Energy Equipment and Infrastructure Alliance

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Toby Mack, President & CEO

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The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Democratic Leader
U.S. Senate
Washington, D.C. 2510

EEIA Urges Swift Action to Lift Crude Oil Export Ban

Dear Speaker Boehner and Leaders McConnell, Pelosi, and Reid:

The Energy Equipment and Infrastructure Alliance (EEIA) urges immediate congressional action to lift the export ban on U.S. produced crude oil. Maintaining the ban will cost America 1.5 million jobs and $220 billion of lost annual economic output by 2018. In contrast, lifting it will increase U.S. crude oil production, which will create significant economic benefits for American businesses and workers in the energy sector and throughout the entire U.S. economy.

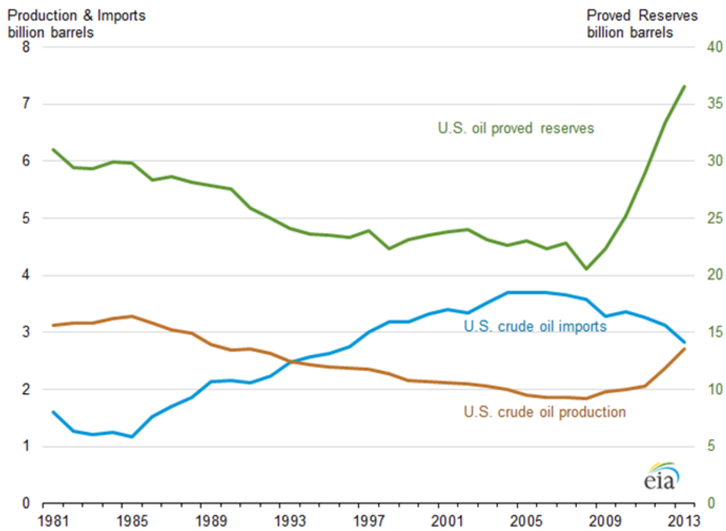
EEIA represents the shale energy supply chain, a vast community of more than 600,000 workers employed in over 30,000 companies in 60 industries, annually contributing more than $170 billion to the U.S. economy. They provide construction, well services, capital equipment, supplies, logistics, professional services and technology in support of shale energy operations. They also build supporting public and private energy infrastructure including roads, bridges, production sites, pipelines, storage facilities, processing plants, export terminals and worker housing. Our members operate and employ in all fifty states, not just in energy producing areas. They expand their businesses, hire and retain skilled workers locally for well-paying jobs, and pay more taxes in their communities because of growth resulting from serving shale energy operations.

The U.S. ban on exports is a self-inflicted wound that needlessly tilts the global playing field against our crude oil producers and their suppliers. Not only does it exacerbate the challenges faced by American producers from lower crude oil prices, but it also cedes global crude oil market share to competitors, including OPEC members and Russia.

Congress and the Administration should acknowledge this by enacting legislation to lift the ban as the first order of business in 2015. Failure to do so risks choking America's golden goose: the shale energy boom that has been the greatest engine of economic growth, jobs and prosperity in memory, and has been the single greatest contributor to pulling America out of the recent recession. The Administration's recent clarification of rules for exporting processed condensate is helpful, but neither addresses nor solves the much bigger issue of the crude oil export prohibition.

U.S. producers are legally restricted to the over-supplied U.S. domestic market. Their lack of access to global customers prevents them from realizing higher, globally-set prices, available to all other global producers. Out of necessity, our producers respond to lower prices by reducing investments in new production while cutting operating budgets and employment. Decreased producer spending not only costs jobs in exploration and production, but also reverberates down through the vast community of local, regional and national energy supply chain companies in the form of reduced business and many more lost jobs. The resulting artificially depressed financial returns starve our energy industry - and the suppliers supporting them - of capital that otherwise would be re-invested in increased production, infrastructure, employment and improved exploration and production technologies.

Figure 4. U.S. crude oil and lease condensate proved reserves, production, and imports, 1981-2013



Sources: U.S. Energy Information Administration, Form EIA-23L, Annual Survey of Domestic Oil and Gas Reserves; Form EIA-814, Monthly Imports Report; and U.S. Department of Energy, Office of Fossil Energy, Natural Gas Imports and Exports.

Research firm IHS estimates lifting the export ban combined with additional discoveries within existing producing areas and modest technology improvements will lead to additional domestic production of about three million barrels per day by 2018, growing to about five million by 2025 over and above current U.S. government projections for production with the ban remaining in place. The potential positive impacts of these higher production levels on U.S. economic and employment growth are immense. According to IHS, this scenario would create more than 1.5 million new jobs - along with $220 billion (or 1.2 percent) of increased annual GDP - by 2018. Importantly, roughly 30 percent of those new jobs and production outputs would occur in the energy supply chain operating throughout the United States.

In 2015 we have exactly the opposite situation from the one that caused policymakers to impose the crude oil export ban in 1975. At the time, America faced significant economic and security challenges due to import disruptions from the Arab oil embargo of 1973. The export ban was one of a series of measures that included establishment of the U.S. Strategic Petroleum Reserve, mandates for greater energy efficiency, and increased reliance on coal rather than oil and natural gas for electric power generation.

The decision to impose the ban was based on three pronounced trends of that time: (1) declining U.S. crude oil reserves, (2) rising domestic consumption and (3) increasing dependence on imported crude oil. Forecasts at the time were for those trends to continue and deepen America's reliance on crude imports. Policymakers justifiably feared vulnerability to supply disruptions.

However, for the past eight years all three trends have moved in opposite, positive directions. As a result of private investment and innovation in advanced discovery, horizontal drilling and hydraulic fracturing technologies, and increased energy efficiency, we have rapidly increasing proved reserves, flat to declining consumption and surging crude oil production (see chart above from the U.S. Energy Information Administration).

Put simply, the ban is obsolete and counter-productive. It limits America's resurgence as an energy superpower. It hamstrings the industry and its supply chain from delivering the higher levels of domestic crude oil production, employment and GDP growth that would result if our producers were able to compete for crude oil sales on the global market.

The case for lifting the ban is clear and compelling. Congress and the Administration should act immediately to do so, as an urgent matter of the national interest.

Sincerely,

Toby Mack
President and CEO
Energy Equipment and Infrastructure Alliance