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Lifting Export Restrictions on U.S. Crude Oil Would Lower Gasoline Prices and Reduce U.S. Petroleum Imports While Supporting Up to 964,000 Additional Jobs, IHS Study Finds

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Resulting increase in domestic crude production would also boost U.S. household disposable income, gross domestic product and government revenues

WASHINGTON--(BUSINESS WIRE)--Lifting the 1970's-era restrictions on U.S. crude oil exports would lead to further increases in domestic oil production, resulting in lower gasoline prices while supporting nearly 1 million additional jobs at the peak, according to a comprehensive new study by IHS (NYSE: IHS), the leading global source of critical information and insight

Doing away with exports restrictions would also benefit U.S. household income, gross domestic product (GDP) and government revenues, the study says. The resulting increase in domestic oil production would be so great that it would cut the U.S. oil import bill by an average of $67 billion per year.

The study, titled *U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy* says that making U.S. oil available to global markets would unlock the current supply and refining gridlock in the United States. It would lead to a total of $746 billion in additional investment during the study period (2016-2030) and an average of 1.2 million barrels per day (b/d) more oil production per year, the study finds.

The additional crude oil supply would lower gasoline prices by an annual average of 8 cents per gallon, the study says. The combined savings for U.S. motorists during the 2016-2030 period would translate to $265 billion compared to a situation where the restrictive trade policy remains in place.

The increased economic activity resulting from the rise in crude production would support an average of 394,000 additional U.S. jobs per, with highs of 811,000 additional jobs supported in 2017 and a peak of 964,000 jobs in 2018.

The study finds that the growth in economic benefits would be rapid, with many of the economic impacts reaching peak levels in the next few years before maintaining elevated levels throughout the remainder of the study period. This is due to an immediate surge in investment that would result from pent up potential to be unlocked if crude exports were permitted. However, as a result of the increase in overall oil supply, the annual reductions in the price of gasoline remain largely consistent throughout.

If exports restrictions were removed, the resulting increase in domestic oil production would be to such a degree that U.S net imports of petroleum would be less than they be would under current policies, the study says.

The removal of export restrictions would lower net petroleum imports to the United States by nearly one million b/d in 2016 for a savings of more than $43 billion. The annual savings would continue to grow until peaking at a savings of nearly $87 billion (nearly 2 million b/d lower) in 2025. The savings remains significant for the remainder of the study period, averaging more than $74 billion (1.8 million b/d lower) per year during that time.

“The 1970’s-era policy restricting crude oil exports—a vestige from a price controls system that ended in 1981—is a remnant from another time,” said Daniel Yergin, IHS vice chairman and author of *The Quest*. “It does not reflect the dramatic turnaround in domestic oil production, led by tight oil, which has reversed the United States’ oil position so significantly. The United States has cut its dependence on foreign oil in half since 2005 and its production gains have exceeded that of the rest of the world in recent years. The economic contributions of this turnaround have been substantial. Allowing the free trade of oil would expand those gains for consumers and the wider economy.”

If exports restrictions were lifted, the economic benefits would come by way of relieving the gridlock in light tight oil supply that currently exists in the U.S., the study says. The rapid growth in U.S. “light tight oil production”—which has already increased U.S. domestic oil output from 5 million b/d in 2008 to 8.2 million b/d in March 2014—has outpaced domestic refining capacity for that specific type of crude oil (light tight oil), thus restricting further investment in production.

“There are different types of oil and they require different kinds of refining processes and facilities,” said IHS director and study co-author James Fallon. “And as a result of the boom in tight oil production, the U.S. is exceeding its capacity to process that type of crude. Current export restrictions mean that light crude has to be sold at a sharp discount to compensate for the extra cost of refining it in facilities that were not designed for it. That gridlock is preventing additional investment and production—and the additional economic benefits—that could otherwise take place.”

The study concludes that the assumption that allowing crude oil exports would result in higher gasoline prices for consumers is not accurate. U.S. gasoline, unlike crude oil, is part of a globally traded gasoline market, meaning that U.S. prices at the pump reflect global prices. At present, the current policy is discouraging additional crude oil supplies from being brought to market, which actually makes gasoline prices higher than they otherwise would be.

“If crude oil export restrictions were lifted, the resulting increase in oil production would increase supply and actually lower gasoline prices,” said Kurt Barrow, study co-author and IHS vice president, downstream energy. “The gasoline trade and price fundamentals are clear.”

<u>Among the study’s other key findings, if restrictions on U.S. crude oil exports were removed</u>:

- U.S. oil production would increase, beginning with an additional 949,000 b/d in 2016. The ability to export crude would then result in more than a million barrels per day in extra production each year going forward, peaking at 1.3 million b/d of additional production in 2030.
- U.S. crude exports would reach 665,000 b/d in 2016 and rise to more than 1.5 million b/d in 2020. Crude exports would peak at more than 1.7 million b/d in 2025 before averaging more than 1.5 million b/d for the remainder of the study period.

- The resulting increase in crude production would support 359,000 more jobs in 2016 before peaking at 964,000 additional jobs supported in 2018. 700,000 additional jobs would be supported in 2020 with an annual average of 222,000 additional jobs supported for the remaining years of the study period.
- Gross domestic product would rise by nearly $73 billion in 2016. The amount would increase to more than $134 billion additional GDP in 2018 and settle at an additional $106 billion in 2020. It would then average an additional $73 billion annually for the remainder of the study period.
- Total government revenues would increase by a combined $1.3 trillion over the course of the study period, beginning with nearly $29 billion additional revenues generated in 2016. That amount would rise to $42 billion in 2020 and grow to $105 billion in 2025 before reaching more than $158 billion in 2030.
- The average disposable income per household would increase by an additional $391 in 2018 as benefits from increased investment, additional jobs and lower gasoline prices are passed along to consumers. That figure is expected to be an additional $332 in 2020 and average an additional $193 per year for the remainder of the study period.

About The Report

Download *U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy* www.ihs.com/crudeoilexport.

U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy from IHS utilizes the company's extensive knowledge and proprietary models of both the upstream producing and downstream refining sectors to assess the combined investment and price impacts of U.S. crude oil free trade. The energy impacts from crude oil free trade provide the inputs into IHS Economics macroeconomic models to generate the national and state level contributions to U.S. employment, GDP growth, labor income, trade and tax revenues that will result from removing restrictions on the free trade of crude oil. This research was supported by Baker Hughes, Chesapeake Energy, Chevron U.S.A., Concho Resources, ConocoPhillips, Continental Resources, Devon Energy, ExxonMobil, Halliburton, Helmerich & Payne, Kodiak Oil & Gas, Nabors Corporate Services, Newfield Exploration, Noble Energy, Oasis Petroleum North America, Pioneer Natural Resources, QEP Resources, Rosetta Resources, Weatherford and Whiting Petroleum.

IHS is exclusively responsible for all of the analysis and content.

All findings listed in the above press release reflect the study's base case.

U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy also includes a Potential Production Case, a higher crude oil production forecast that takes into account the potential for additional production from known but less well-defined areas of existing plays along with moderate improvements to drilling performance and technology in the future. Under the Potential Production Case, the removal of restrictions on crude exports would lead to an additional 2.3 million b/d in production, resulting in additional economic benefits with free trade.

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IHS (NYSE: IHS) is the leading source of information, insight and analytics in critical areas that shape today's business landscape. Businesses and governments in more than 165 countries around the globe rely on the comprehensive content, expert independent analysis and flexible delivery methods of IHS to make high-impact decisions and develop strategies with speed and confidence. IHS has been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. Headquartered in Englewood, Colorado, USA, IHS is committed to sustainable, profitable growth and employs more than 8,000 people in 31 countries around the world.

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