U.S. House of Representatives

Committee on Natural Resources

Washington, DC 20515

February 4, 2014

Dear Chairman Hastings:

Over the past several months, there has been a considerable amount of discussion regarding the possibility of the United States loosening or overturning its four-decade ban on the export of crude oil. Allowing U.S. crude oil exports would undoubtedly be a huge benefit to oil producers, who would gain access to higher prices in international markets, and that industry has unabashedly stated their strong desire to export crude. Whether or not allowing exports of a critical strategic commodity such as crude oil would be a benefit for American consumers or the environment is much less clear-cut.

There is no question that the United States is in the middle of an oil production boom. By the end of 2013, the United States was producing over 8.1 million barrels of crude a day, the highest level since 1988, and we were producing more crude oil than we imported for the first time in twenty years. And, yes, America's public lands have been a part of this boom, with oil production from onshore Federal and Indian lands increasing by 35% since 2008.

While this boom has not provided any discernable relief to American consumers at the pump – Energy Information Administration data shows that even though domestic crude oil production has increased by 50% since 2008, gas prices have risen 8% in that same period[1] – it has resulted in domestic crude selling at a discount to international crude, in some instances more than $25 cheaper per barrel. Recent news reports indicate that gasoline prices have been tracking the price of less-expensive domestic crude, meaning that raising oil prices even more to match the international market will result in even more pain at the pump.[2]

Proponents of crude oil exports have argued that U.S. refineries are optimized to process heavy imported oil, and not the light domestic oil that is driving the production boom. However, refineries are able to adjust, as evidenced by Valero's announcement last week that they would add 160,000 barrels a day of additional light crude refining capacity in Texas, and Marathon's announcement that they have significant amounts of spare capacity for light crude. To allow crude exports because of a perceived shortage of refinery capacity would remove the incentive that refiners have to increase their capacity to handle domestic crudes. They would likely remain optimized for refining imported crudes, and instead of increasing our ability to become self-sufficient in energy, we would remain forever at the mercy of foreign suppliers and cartels.

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[1] EIA Monthly Energy Review, annual average prices of Crude Oil and EIA Regular Motor Gasoline All Areas from Tables 3.1 and 9.4, respectively.

[2] Bloomberg News, "*Falling gasoline prices hurt Big Oil's plea for US crude exports*," January 29, 2014.

Oil producers have stated that one reason to allow exports is to provide additional incentive for production. As the CEO of Continental Resources testified before the Senate Energy and Natural Resources Committee last week, "crude export restrictions have prevented domestic oil exploration and production from achieving its full potential." Evidently, "its full potential" means the potential to send more and more of America's energy resources abroad. And given the skyrocketing pace of domestic oil production, it seems that the industry is managing extremely well even under the existing export restrictions.

It appears clear that calls for increasing domestic production by opening up more of our oceans to drilling and reducing environmental protections on our Western public lands is not about making America more energy independent or reducing prices at the pump, but providing more crude oil for the industry to export at higher prices than they can get domestically. If removing the crude oil export ban does provide additional incentives for oil companies to drill on our public lands, then sportsmen, recreationists, and communities throughout the American West will be faced with increasing impacts from the oil and gas industry, without the certainty that at least the oil extracted from underneath their feet, from underneath the public's land, will get used here at home. Already energy development is encroaching on some of our most treasured landscapes, and we do not believe that any additional incentives are necessary.

We believe this issue is one that the Natural Resources Committee should be examining at the earliest possible opportunity. Potential impacts to our public lands are an important component of the debate about whether or not to lift the ban on exporting American crude oil, and we urge you to hold a hearing on this critical issue.

Sincerely,

Peter DeFazio
Ranking Member
Committee on Natural Resources

Rush Holt
Ranking Member
Subcommittee on Energy and Mineral Resources

Raúl Grijalva
Ranking Member
Subcommittee on Public Lands
and Environmental Regulation

Gregorio Kilili Camacho Sablan
Ranking Member
Subcommittee on Fisheries, Wildlife, Oceans
and Insular Affairs