Summary of the Prepared Testimony of Dr. Graeme Burnett, Senior Vice President, Delta Air Lines
Chairman of the Board, Monroe Energy

**The established crude oil export law remains a critically important policy that should remain in place**.

1) As a result of increased domestic production, we are importing less which means that we are impacting the global supply/demand picture, and crude prices have tumbled as a result *without the need for exports*.

2) Refineries have passed along the cost savings from lower-priced inputs on to consumers, a savings of about $3 per barrel. Barclays calculated annual consumer savings of more than $9.5 billion in 2013, and projected $9.6 billion in savings for 2014. Barclays added that the benefit to the U.S. economy is probably even greater than the reported savings as a result of the multiplier effect.

3) When oil prices fall, the benefit to consumers outweighs any loss to producers. Investment in oil and gas production is still less than 1 percent of gross domestic product. That pales next to consumer spending, which is 68.5 percent of G.D.P. Hence, current crude oil export policy has *broad-based* economic value.

4) Should Congress eliminate restrictions on crude oil exports, lawmakers risk not only hurting the U.S. consumer, but also, and more importantly, endangering energy security. Energy security is not just about producing enough feedstock – that is, crude oil - for the nation's needs, but also about maintaining the domestic capability to transform that feedstock into the products we consume here in America. Losing American refining capacity would take us further away from energy security.

5) Repeal of current law would mean domestic crude oil producers will have the ability to ship oil to refineries in Europe at a lower cost compared to delivering the same oil to refineries located on the East Coast of the United States. This would render domestic refineries, particularly in the Northeast, unable to compete with foreign refineries.

6) U.S. refineries have the capacity to handle the increased domestic production, while displacing imports, keeping jobs here in the U.S. and simultaneously benefiting American consumers.

7) As a result of OPEC's influence, the crude oil market is not a true "free market."

8) The general public opinion overwhelmingly supports leaving the crude oil export law in place.

Prepared Testimony of Dr. Graeme Burnett, Senior Vice President, Delta Air Lines
Chairman of the Board, Monroe Energy

House Energy and Commerce Committee
Subcommittee on Energy and Power
Hearing: "21st Century Energy Markets: How the Changing Dynamics of World Energy Markets Impact Our Economy and Energy Security"
March 3, 2015

Good afternoon: Chairman Whitfield, Ranking Member Rush, and Members of the Committee. Thank you for inviting me to testify before you today.

My name is Dr. Graeme Burnett. I have been involved in the refining and petrochemical industry for over 30 years. Before joining Delta Air Lines, I worked in various capacities in Texas and across the globe, including the Middle East, Asia, Europe and South America for one of the top 5 international oil companies. I am currently the Senior Vice President for Fuel Optimization at Delta Air Lines. In this position, I manage Delta's jet fuel supply as well as serve as Chairman of the Board of Monroe Energy, the company that owns and operates Delta's refinery in Trainer, Pennsylvania.

As some of you may know, Delta purchased the Trainer refinery from Phillips 66 back in 2012. The acquisition of the Trainer refinery was an innovative approach to managing our largest expense—jet fuel. Delta's purchase of the Trainer facility has not only helped manage our fuel costs, but has also created over 400 jobs at the once-shuttered Trainer facility.

Delta Air Lines, like other airlines, participates in oil markets on a daily basis. The price of jet fuel contributes to the price of an airplane ticket, influences the types of aircraft we purchase, and helps determine the routes we serve. Because of these factors, we are uniquely situated – both as an end user of crude oil and as a refiner – to comment on the longstanding crude oil export law and the current debate over whether to repeal it.

**We strongly believe the established crude oil export law remains a critically important policy that provides significant benefits to American consumers**.

As a result of increased domestic production, the simple fact that we are importing less means that we are impacting the global supply/demand picture, and crude prices have tumbled as a result *without the need for exports*. Last summer, as a result of domestic oil production, U.S. refineries were running at record-high levels. Those refineries passed along the cost savings from lower-priced inputs on to consumers, a savings of about $3 per barrel, as a report from Barclays Equity Research has affirmed. Barclays calculated annual consumer savings of more than $9.5 billion in 2013, and projected $9.6 billion in savings for 2014. Barclays added that the benefit to the U.S. economy is probably even greater than the reported savings as a result of the multiplier effect.

The impact of lower fuel prices upon consumers and the economy cannot be overstated.

My fellow panelist, Adam Sieminski of the U.S. Energy Information Administration, noted in a recent speech that the EIA has projected the average American household will spend about $750 less on gasoline in 2015 compared to the prior year. Taken together with lower home heating oil costs, some American households stand to save as much as $1500 this year from lower fuel costs. As reported in *The Washington Post* at the end of 2014, across the country, American motorists saved $630 million on gasoline compared with what they were paying at the beginning of last summer. The article further estimated the total windfall to the American consumer could top $230 billion in 2015.

These savings on fuel go straight back into American consumers' pockets, allowing them to use that savings in more productive ways, such as on goods and services, whether that's groceries, clothing, household goods, and on and on. That consumer activity stimulates the economy broadly.

Reports from Goldman Sachs and the American Enterprise Institute have characterized lower fuel prices as equivalent to an enormous, broad-based tax cut, worth billions to consumers. As Dean Maki, chief United States economist at Barclays, notes, when oil prices fall, the benefit to consumers outweighs any loss to producers. Investment in oil and gas production is still less than 1 percent of gross domestic product. That pales next to consumer spending, which is 68.5 percent of G.D.P. Hence, current crude oil export policy has *broad-based* economic value.

**So the question arises: Why would any policymaker want to risk jeopardizing the current consumer benefits we are experiencing and institute a policy that would benefit only a narrow sector of the economy?**

Should Congress eliminate restrictions on crude oil exports, lawmakers risk not only hurting the U.S. consumer, but also, and more importantly, endangering energy security. Energy security is not just about producing enough feedstock – that is, crude oil - for the nation's needs, but also about maintaining the domestic capability to transform that feedstock into the products we consume here in America. Losing American refining capacity would take us further away from energy security.

Repeal of current law would mean domestic crude oil producers will have the ability to ship oil to refineries in Europe at a lower cost compared to delivering the same oil to refineries located on the East Coast of the United States. This would render domestic refineries, particularly in the Northeast, unable to compete with foreign refineries. **Put simply, lifting the ban will benefit European refinery workers at the expense of thousands of American jobs while endangering U.S. refining capacity that is critical to our national security.**

Oil producers want to export crude for one reason only: to get higher prices. Current law lowers the price to producers only if (a) they can't get the crude to market because of logistics constraints or (b) the refineries are unable to process it.

In response to the logistics issue, there is a plethora of pipeline projects either completed or in progress.

The claim by some producers that U.S. refineries cannot absorb this new production is a myth. In fact, there is no need to send U.S. crude abroad because refiners here in the United States have the capacity to handle the increased domestic production. An analysis done last year by energy experts Baker & O'Brien conclusively demonstrated that the U.S. refining industry will invest in capacity to absorb an additional 3.1 to 4.3 million barrels per day of domestic oil. This estimate exceeds the Energy Information Administration's highest forecast for incremental oil production for the remainder of this decade.

In the meantime, U.S. refiners are expanding domestic crude processing capacity, while displacing imports and simultaneously benefiting American consumers. This ability to adapt to changing market dynamics is lowering fuel prices, creating jobs at home and increasing energy security.

Despite the increase in domestic crude production, the U.S. continues to import 33 percent of its crude oil needs from outside of North America. Unlike LNG, there is no real "excess" requiring export.

Another myth I wish to dispel is that allowing exports will reduce OPEC's influence. It is important to remember a very key point: the crude oil market is not a true "free market." The long-term, well-documented level of control over crude oil markets exhibited by national oil companies and the OPEC cartel virtually eliminates any claim that such markets are free or open.

With its market power, OPEC alone effectively influences 35 percent of crude oil production and supplies worldwide, impacting pricing through quotas and other controls, including access to crude oil. Saudi Arabia's decision not to cut production and allow prices to crash, in order to maintain market share and reduce non-OPEC production, such as U.S. shale oil, clearly demonstrates that they are the controlling factor for crude price. Furthermore, a recent publication by BP shows that OPEC will ride out the threat from U.S. shale and ultimately raise its market share over the next two decades.

Refining American oil at home allows Americans to create petroleum products such as jet fuel, gasoline, and home heating oil at lower costs while simultaneously reducing the nation's dependence on foreign oil. If the law on crude oil exports is repealed, crude oil will be shifted out of a competitive market into a less competitive global market controlled by a few oil-producing states. Common sense dictates that this will cause prices of oil products to rise and negatively impact U.S. consumers' pocketbooks.

Delta's position is clear: there is no imperative to repeal the law regulating the export of crude oil. If export restrictions are lifted, feedstock cost will rise, U.S. refining capacity will be reduced, jobs will be lost, and the consumer will pay higher prices at the pump. It's better for America to maintain present law and export the refined products.

Finally, as this Committee continues to gather information on the impact of crude oil export restrictions, it is imperative to remember that the general public opinion overwhelmingly supports leaving the crude oil export law in place.

Monroe Energy is a member of a group called The CRUDE Coalition - Consumers and Refiners United for Domestic Energy. Last year, CRUDE engaged the University of New Hampshire Survey Center to poll voters in New Hampshire on their opinions regarding U.S. crude oil export policy. The survey results were overwhelmingly in favor of keeping the current export law. Key survey points:

• Two thirds of New Hampshire voters believe the U.S. is importing too much oil from foreign countries, with 86% agreeing that the U.S. should reduce the amount of oil imports from the Middle East and other countries before exporting domestic crude.

• 85% of Granite Staters agree the U.S. should limit exports of crude oil if doing so keeps gasoline prices from rising in the US.

• 78% of New Hampshire voters want the government to be certain about the impact of crude oil exports on gasoline prices before the current law is changed.

The results of the New Hampshire survey clearly demonstrate that voters want energy independence and a reduction of crude oil imports before policymakers even consider allowing crude oil exports.

And other independent polls confirm our findings. For example, in December, Hart Research released a nationwide poll showing that large majorities of voters across party lines oppose exporting more U.S. oil to foreign countries.

Keeping U.S. crude oil in America benefits Americans in the broadest way possible, impacting both families and businesses. The current export restrictions have helped keep prices for petroleum products lower than they otherwise would have been. And the law has ensured a robust refining sector and helped preserve refining expertise here in this country. Our nation's economic and security interests are best served by allowing American refiners to add value to crude oil here and becoming less reliant on higher-cost foreign crude from unstable places like Libya, Nigeria, Venezuela and the Middle East.

As they say in the medical profession, "first do no harm" – the burden of proof lies with those who would seek to alter a longstanding pillar of our nation's energy security policy.

Thank you for this opportunity to testify before the Committee. I look forward to answering any Member questions.