

Prepared Testimony for Rep. McCaul
House Foreign Affairs Committee
Subcommittee on Terrorism, Nonproliferation, and Trade
“The Crude Oil Export Ban: Helpful or Hurtful?”
14 April 2015

Chairman Poe, Ranking Member Keating and Members of the Subcommittee, thank you for the opportunity to discuss a priority for our country: lifting the forty year old ban on crude oil exports.

It’s fitting that we should have this discussion in the Foreign Affairs Committee because crude oil exports is a major foreign policy issue.

Around the world, our friends and allies are looking for a stable and reliable supply of American energy. Countries like Russia abuse their status as a dominant energy supplier to bully their neighbors in Europe and Central Asia, while supply disruptions from places like Iran and Libya leave the global oil market vulnerable to price spikes. The geopolitical benefits of American energy exports as a diplomatic tool will both make us stronger economically and provide critical support to our partners around the world.

But don’t take it from me. Take it from the European Union’s trade negotiators who leaked a memo last year acknowledging that the “crisis in Ukraine confirms the delicate situation faced by the EU with regard to energy dependence” and urged U.S. support for “lifting bilateral restrictions on gas and crude oil... to increase security and stability through open markets.”¹

Or take it from Larry Summers, President Obama’s former Director of the National Economic Council and President Clinton’s former Treasury Secretary – hardly a Republican from Texas – who argues that “If we wish to have more power and influence in the world, in support of our security interests, and in support of our values... and if we wish to have an influence that we pay for with neither blood nor taxes, I do not see a more constructive approach than permitting the export of fossil fuels.”²

Some of my colleagues who are skeptical about lifting the ban contend that allowing crude exports could increase gas prices. They also argue that keeping our crude oil here at home makes us more energy secure. Allow me to address both of these points.

¹ Council of the European Union, Non-paper on a Chapter on Energy and Raw Materials in TTIP, May 27, 2014.

² Brookings Institution, “Larry Summers Argues Case for Lifting the Crude Oil Export Ban,” September 9, 2014.

The nonpartisan Government Accountability Office found that removing crude oil export restrictions will actually decrease gasoline prices by 1.5 to 13 cents per gallon for American consumers.³ The Energy Information Administration explained this somewhat counterintuitive phenomenon by pointing out that "the effect that a relaxation of current limitations on U.S. crude oil exports would have on U.S. gasoline prices would likely depend on its effect on international crude oil prices... rather than its effect on domestic crude prices."⁴ We already allow for the free trade of gasoline – there is no reason why crude should be treated differently.

Keeping the ban in place will in fact make us less energy secure and restrict economic growth. Without the option to export to foreign markets, our producers will continue to be forced to sell their crude oil at an artificially discounted rate, which is already causing them to cut back production. This is a real problem in states like mine, where small independent producers are laying off workers. But it also holds back growth in states that produce little to no energy at all because of the effect on other industries that support crude oil producers.

Moreover, U.S. refiners are not fully optimized to process the explosive growth in domestic production of light sweet crude in states like Texas and North Dakota. Rather, they are configured to refine heavy crude from countries such as Canada and Mexico. Allowing for the free trade of crude oil will make the market more efficient by correcting this producer-refiner mismatch.

In conclusion, Mr. Chairman, the crude oil export restrictions enacted in the wake of the 1970s Arab Oil Embargo are no longer justified given today's market conditions. I urge this subcommittee to repeal the export ban in its entirety, but I think it's critical that Congress create a safety valve that ensures the President has the ability to restrict exports in the case of an unforeseen national emergency. My bill, H.R. 156, the *Crude Oil Export Act*, which has been referred to this subcommittee, has such a provision.

Thank you again for the opportunity to discuss my legislation. I look forward to working in a bipartisan fashion to address this critical issue.

³ Government Accountability Office, Report to the Ranking Member, Committee on Energy and Natural Resources, U.S. Senate, "Changing Crude Oil Markets", September 2014, page 16.

⁴ U.S. Energy Information Administration, "What Drives U.S. Gasoline Prices?" October 2014, page 3.