A Ban for One:
The Outdated Prohibition on U.S. Oil Exports in Global Context

Prepared by Minority Staff for Ranking Member Lisa Murkowski
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Introduction

The executive branch retains considerable authority, granted to it by Congress, to regulate the energy trade. This authority could be used to liberalize the regulatory architecture surrounding the general prohibition on oil exports, which currently impedes job creation and decreases economic growth. The recent decision to authorize exports of processed condensate as petroleum products is a reasonable but minor step. The President could issue a finding that greater oil exports are in the national interest, for example, and the Commerce Department could authorize oil exchanges with adjacent foreign states and update its regulations to allow condensate exports more fully.[1]

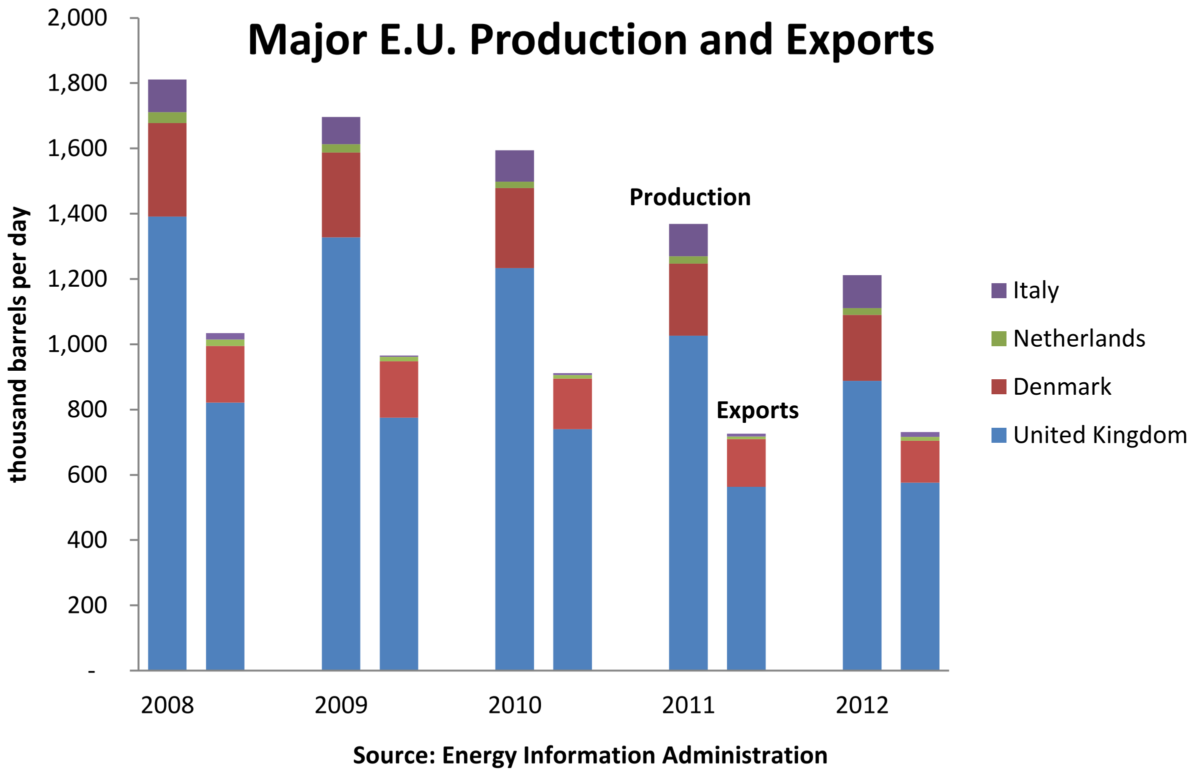
This report surveys all of the 34 member countries of the Organization for Economic Co-operation and Development (OECD) to assess the developed world's oil export policies. All 29 members of the International Energy Agency (IEA), and 21 members of the European Union (EU), are also members of the OECD.[2] The report demonstrates that the United States is alone among the leading nations of the world in general prohibiting oil exports.

[1] For a general discussion, see Phillip Brown, et al, "U.S. Crude Oil Export Policy: Background and Considerations," Congressional Research Service (R43442). See also Sen. Lisa Murkowski, *A Signal to the World* (January 7, 2014): http://1.usa.gov/1eiQ1es. For further details, also see *Crude Pro Quo: The Use of Oil Exchanges to Increase Efficiency* (May 22 ,20140): http://1.usa.gov/1nhuUT1; *License to Trade: Commerce Department Authority to Allow Condensate Exports* (April 2, 2014): http://1.usa.gov/QDF1Tx; and *Past is Precedent: Executive Power to Authorize Crude Oil Exports* (March 3, 2014): http://1.usa.gov/1fC8fMJ.

[2] The five OECD members that are not members of the IEA are Chile, Iceland, Israel, Mexico, and Slovenia. The seven EU members that are not members of the OECD are Bulgaria, Croatia, Cyprus, Estonia, Latvia, Malta, and Romania.

The European Union

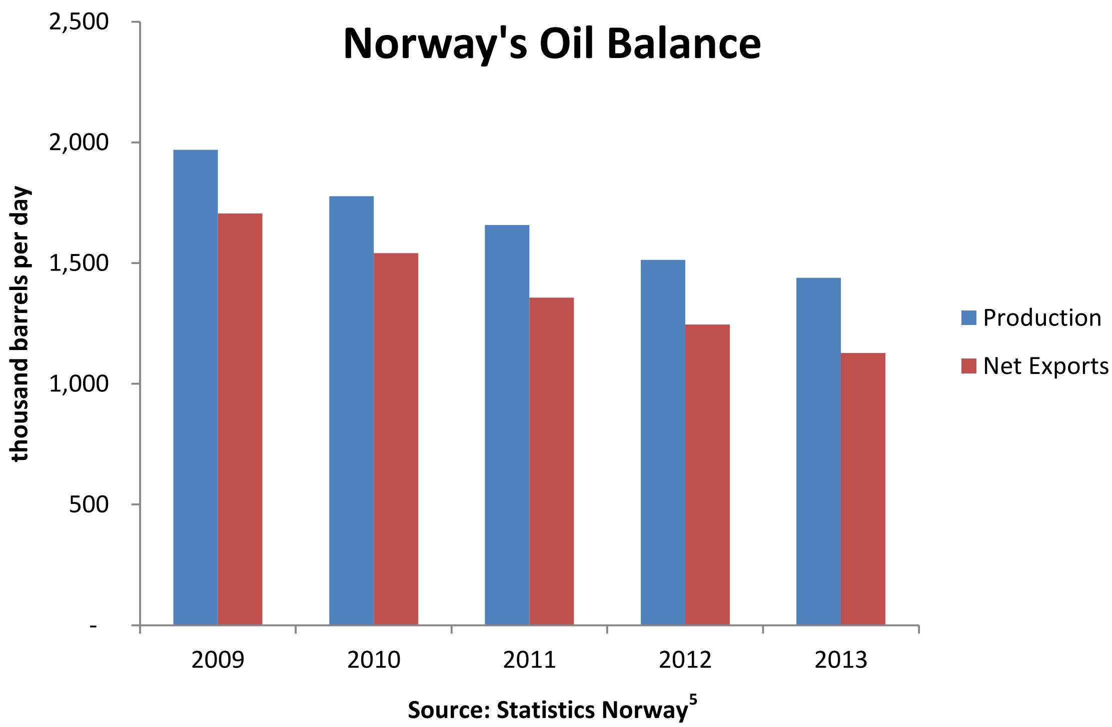
Most of Europe is highly dependent on energy imports. Every member of the EU was a net importer of oil in 2012 – the lion's share from Russia – with the sole exception of Denmark, which exported approximately 128,000 barrels per day of crude. The United Kingdom exported about 576,000 barrels per day of crude, while Italy exported 15,000 barrels per day and the Netherlands exported 11,000 barrels per day – but all three remain net importers. Much of the United Kingdom's imports are from Norway's share of North Sea production; the British also import some heavier crudes to balance their predominantly light production.[3] In addition, many other EU members – Belgium, Finland, France, Germany, Poland, Spain, and Sweden – are substantial exporters of petroleum products.[4] Energy export policies apply to every EU member. The EU does not prohibit the export of crude oil, even if it remains a substantial net importer as a whole, but does have the authority to impose restrictions on members to forestall or alleviate a crisis. It is also noteworthy that a great deal of the EU's energy trade occurs within the union itself.



[3] EIA, Country Analysis Brief: http://www.eia.gov/countries/cab.cfm?fips=uk. See also *Emergency Response of IEA Countries*: http://www.iea.org/publications/freepublications/publication/uk_2010.pdf.
[4] EIA, International Energy Statistics: http://www.eia.gov/countries/data.cfm. All further references to 2012 data are derived from this source, which includes lease condensate with crude oil statistics.

Norway

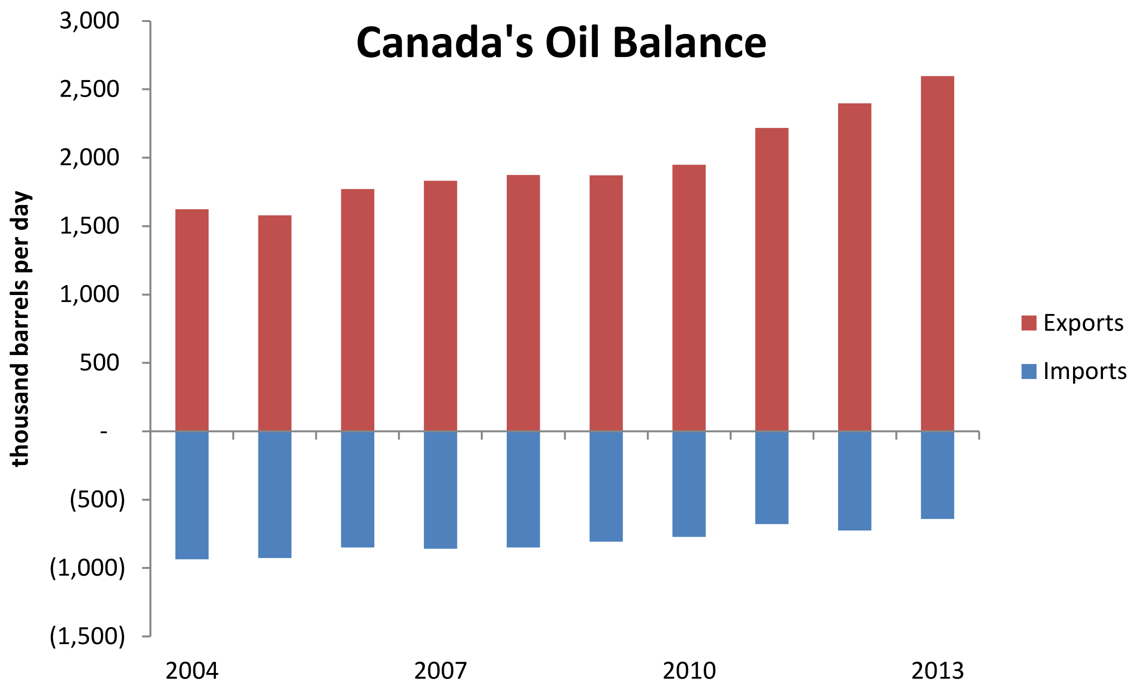
In 2012, Norway, not an EU member, exported approximately 1.3 million barrels per day of crude oil, representing some 80 percent of Norwegian domestic oil production. The vast majority of these exports were destined for other European nations, such as Sweden, Germany, the United Kingdom, and France. Norway is a major net exporter and does not have a general prohibition on the export of crude.



[5] Statistics Norway provides annual data in tonnes. This report uses a conversion factor of 7.33 barrels and a 365-day year: https://www.ssb.no/en/energiregn/.

Canada

Canadian oil exports are rising fast, with most volumes destined for the United States via rail and pipeline. The construction of Keystone XL would add up to 730,000 barrels per day in additional exports from Canada to the United States. The Northern Gateway pipeline, recently approved by the National Energy Board, would enable exports from Canada's West Coast with a capacity of 525,000 barrels per day. Canada is a major producer and net exporter of crude to the U.S. The National Energy Board issues licenses to exporters, but there is no general prohibition.

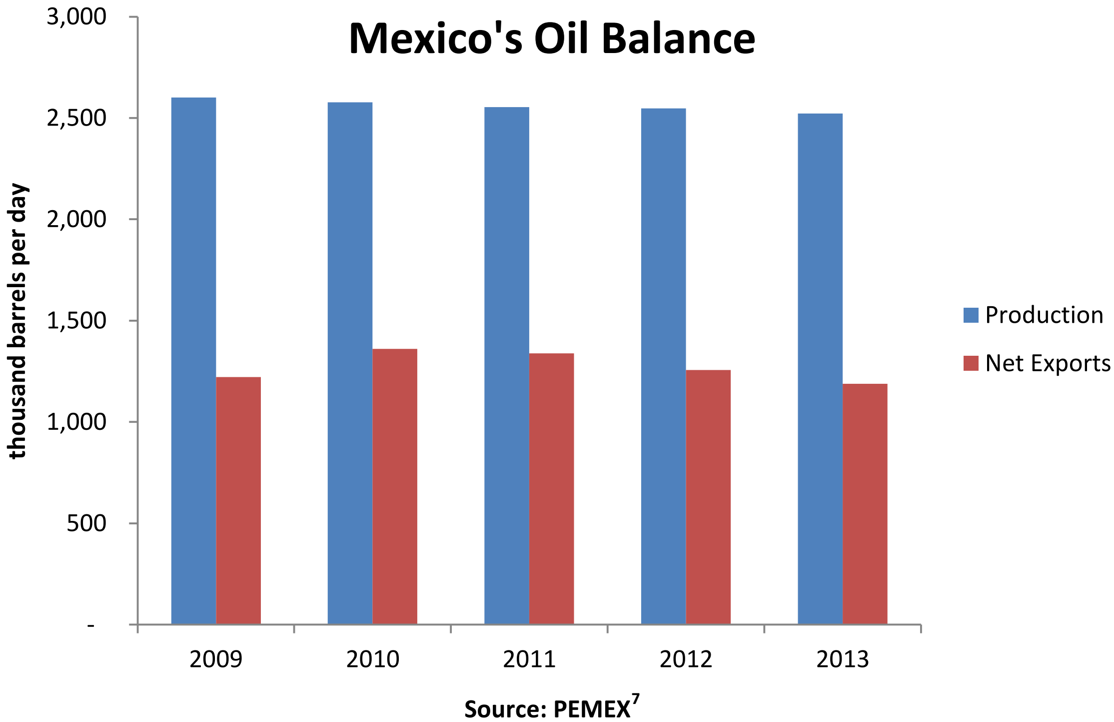


Source: Canadian National Energy Board[6]

[6] NEB provides monthly data in cubic meters. This report uses a conversion factor of 6.292 barrels and derives a daily average from the annual total: http://www5.statcan.gc.ca/cansim/a33?RT=TABLE&themeID=2026&spMode=tables&lang=eng.

Mexico

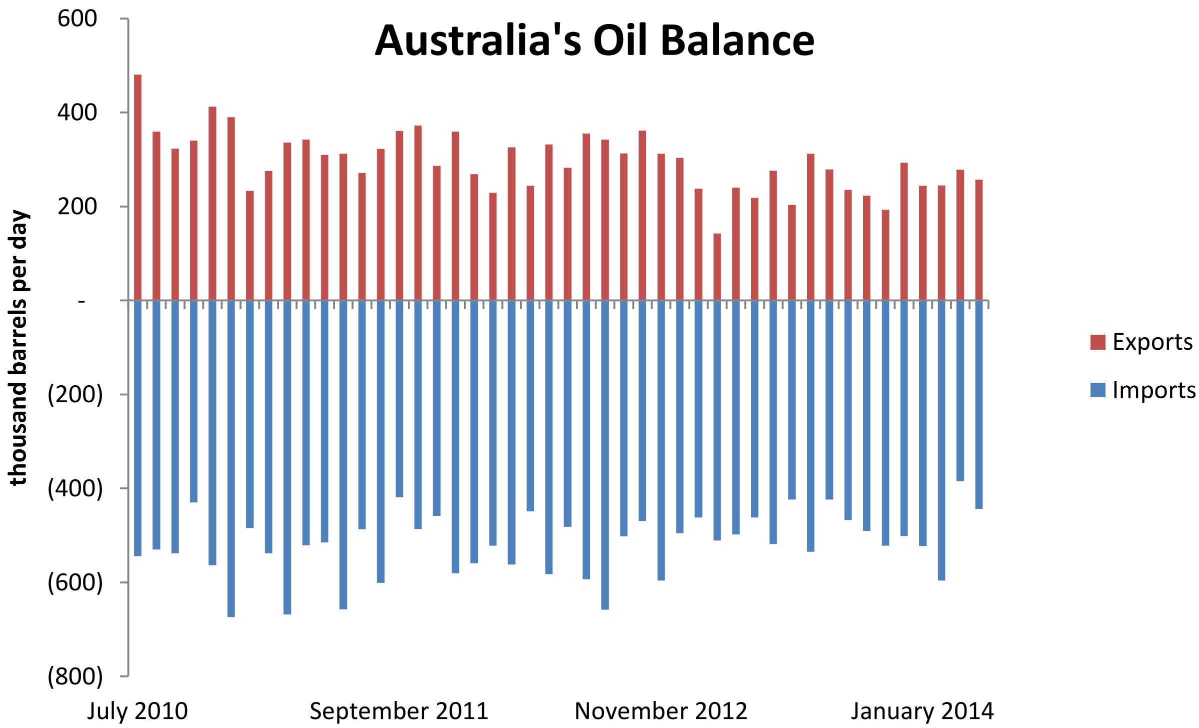
In 2012, Mexico exported approximately 1.3 million barrels per day of crude. This is down significantly from its peak level of 2.1 million barrels per day in 2004. The drop in exports has coincided with declining production over the same period. If Mexico's energy reforms are successfully implemented, production may rise – and exports with it. Mexico is a major producer and net exporter of crude to the U.S., even as it is a major importer of products from the U.S. It does not prohibit crude exports.



[7] PEMEX provides daily averages by month and year: http://www.ri.pemex.com/index.cfm?action=content&sectionID=21&catID=12177.

Australia

Although Australia is becoming a major net exporter of natural gas, it remains a net importer of crude oil. In 2012, Australia produced approximately 406,000 barrels per day of oil and condensate, and exported 261,000 barrels per day. It imported another 503,000 barrels per day. The country produces roughly half as much condensate as it does crude oil, which is a quite substantial proportion, and exports much of its lighter petroleum to Asia because refining it there is often more economically efficient than transporting and processing it domestically.[8] Australia is a declining producer of crude oil, but does not prohibit crude exports.



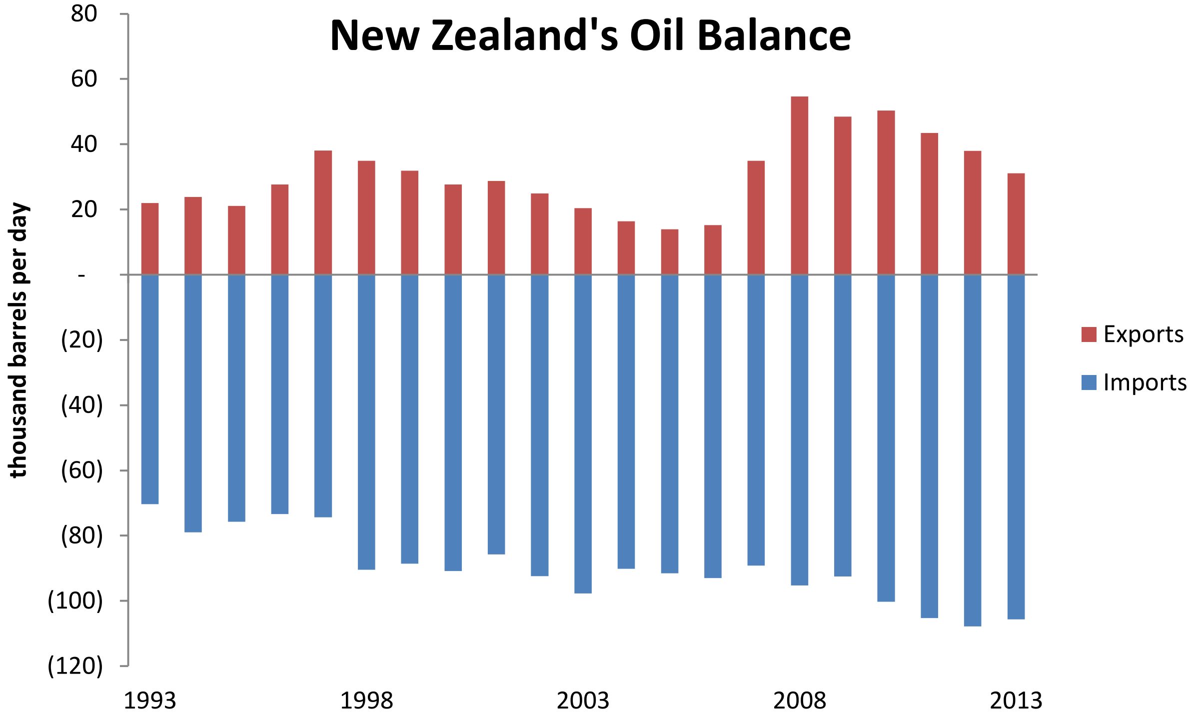
Source: Australia Government, Bureau of Resources and Energy Economics[9]

[8] *Emergency Response of IEA Countries*: http://www.iea.org/publications/freepublications/publication/Australia_2011.pdf.

[9] Australia provides monthly data in megaliters. This report uses a conversion factor of 6.2898 barrels per kiloliter and 30-day months: http://www.bree.gov.au/publications/australian-petroleum-statistics.

New Zealand

In 2012, New Zealand imported approximately 106,000 barrels per day and exported approximately 36,000 barrels per day, just under 90 percent of its production. The country's sole refinery generally processes imported medium sour crude, while the domestic light sweet production – which is not well-suited for the refinery – is exported.[10] While New Zealand is a net importer of oil, it does not prohibit the export of crude.



Source: New Zealand Ministry of Business, Innovation, & Employment[11]

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[10] *Emergency Response of IEA Countries*: http://www.iea.org/publications/freepublications/publication/nz_2010.pdf.

[11] New Zealand provides annual data in million barrels. This report uses a 365-day year: http://www.med.govt.nz/sectors-industries/energy/energy-modelling/data/oil.

Non-Exporters

The remaining seven members of the OECD do not export any crude oil. In 2012, Turkey imported 390,000 barrels per day; Israel imported 237,000 barrels per day; Chile imported approximately 163,000 barrels per day; and Switzerland imported 70,000 barrels per day. Iceland doesn't import any crude oil. Japan and South Korea are among the largest importers of crude in the world, accounting for 3.5 million and 2.5 million barrels per day, respectively.

Conclusion

The United States is the only member of the OECD and IEA that has effectively banned the export of crude oil produced domestically. Many developed nations produce either negligible amounts or none altogether, so a ban on exports would be irrelevant. Nonetheless, several American allies – namely, the United Kingdom, Australia, New Zealand, Italy, and the Netherlands – continue to export oil while remaining net importers. In these cases, exporting domestic oil of a certain grade and importing oil of another grade may be the most economically efficient option given constraints in refining capacity, infrastructure, and geography. Other long-time partners – Canada, Mexico, Denmark, and Norway – are net exporters. By lifting the de facto ban on crude exports, the United States would strengthen its trading ties, improve economic efficiency, and enhance its posture around the globe.

Acknowledgments

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