

US refiners disagree over potential US crude oil exports

Washington (Platts)--9Jan2014/432 pm EST/2132 GMT

US refiners appear split over how to respond to recent calls by lawmakers to lift the country's de facto ban on crude oil exports.

While refining trade group American Fuel and Petrochemical Manufacturers has said it is open to relaxing export controls, some members have expressed reservations, citing their competitive access to cheaper US crude.

"Valero does not support changes to the nation's crude oil export policy," Valero spokesman Bill Day said. "We think the current system, which allows for potential exporters to apply for a license to send limited amounts of crude oil to other countries while keeping the bulk of American oil production here for domestic use, is working well."

Several refiners, led by PBF Energy and Monroe Energy, held a conference call on Wednesday to discuss launching a lobbying campaign against lifting the crude export restrictions, industry sources said. PBF and Monroe officials could not be reached for comment, but other refiners indicated they are unlikely to join those efforts.

Phillips 66 said it favors seeing the export restrictions end in the name of free trade.

"We believe exports -- whether it's crude oil, fuel products, natural gas, cars or airplanes -- are good for our country and contribute to a strong balance of trade. It creates jobs and prosperity here in the US and makes us more financially secure," Phillips 66 spokesman Rich Johnson said in an email.

Tesoro lobbyist Stephen Brown said his company would be open to lifting the crude ban, but also wants to see other free trade restrictions, like the Jones Act, lifted. The Jones Act requires that all goods transported on water between US ports be carried on US-flagged and US-constructed ships owned and crewed by US citizens.

Many in the oil industry have complained that the Jones Act has made it prohibitively expensive to ship crude from the Gulf Coast to East Coast refineries, causing a reliance on imported crude.

"When you take a look at markets in this country, markets are anything but free and open," Brown said. "There's the Jones Act and infrastructure permitting hurdles that get in the way of free movement of energy products. If Congress only focuses on lifting the export ban on crude, they're ignoring those two important items. You need to look at the issue of free trade for crude and refined products in a comprehensive manner."

The US largely bans exports of crude under restrictions imposed by Congress in the wake of the 1973 Arab oil embargo. The Department of Commerce can issue permits for crude exports under certain prescribed conditions, but has generally only allowed small quantities to Canada.

Exports of refined products, meanwhile, are not restricted by law. That puts US refiners supporting the status quo for crude export controls on shaky ground, said Kevin Book, an analyst for ClearView Energy Partners. Many major refiners with operations overseas are likely to want greater access to US crude, he said.

"It is a two-edged sword for refiners," Book said. "You don't want to put restrictions on some trade when you base a lot of your business on international trade. The growth in product is not here, it's there."

But protectionist refiners may have public sentiment on their side, as voters generally fear potential spikes in gasoline prices, said David Goldwyn, a former State Department special envoy and coordinator for international energy affairs, who now serves as a consultant.

Though US gasoline prices track global crude prices, not domestic prices, Goldwyn said the issue is a sensitive political one.

"Exports are highly unlikely to impact prices, but the public remains to be persuaded on this issue," he said.

Senator Lisa Murkowski, an Alaska Republican who is the ranking member on the Senate Energy and Natural Resources Committee, brought the issue to the forefront with a speech earlier this week at the Brookings Institute, in which she urged President Barack Obama to loosen the spigots on crude exports.

Other lawmakers, notably Senators Bob Menendez, Democrat-New Jersey, and Edward Markey, Democrat-Massachusetts, have responded by saying exports would jeopardize US energy security and harm consumers.

Senator Ron Wyden, the Oregon Democrat who chairs the Senate energy committee, said he plans to hold a hearing soon on the topic, while the House Energy and Commerce Committee is planning to issue a white paper on the issue.

Most political observers say it is unlikely the Obama administration will completely remove all the restrictions on crude exports, though some small case-by-case exemptions may be considered.

"You'll probably see some additional hearings or even placeholder legislation," as US oil producers continue to press for exports, Goldwyn said. "It's unlikely any legislation of significance will pass, but it'll be a very useful hearing of the issues."

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