

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

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September 30, 2015

The Honorable Richard Shelby
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Shelby and Ranking Member Brown:

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 the "American Crude Oil Export Equality Act," which would lift the ban on oil exports, and commends Senator Heitkamp for her leadership on this vital issue.

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 declining.

This massive change has outgrown U.S. energy policy, and the "American Crude Oil Export Equality Act" 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 The prohibition on U.S. crude oil exports is a 40 year old vestige of a by-gone era and must be repealed immediately.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 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 the 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 that many have voiced 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 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 ten months, the drop in oil prices has led to more than 1,000 rigs to be laid down, resulting in an estimated 200,000 lay-offs. 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 de-leverage 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 it 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. We commend Congressman Barton and Congressman Cuellar for their leadership on this issue and their desire to bring U.S. policy into this millennium. The Chamber strongly supports the "American Crude Oil Export Equality Act" and urges the Committee to report it favorably.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten". The signature is fluid and cursive, with the first name "R." and last name "Josten" being the most prominent parts.

R. Bruce Josten

cc: Members of the Committee on Banking, Housing, and Urban Affairs