CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
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The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Upton and Ranking Member Whitfield:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system, strongly supports H.R. 702, bipartisan legislation to "adapt to changing crude oil market conditions," and urges the Committee to favorably report the bill.

No area of the U.S. economy has changed more dramatically over the last decade than the energy sector. Since 2006 the amount of oil produced in the U.S. has increased more than 90%. That 4.2 million barrel per day increase is larger than the annual production of every other country, save Saudi Arabia and Russia. In 2006 the U.S. imported about two-thirds of all the crude it consumed, and today that has been winnowed down to just over 40% and is declining.

This massive change has outgrown U.S. energy policy, and H.R. 702 would correct the most harmful example, the ban on oil exports. The prohibition on U.S. crude oil exports is a 40 year old vestige of a bygone era and must be repealed immediately. This ban was instituted in the shadow of the Arab oil embargo that brought the U.S. economy to a grinding halt. The purported rationale for the export ban was that the U.S. was not self-reliant enough on its own production to consider exporting any domestically produced oil. However, much has changed in the subsequent 40 years since the ban was erected with passage of the Energy Policy & Conservation Act of 1975.

Today, thanks to favorable geology and continuing innovation by the American oil and gas industry, the U.S. maintains more than 200 years of technically recoverable oil and over 500 years of in-place oil. Together with our massive natural gas and coal reserves, the U.S. has the largest energy resource base in the world. The policy of prohibiting trade of U.S. oil is not consistent with having the largest energy reserves in the world. Nor do any of the other countries with the largest energy reserves prohibit export of their domestically produced oil.

One of the concerns about exporting U.S. oil is the impact on consumers. Thankfully, this question has been investigated thoroughly by the Energy Information Administration and Government Accountability Office, as well as several think tanks and independent energy analysts, and every report has concluded that exporting U.S. crude would cause gasoline prices to decline, not increase them.

These reports all found that allowing U.S. oil exports would add supply to the global oil market. Additional supply puts downward price pressure on the global price of crude. Because gasoline is predominantly priced globally, a cheaper price for crude would put downward price pressure on gasoline.

Not only would consumers benefit from lower priced transportation fuels, but according to a recent IHS report, allowing U.S. oil exports would support an average of 400,000 jobs per year, generate an additional $1.3 trillion in government revenue through 2030, and add $265 in additional disposable income to every American household.

Over the past 11 months, the drop in oil prices has led to more than 1,000 rigs being laid down, resulting in an estimated 150,000-plus lay-offs across most of the country. Much of this pain was unnecessary. The export ban denies U.S. oil producers the higher price at which globally traded crude is priced. If domestic producers could export and negotiate that higher global price, a significant number of potential U.S. wells that are now uneconomic would get spudded, putting thousands back to work.

Additionally, allowing U.S. exports would help deleverage countries that use their respective crude oil market dominance to negatively influence countries that must rely on imported oil. The world has witnessed how Russia has used oil and natural gas exports to force countries in Europe and Asia to acquiesce to its geopolitical and economic demands. Bringing U.S. oil to those markets would not completely displace Russian exports, but would provide a much stronger negotiating position for importers, most of which are strategic U.S. allies.

Exporting oil would benefit the U.S. economy and reduce the influence of countries and groups that use oil exports for purposes inconsistent with America's geopolitical and national security interests. The Chamber commends Chairman Whitfield and Ranking Member Rush for thoroughly examining this issue in the Energy & Power Subcommittee and preparing this bipartisan legislation for the consideration of the full Energy & Commerce Committee. The Chamber strongly supports H.R. 702 and urges the Committee to favorably report this crucial legislation.

Sincerely,

R. Bruce Josten

cc: Members of the Committee on Energy & Commerce