U.S. Crude Oil Exports: Opportunities and Challenges

Senate Energy and Natural Resources Full Committee Hearing, "U.S. Crude Oil Exports: Opportunities and Challenges"
January 30, 2014

Witness Panel
Mr. Harold Hamm
Chairman and Chief Executive Officer, Continental Resources, Inc., Oklahoma City, OK
Mr. Graeme Burnett
Senior Vice President, Fuel Optimization, Delta Air Lines, Atlanta, GA
Ms. Amy Myers Jaffe
Executive Director of Energy and Sustainability, Graduate School of Management, Institute of Transportation Studies, University of California, Davis, CA
Mr. Daniel J. Weiss
Senior Fellow, Director of Climate Strategy, Center for American Progress, Washington, D.C.

Committee Members Present
Ron Wyden (D-OR), Chairman
Lisa Murkowski (R-AK), Ranking Member
Al Franken (D-MN)
John Hoeven (R-ND)
Maria Cantwell (D-WA)
Tammy Baldwin (D-WI)
Rob Portman (R-OH)
John Barrasso (R-WY)
Joe Manchin III (D-WV)
Martin Heinrich (D-NM)
Mary Landrieu (D-LA)
Lamar Alexander (R-TN)
Tim Scott (R-SC)

On January 30, the Senate Energy and Natural Resources Committee held a hearing on lifting the United States ban on crude oil exports, as defined by the Energy Policy and Conservation Act of 1975. Lawmakers have not officially discussed the topic in twenty-five years, but Energy Information Administration (EIA) predictions state that the U.S. could produce as many as 8.5 million barrels of oil per day in 2014. Many call this "energy renaissance" reason to renew discussion of potential costs and benefits of exporting crude oil.

Chairman Ron Wyden (D-OR) said in his opening statement, "America is in the enviable position of having the ability to decide its own energy future." Many senators, including Wyden, showed no predetermination for or against lifting the ban. Ranking Member Lisa Murkowski (R-AK), however, contends that exporting U.S. crude will lower the global price of petroleum products and therefore have a positive effect on the American economy. "Although gas prices around the U.S. are variable due to a variety of factors, i.e. tax structures, geographic location, regional prices are still ultimately variations on global prices," Murkowski said. Several senators, including Rob Portman (R-OH) and Tim Scott (R-SC), supported lifting the ban, thinking it could strengthen manufacturing jobs, support energy price stability, and increase national security.

Chairman and Chief Executive Officer of Continental Resources, Inc., Harold Hamm was the only witness in definite support of exporting U.S. crude. The loosening of government regulations which create “market distortions,” according to Hamm, would not only increase business for Continental Resources, a crude oil supplier, but would also reduce global demand thereby causing price drops in petroleum products all over the world. Hamm argued that independent companies such as Continental Resources are discriminated against because oil giants (many of which are foreign owned) are allowed to export refined product in the form of petroleum.

Graeme Burnett from Delta Airlines, which owns a refinery and is the largest non-military user of jet fuel in the world, holds an opposing theory to Hamm. Burnett contends that exporting U.S. crude oil would lead to the Organization of Petroleum Exporting Countries (OPEC) and Saudi Arabia in particular reducing their output of crude in order to keep prices high. He argued in favor of keeping crude in a competitive domestic market that will not hurt U.S. refineries and the jobs they produce. Burnett said we have achieved the goals of lower oil prices and greater energy independence aimed for in the 1975 ban, so there is no reason to stop now.

Amy Jaffe from the Institute of Transportation Studies at UC-Davis argued that OPEC’s power as a cartel allows them to manipulate their practices regardless of whether the U.S. decides to lift the ban or not. “What we’re really discussing is who will get profits from [U.S.] exports,” she said. Jaffe continued, “The best way to protect consumers is to have ample supply in regional markets, [strong ties with Canada and Mexico,] and have minimum inventory levels established, which are successful in Europe and Japan.” She expressed strong confidence in the concept of “geographical tyranny,” which states that the greatest driving force in the energy trade is proximity to your client.

Senator Joe Manchin (D-WV) asked the panel if they considered the Keystone XL pipeline a strategic advantage for the U.S. All agreed it was except Daniel Weiss from the Center for American Progress, who expressed associated environmental concerns. Weiss advocated for keeping the ban on crude exports, but his support is tepid. Weiss believes that high demand for fossil fuels in the U.S. will always plague energy independence. “Reducing demand, which we have complete control over, should be a focus,” he said.

Opening statements, witness testimonies and an archived webcast of the hearing can be found on the committee website.

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