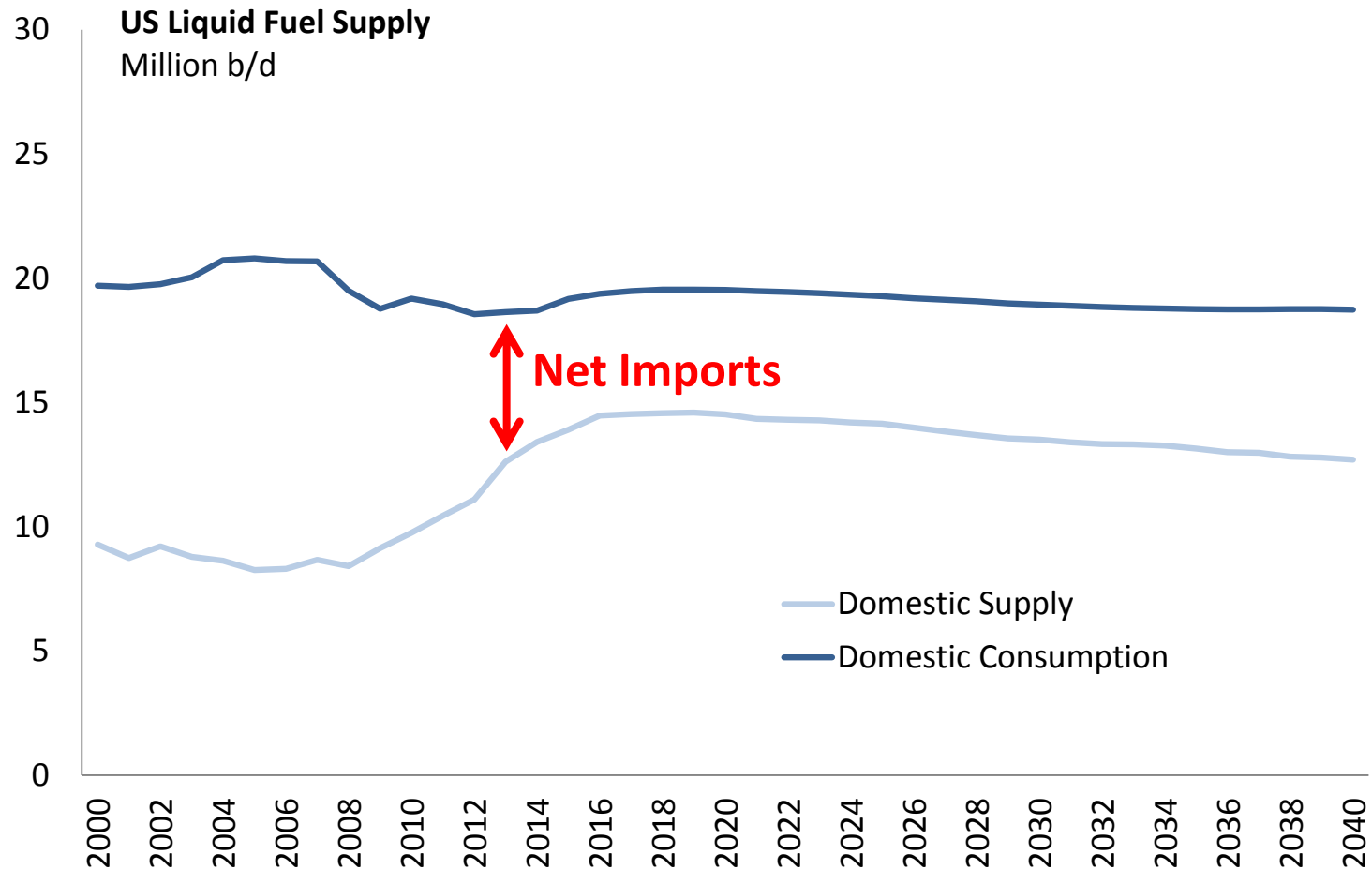
# Current Crude Export Law (cont.)

In addition, the BIS can approve licenses if it decides in the national interest and the purposes of the EPCA. Such licenses will generally be approved if:

- They result directly in the importation of crude or refined product of **equal or greater quantity or quality** that is not less than the quantity or quality of product that would be derived from the refining of the crude oil being exported (swaps);
- The contract under which the crude is imported can be **terminated** if U.S. petroleum supplies are disrupted or seriously threatened; and
- Applicant can demonstrate that the **crude could not be reasonably marketed** in the United States for **compelling economic or technological reasons**.



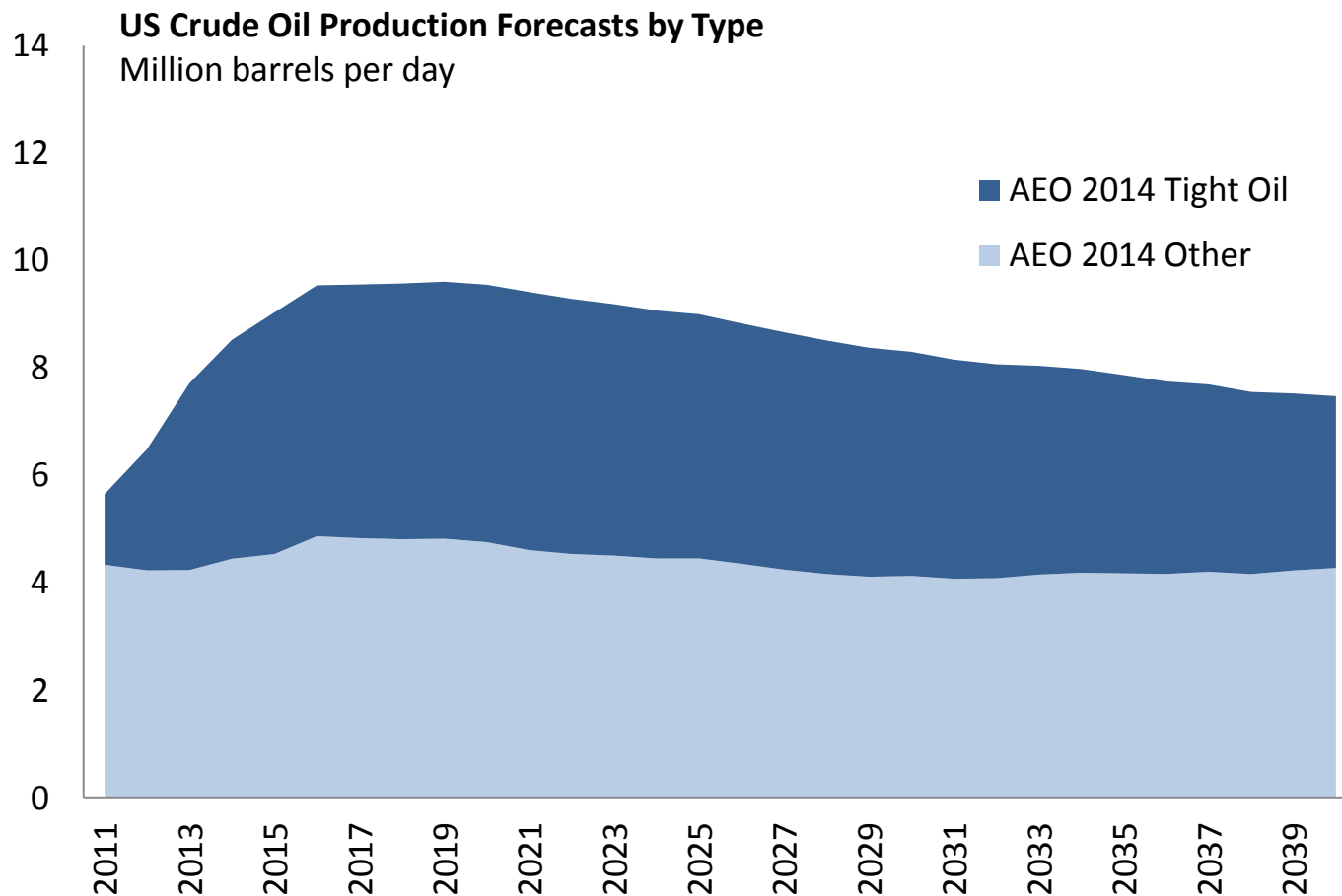
# US Will Not Be Net Exporter, So Why Are We Talking About Exports?



Source: EIA



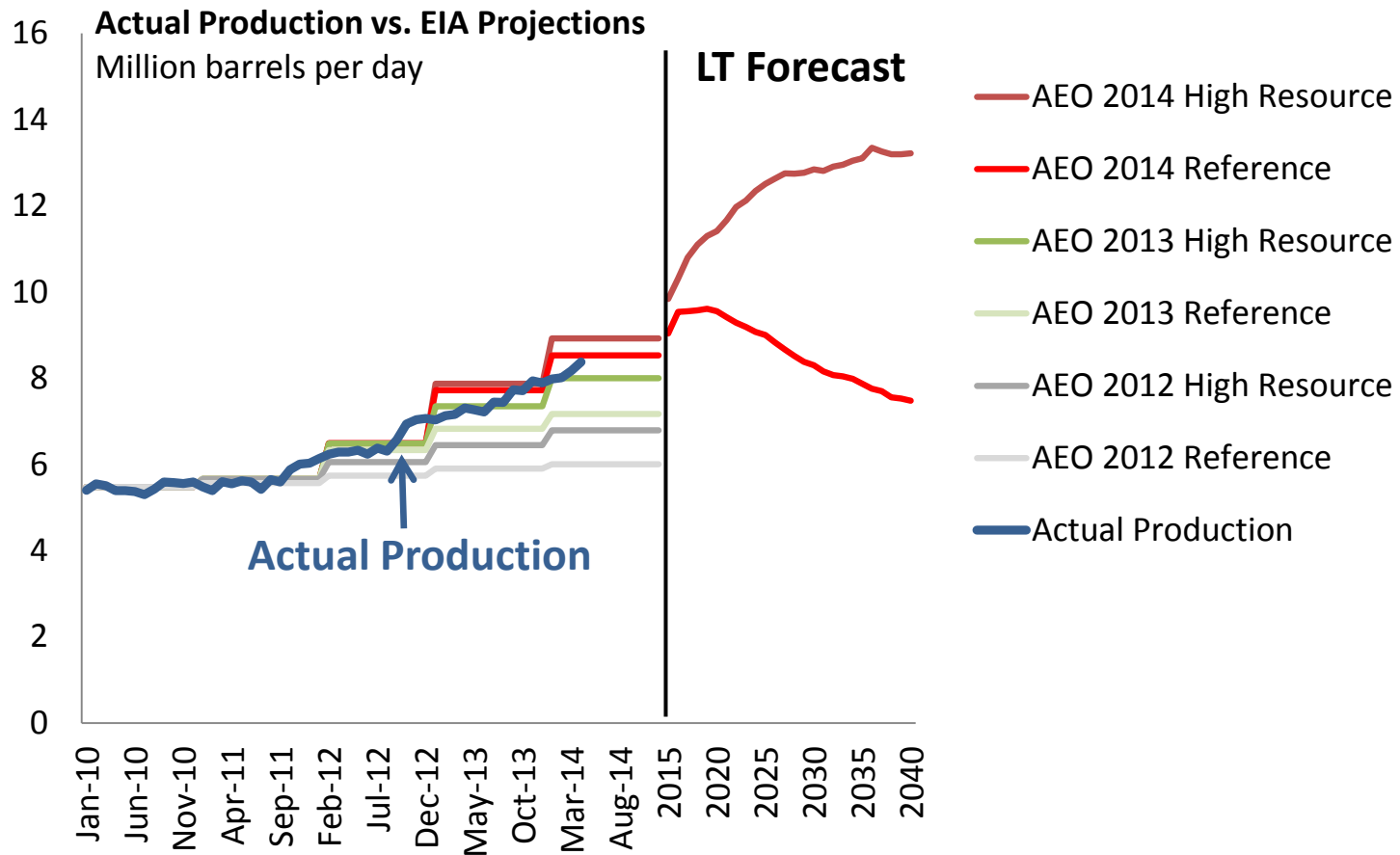
# All Growth in US Production in Form of Tight Oil



Source: EIA



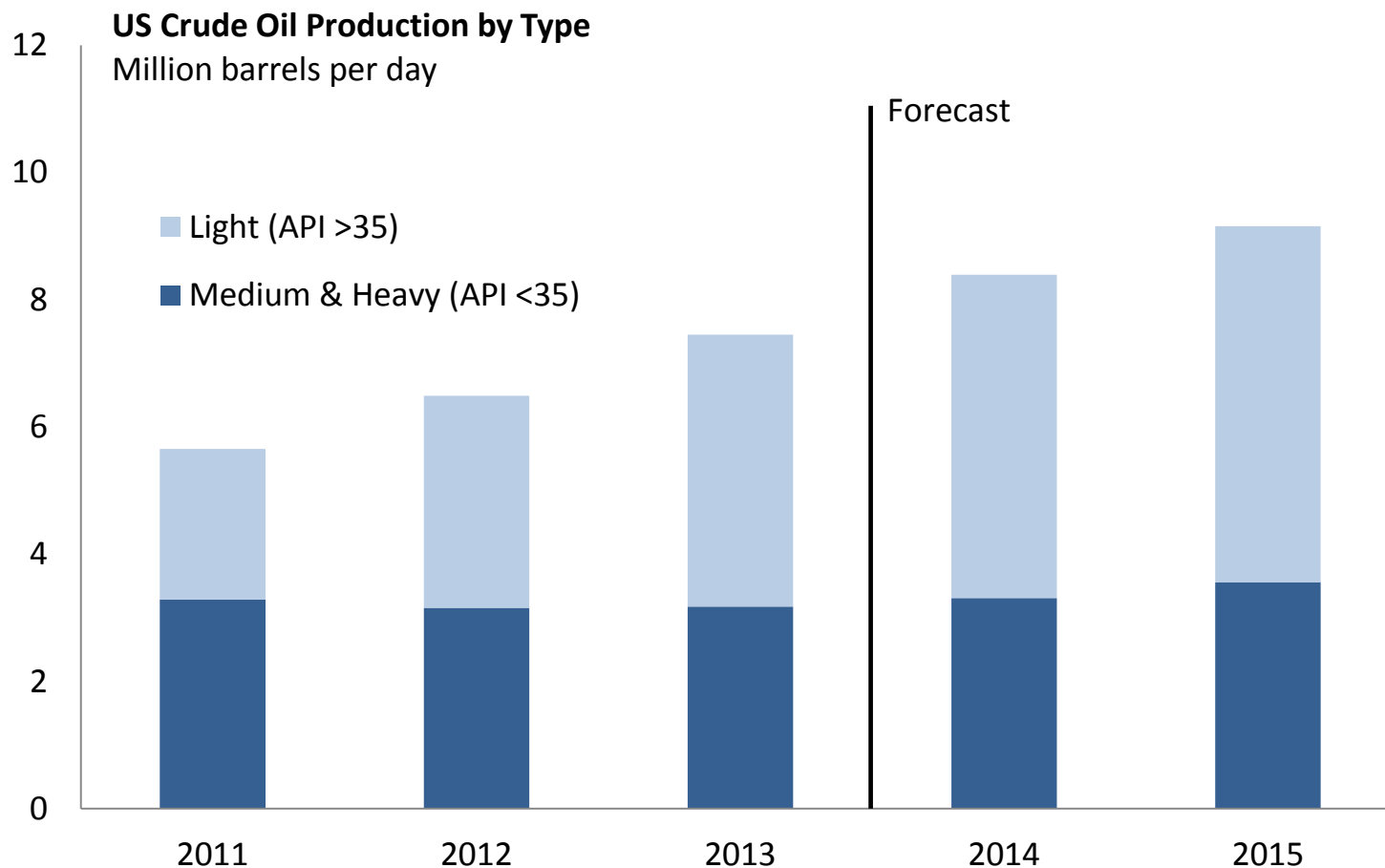
# Actual Production Tracks High Case Projections More Closely



Source: EIA



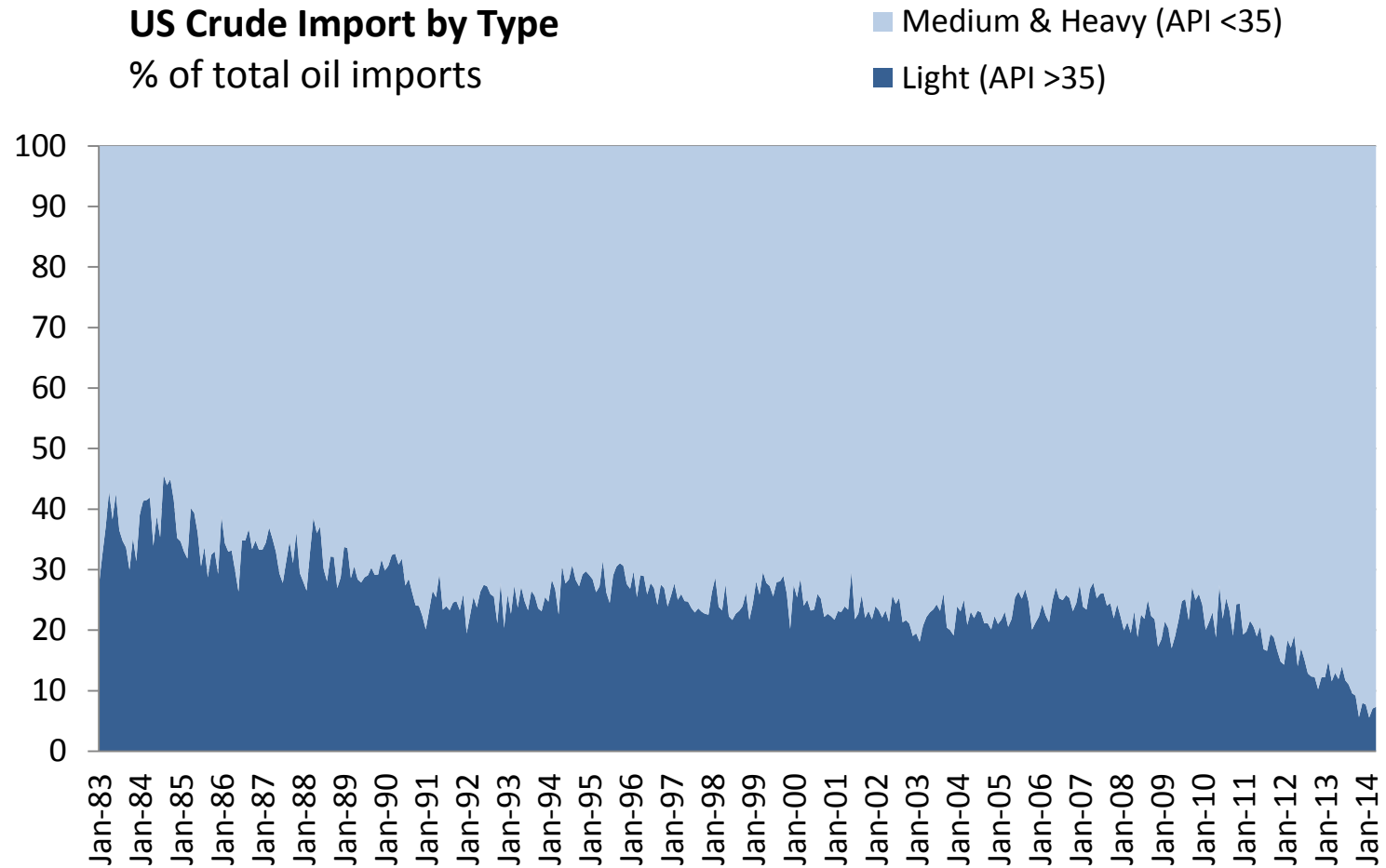
# All Growth in Tight Oil is Light Oil



Source: EIA



# Imports of Light Oil Have Been Backed Out

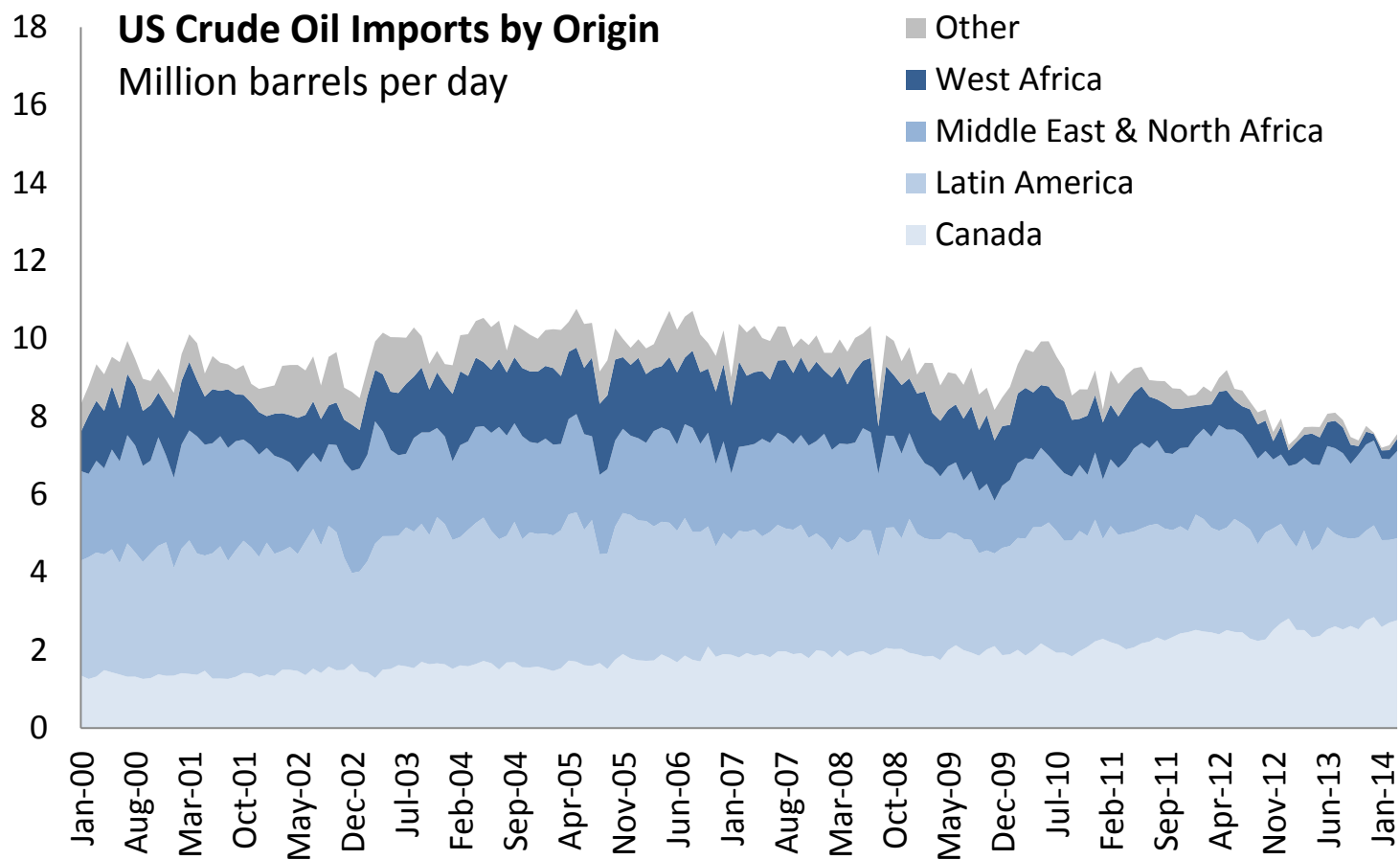


Source: EIA





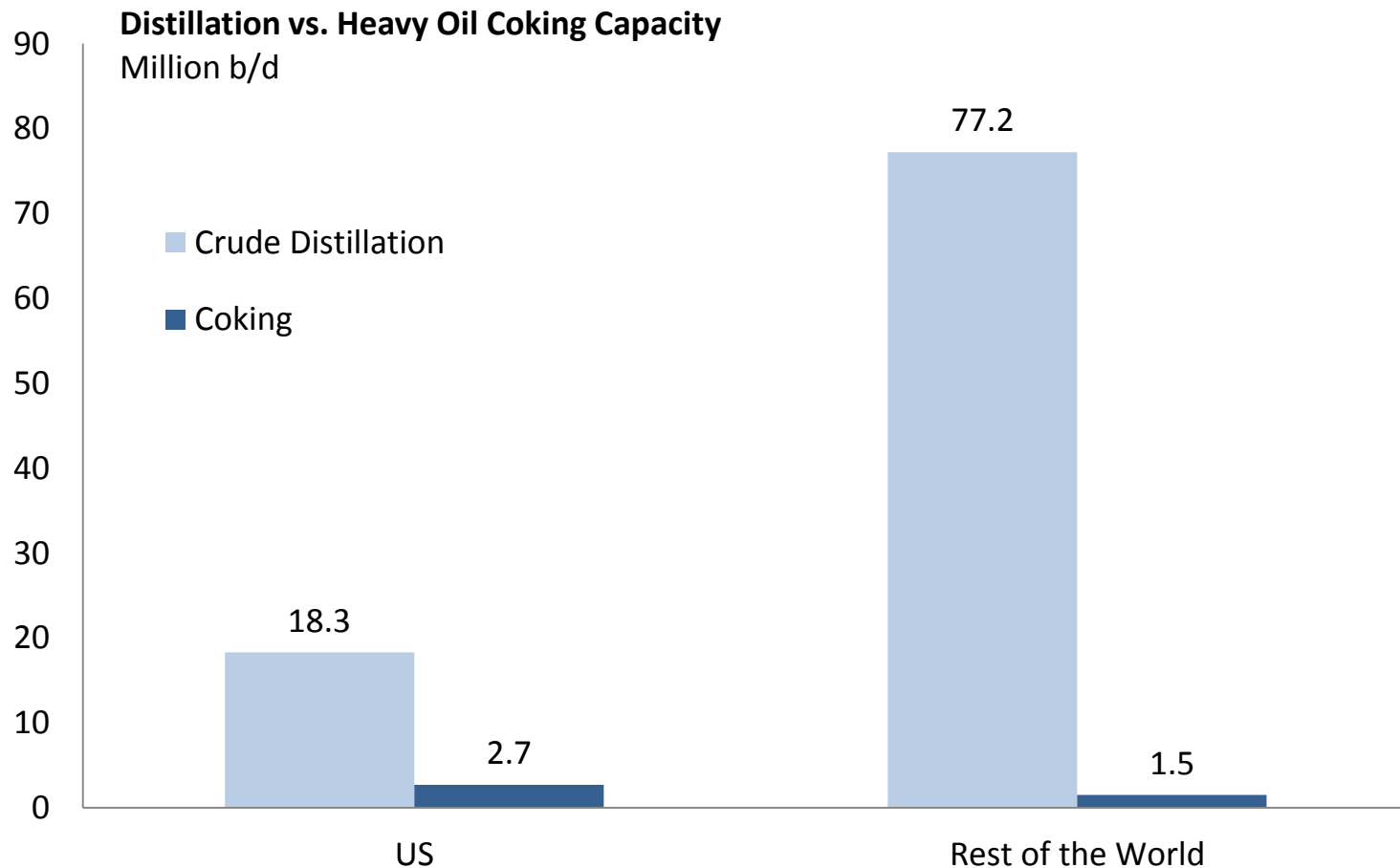
# Most of That Light Oil Came from West Africa



Source: EIA



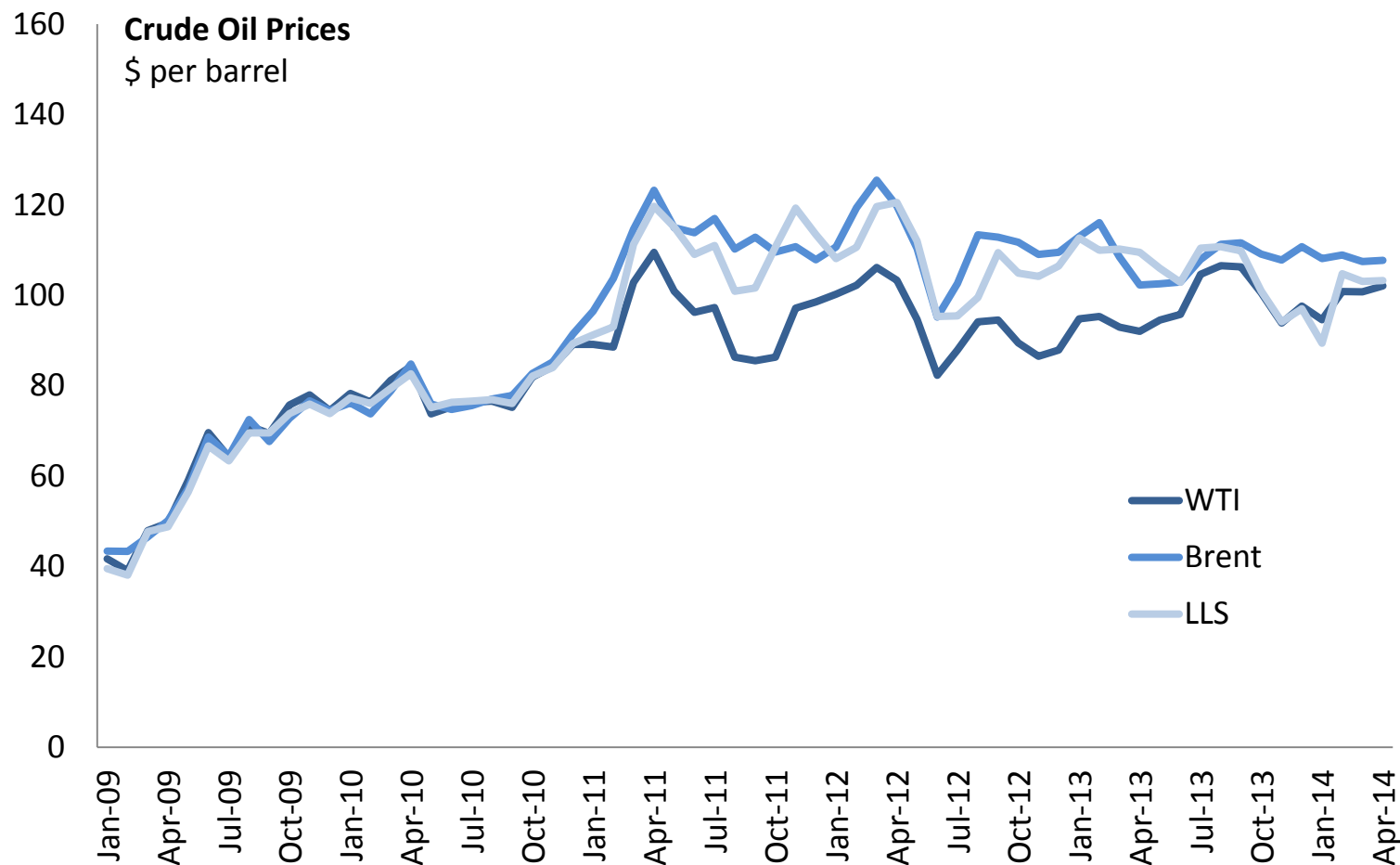
# The US Has Two-Thirds of the World's Coking Capacity



Source: Bloomberg



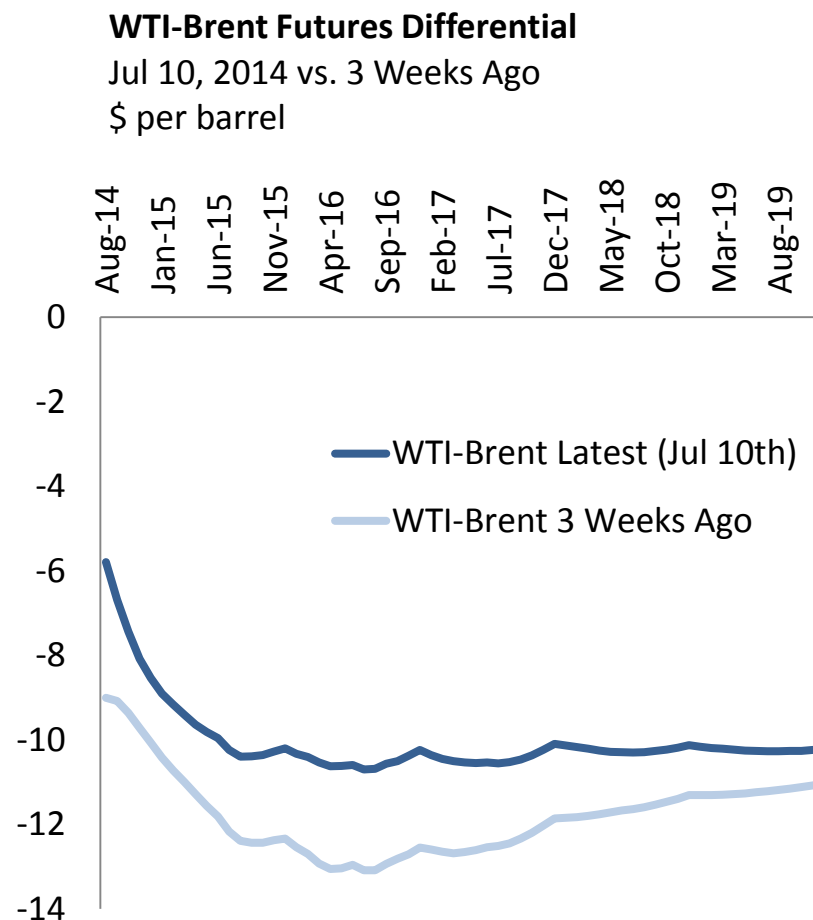
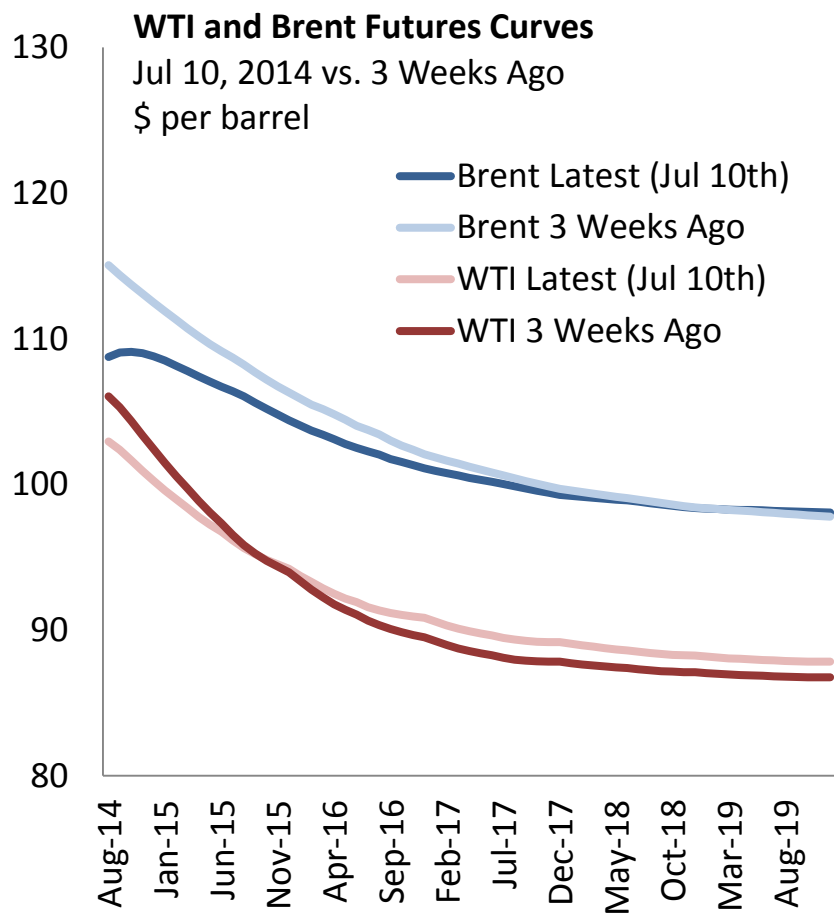
# Was Fall 2013 Oil Price Differential During Turnaround Harbinger of What's to Come?



Source: EIA



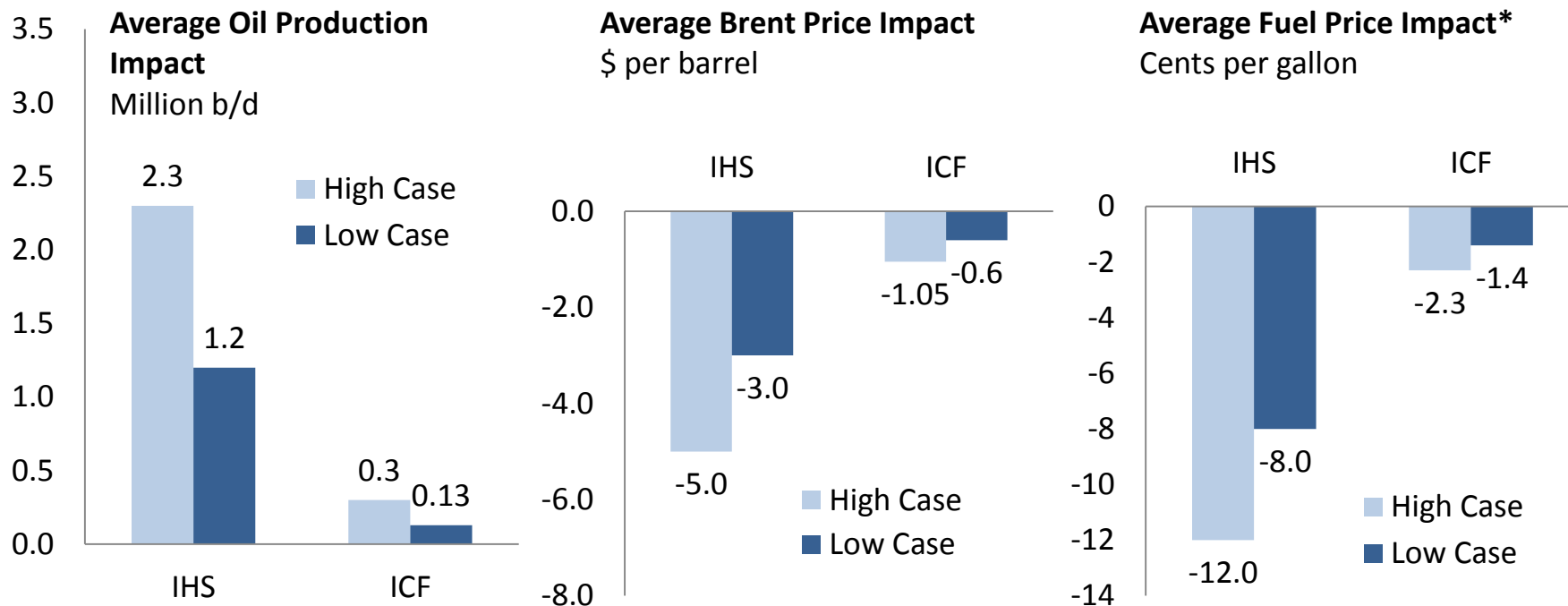
# WTI-Brent Spread Narrowed After BIS Condensate Decision



Source: Bloomberg



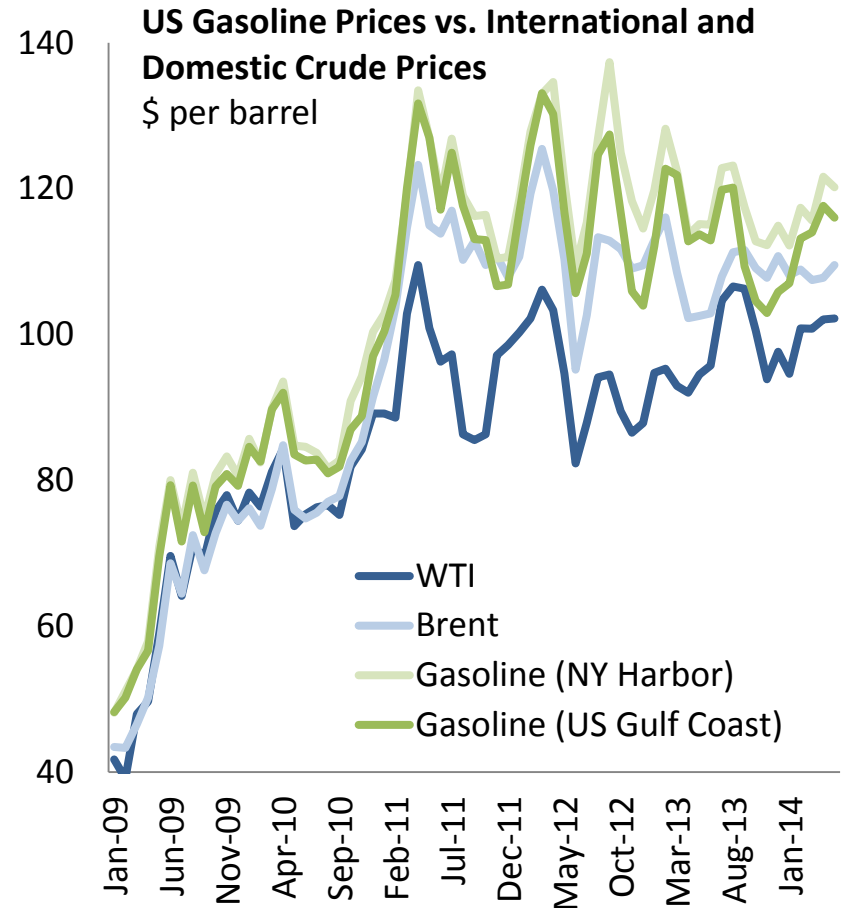
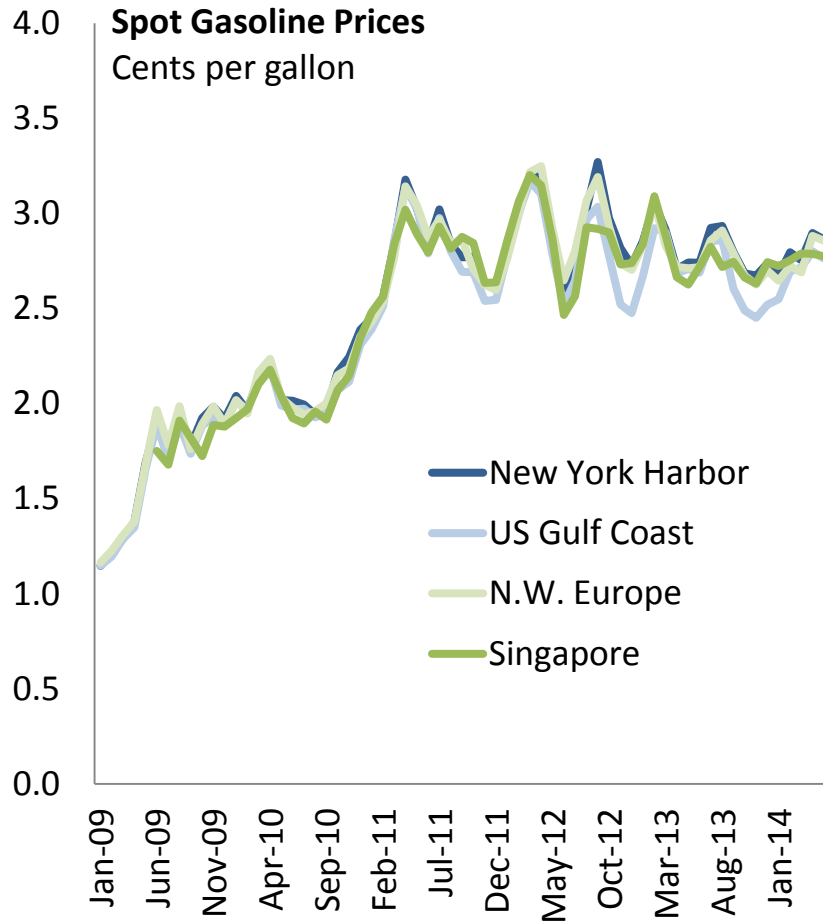
# Results of Crude Export Impact Studies Vary Widely



- IHS assesses impact of lifting the export ban on US gasoline prices, while ICF assesses impact on weighted average wholesale petroleum product prices
- Query Impact on Natural Gas Production: Associated gas production declines, but rigs shift liquids to gas



# US Gasoline Prices are Set in Global Product Market, So US Price Discount Does Not Pass Through to Consumers

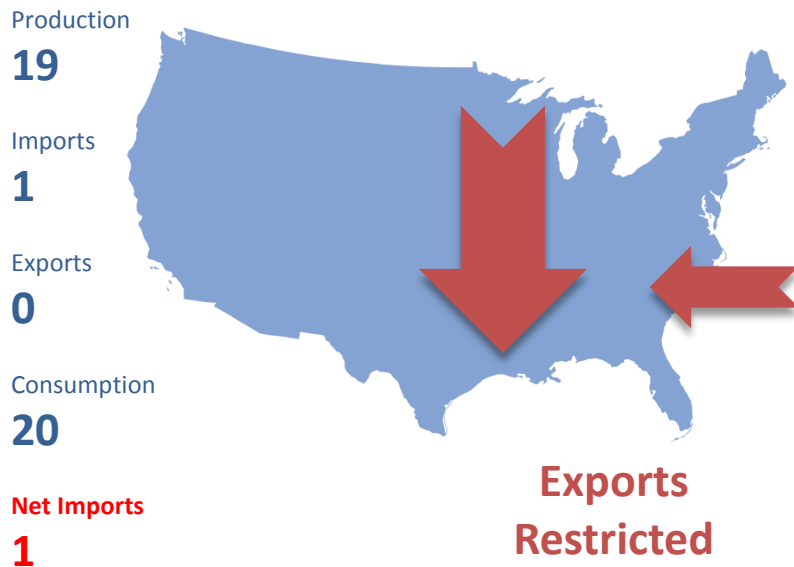


Source: EIA, Bloomberg

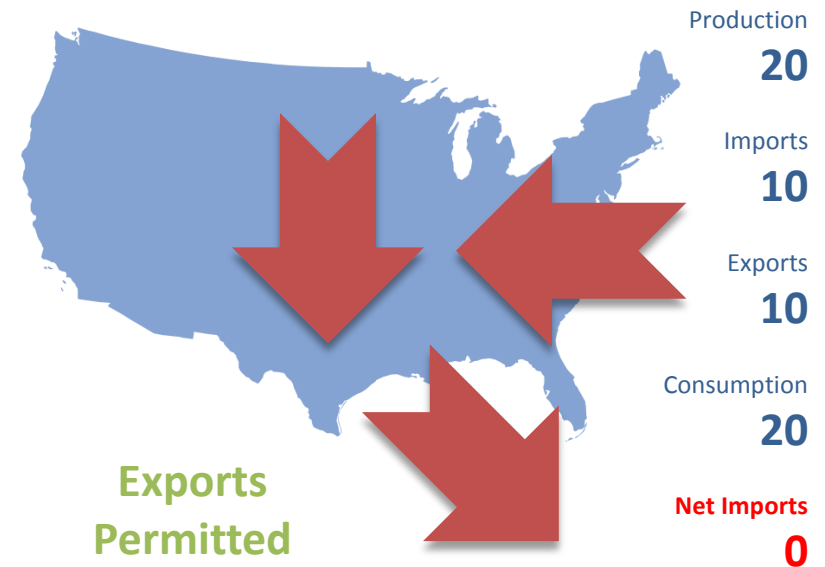
# Security Implications of Crude Export Restriction

- Are gross or net imports the key metric to energy security?
- What are the geopolitical and diplomatic impacts of energy trade restrictions?

## No Exports; Minimal Gross Imports



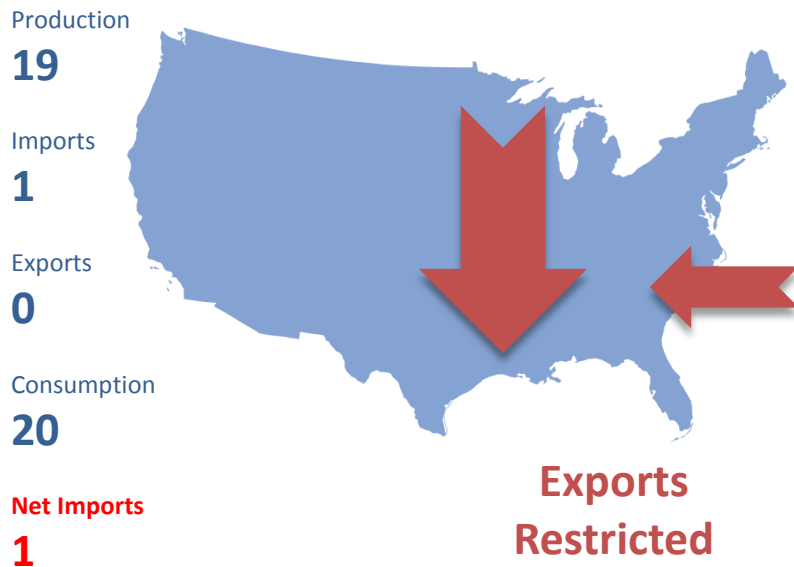
## No Net Imports



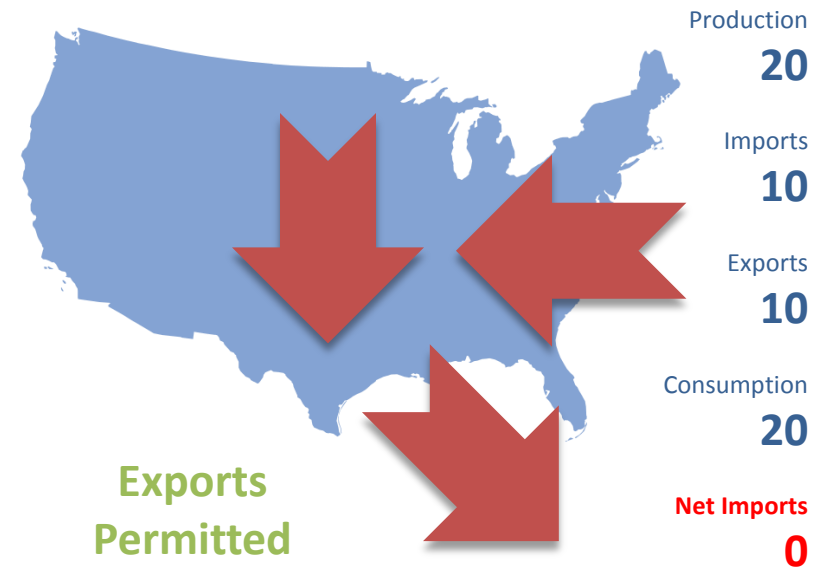
# Security Implications of Crude Export Restriction

- US energy security enhanced by integration into global market
- Consistent with free trade principles and opposition to resource nationalism
- Support ongoing trade negotiations

## No Exports; Minimal Gross Imports



## No Net Imports





# Don't Underestimate Political Sensitivity of Pump Prices

## Anti-Export Statements

"We must continue to keep domestically-produced crude here to lower prices for consumers"

*--US Senator Robert Menendez*

"[L]ifting the ban on crude oil exports...would enrich oil companies by enabling them to sell their oil at the higher world price, but it could increase domestic gasoline prices and reduce our energy security."

*--Center for American Progress*

"[A]s a refiner we believe that the U.S. has advantages keeping the bulk of the crude oil (and natural gas) here so it can be turned into value-added products for use domestically and overseas"

*--Valero Spokesman Bill Day*

## Pro-Export Statements

"The prohibition on crude oil and condensate exports threatens record-breaking U.S. oil production and American jobs by creating inefficiencies, gluts, and other dislocations"

*-- US Senator Lisa Murkowski*

"Trapping light, domestic crude within our borders only penalizes U.S. production, which could mean higher costs for refiners and consumers"

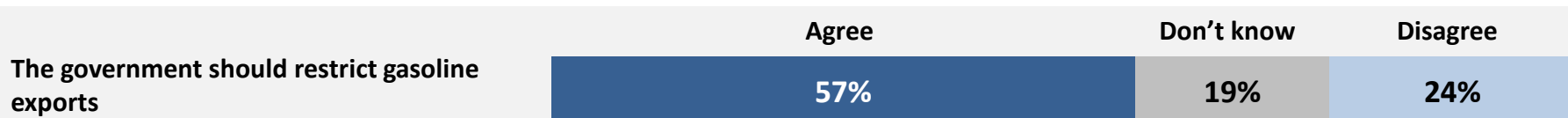
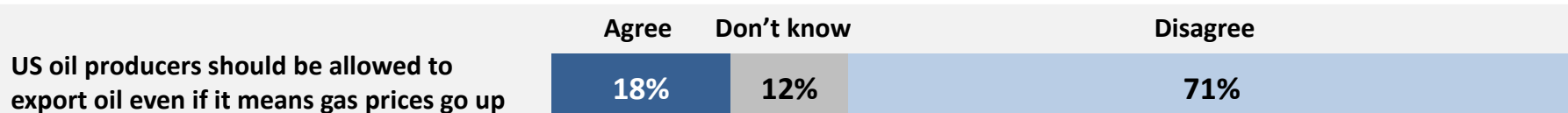
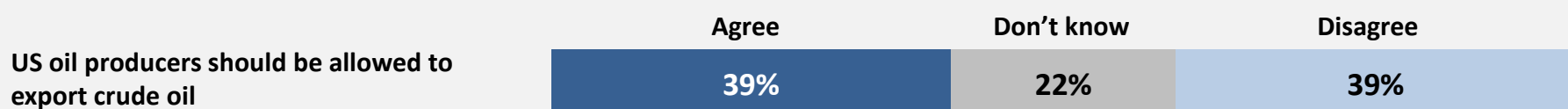
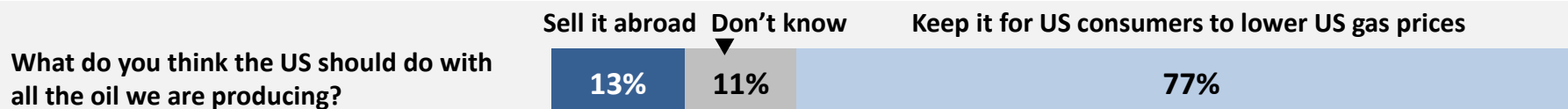
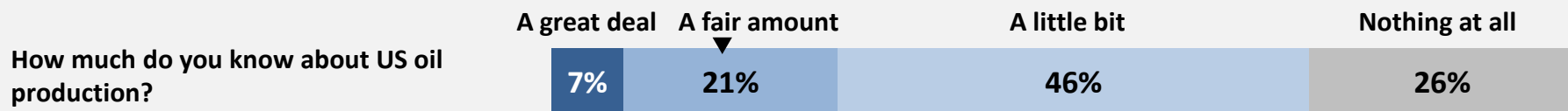
*--Erik Milito, API*

"These outdated crude export restrictions have prevented domestic oil exploration and production from achieving its full potential – slowing potential job growth"

*-- Harold Hamm, Continental Resources*



# Public Opinion Not Favorable to Crude Exports



Source: Reuters/Ipsos poll recorded in March 2014



# Pathways to Ease Crude Export Restrictions

- **Congressional modification of statute**
- **Flexible reading of existing regulation language**
- **Change to existing regulatory language**
- **Use of Presidential authority to find it is in national interest to allow crude exports in new category of cases (e.g., to free-trade agreement countries)**



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Prospects very unlikely



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**Recent clarification ruling allowing export of condensate run through stabilizer with distillation tower**

**Potential applications for light oil similar processed, swaps, etc.**



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E.g., definition of crude to exclude condensate (see recent Murkowski white paper)

Note recent signs from Admin, e.g., Podesta comments about Eagle Ford at Columbia, Moniz on “nature of crude oil we are producing”



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**Authority previously used for exports to Canada, from Alaska, etc.**

**Politically heavy lift**

**Don't underestimate political sensitivity of gasoline prices**



# Thank you



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