



July 7, 2015

TO: Members, Subcommittee on Energy and Power

FROM: Committee Majority Staff

RE: Hearing entitled “H.R. 702, Legislation to Prohibit Restrictions on the Export of Crude Oil”

I. INTRODUCTION

On Thursday, July 9, 2015, at 10:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing entitled “H.R. 702, Legislation to Prohibit Restrictions on the Export of Crude Oil.”

II. WITNESSES

- Petr Gandalovic, Ambassador to the United States, Czech Republic;
- W. David Montgomery, Senior Vice President, NERA Economic Consulting;
- Mark Kreinbihl, Group President, The Gorman-Rupp Company; and,
- Kirk Lippold, Commander, USN (Ret.), President, Lippold Strategies

III. BACKGROUND

The United States is the world’s number one producer of oil. Production is rising, consumption is declining, and dependence on imported oil is falling rapidly – only about 27 percent of the petroleum consumed in 2014 was imported from foreign countries and imports from Organization of the Petroleum Exporting Countries (OPEC) countries have been reduced by half since reaching near-record levels in 2008.^{1,2,3} With the rise in domestic production, the U.S., until recently the world’s largest net importer of refined petroleum products like gasoline and diesel, is now the world’s largest net exporter of these products.⁴ When discussing this energy revolution in the United States, Dr. Ernest Moniz, Secretary of Energy, observed that “by

¹ U.S. field production of crude oil reached 9.7 million barrels per day in April, nearing the 10 million barrel per day all-time record set in 1970. U.S. Energy Information Administration. [U.S. Field Production of Crude Oil](#). Accessed July 2, 2015.

² U.S. Energy Information Administration. [Frequently Asked Questions: How much oil consumed by the United States comes from foreign sources?](#)

³ U.S. imports from OPEC countries have fallen from an average of about 5.4 million barrels per day in 2008 to about 2.6 million barrels per day in April, 2015. U.S. Energy Information Administration. [U.S. Imports from OPEC Countries of Crude Oil and Petroleum Products](#). Accessed July 2, 2015.

⁴ U.S. Energy Information Administration. [U.S. Exports of Finished Petroleum Products](#). Accessed July 2, 2015.

almost all measures, our energy security position has been greatly enhanced over the last several years.”⁵

While the Energy Information Administration (EIA) predicts further oil production growth, the pace and duration remain uncertain. Lower prices for U.S. crude oil, compared to international prices, record levels of crude oil in storage, and restrictions on crude oil exports have been cited as contributing factors that may affect future production growth and the positive economic benefits associated with it.⁶

U.S. exports of crude oil are generally prohibited, although there are a number of exemptions and circumstances under which crude oil exports are allowed. Section 103 of the Energy Policy and Conservation Act of 1975 (EPCA), directs the President “to promulgate a rule prohibiting the export of crude oil” produced in the United States.⁷ Crude oil export restrictions are codified in the Export Administration Regulations administered by the Bureau of Industry and Security within the Department of Commerce.⁸ The President retains the authority to allow certain crude oil exports if an exemption is determined to be in the national interest.

IV. LEGISLATION

On February 2, 2015, Chairman Emeritus Joe Barton introduced H.R. 702, “to adapt to changing crude oil market conditions.”⁹ The legislation would repeal the statutory provision that directs the President to restrict the export of crude oil. The legislation would also require a study on the Strategic Petroleum Reserve.

Section 1. Findings:

Section 1 contains the following findings:

(1) the United States has enjoyed a renaissance in energy production, establishing the United States as the world’s leading oil producer;

(2) the United States upholds a commitment to free trade and open markets and has consistently opposed attempts by other nations to restrict the free flow of energy; and

(3) the United States should remove all restrictions on the export of crude oil, which will provide domestic economic benefits, enhanced energy security, and flexibility in foreign diplomacy.

⁵ Prepared Remarks of Dr. Ernest Moniz. U.S. Secretary of Energy. EIA Annual Energy Conference. Washington, D.C. June 15, 2015.

⁶ House Committee on Energy and Commerce. [Hearing entitled "21st Century Energy Markets: How the Changing Dynamics of World Energy Markets Impact our Economy and Energy Security"](#). February 27, 2015.

⁷ [42 U.S.C. 6212](#)

⁸ [15 C.F.R. §754.2](#)

⁹ [H.R. 702 \(114th\)](#)

Section 2. Repeal:

Section 2 provides for the repeal of Section 103 of the Energy Policy and Conservation Act of 1975, relating to the authority of the President to restrict the export of coal, petroleum products, natural gas, or petrochemical feedstocks.

Section 3. National Policy on Oil Export Restriction:

Section 3 provides that, notwithstanding any other provision of law, to promote the efficient exploration, production, storage, supply, marketing, pricing, and regulation of energy resources, including fossil fuels, no official of the Federal Government shall impose or enforce any restriction on the export of crude oil.

Section 4. Study and Recommendations:

Section 4 directs the Secretary of Energy to conduct a study on the appropriate size, composition, and purpose of the Strategic Petroleum Reserve.

V. ISSUES

The following issues may be examined at the hearing:

- The U.S. energy outlook and the effects of oil export policy on the U.S. economy, consumers, energy security, and geopolitics; and
- H.R. 702, “To adapt to changing crude oil market conditions.”

VI. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Brandon Mooney or Tom Hassenboehler of the Committee staff at (202) 225-2927.