

U.S. Crude Oil Exports Get a Boost



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Although there have been numerous recent studies on the potential economic impact of U.S. crude oil exports, it was not until recently that the U.S. Government issued its own study directly on those effects. On September 1, the Energy Information Administration (EIA) issued ["Effects of Removing Restrictions on U.S. Crude Oil Exports,"](#) which concluded (with a number of caveats and assumptions) that removal of remaining U.S. crude oil export restrictions would either leave U.S. gasoline prices unchanged or slightly reduced.

The United States has generally prohibited the export of U.S.-produced crude oil since 1975. Petroleum products, on the other hand, can generally be freely exported. Even with crude oil, there are currently significant exceptions, including exports to Canada, exports of Alaska North Slope crude, and swaps (such as the one approved in August with Mexico).

As U.S. crude oil production has increased due to the shale revolution, there has been increasing political pressure to eliminate or relax the crude oil export ban. This has occurred particularly when U.S.-produced crude trades at a significant discount to the international Brent benchmark price.

The crude oil exports discussion has also put a focus on the Jones Act, which restricts the transportation of merchandise, including crude oil and petroleum products, between two U.S. points to qualified U.S.-flag vessels. Some refiners have argued that a relaxation of crude oil export restrictions should go hand-in-hand with Jones Act changes.

Early action has already occurred in the U.S. Congress on the export restrictions. On July 30, for example, the Senate Energy Committee reported favorably on the Offshore Production and Energizing National Security Act of 2015, which would repeal crude oil export restrictions. The House Energy and Commerce Committee may take action on its own bill containing a repeal of the restrictions next week.

The September 1 EIA study adds fuel to the fire by seemingly putting an Executive Branch stamp of approval on the view that U.S. consumers will not be adversely affected by a relaxation of the export restrictions. It should be kept in mind, however, that the study is heavily caveated and depends on a number of key assumptions.

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