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# United States Senate

COMMITTEE ON  
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

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March 11, 2013

The Honorable Adam Sieminski  
Administrator  
Energy Information Administration  
1000 Independence Avenue, SW  
Washington, DC 20585

Dear Administrator Sieminski:

American families and businesses have been paying record-high gasoline prices at the pump even as domestic oil production recently hit its highest level in more than two decades. For many Americans, there appears to be a fundamental disconnect between these facts, especially when many families are also using less gasoline thanks to more efficient cars and trucks.<sup>1</sup>

This most recent round of gas price increases has come at a time of year when gas prices are typically at their lowest point, but that has not been the case this autumn and winter.<sup>2</sup> According to Energy Information Administration (EIA) data, the average price of U.S. gasoline set records for the respective months of September, October, November, December and February.<sup>3</sup>

Given the record-high prices and potentially serious consequences that high transportation fuel costs have on hard-working families, and the economy as a whole, the Committee on Energy and Natural Resources will be exploring the causes for high gasoline and fuel prices and changing domestic oil markets with an initial hearing later this spring. To assist the Committee in this effort, I ask that you provide information about several issues that are fundamental to the price that U.S. consumers pay at the pump. Please provide answers and data for each of the following questions and issues:

- 1.) Domestic oil production – Domestic oil production in November and December reached its highest two-month level since 1992,<sup>4</sup> while gasoline prices continued to increase across the United States to new monthly highs in five of the last six months:

<sup>1</sup> Total fleet fuel economy has increased from 26.6 miles per gallon in 2007 to 33.2 miles per gallon in 2012, see *Summary of Fuel Economy Performance*, National Highway Transportation Administration, October 2, 2012, [http://www.nhtsa.gov/staticfiles/rulemaking/pdf/cafe/Oct2012\\_Summary\\_Report.pdf](http://www.nhtsa.gov/staticfiles/rulemaking/pdf/cafe/Oct2012_Summary_Report.pdf).

<sup>2</sup> Matt Schmitz, *Gas prices will continue to rise, AAA says*, Newsday, March 4, 2013, <http://www.newsday.com/classifieds/cars/gas-prices-will-continue-to-rise-aaa-says-1.4746993>.

<sup>3</sup> Energy Information Administration, *U.S. All Grades All Formulations Retail Gasoline Prices*, March 4, 2013, [http://www.eia.gov/dnav/pet/hist/l.eafHandler.ashx?n=p&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](http://www.eia.gov/dnav/pet/hist/l.eafHandler.ashx?n=p&s=emm_epm0_pte_nus_dpg&f=m).

<sup>4</sup> Energy Information Administration, *U.S. Field Production of Crude Oil (1920-2012)*, February 27, 2013, <http://www.eia.gov/dnav/pet/hist/l.eafHandler.ashx?n=p&s=mcrfpus1&f=m>.



- a. Please describe and identify the sources and production levels and prices for crude oil and natural gas liquids produced from domestic sources for the past six months compared to prior-year levels.
  - b. Identify any significant disruptions of domestic crude oil and natural gas liquids production from weather or other causes that have occurred in the past six months compared to prior-year levels.
  - c. Describe the trend in domestic crude oil and natural gas liquids production levels over the past five years, including new sources of domestic supply.
  - d. Describe, for each Petroleum Administration for Defense District (PADD), how these new supplies of crude oil and natural gas liquids, and corresponding increases in production, have affected regional markets for petroleum products and prices over the past five years.
- 2.) Exports and Imports – In 2011, the U.S. became a net exporter of petroleum products for the first time since 1949,<sup>5</sup> a trend that continued in 2012 and 2013. In the past four months alone, gross petroleum product exports have increased from 2.7 million barrels per day to a record 3.2 million barrels per day:<sup>6</sup>
- a. Please describe the volumes, prices, and sources of imports of crude oil and petroleum products into the U.S. for the past six months compared to prior-year levels.
  - b. Describe and identify the volumes, prices, and destinations of exports of crude oil and petroleum products from the U.S. for the past six months compared to prior-year levels.
  - c. Identify any significant disruptions in import or export capacity for crude oil and petroleum products that have occurred in the past six months and their impact on U.S. supplies.
  - d. Describe the trends in imports and exports volumes and prices for crude oil and petroleum products over the past five years, including changes in sources and destinations.
  - e. Describe for each PADD how these changes in exports and imports have affected regional markets for petroleum products and prices.
- 3.) Refining Capacity -- The U.S. oil refining industry has experienced dramatic changes in recent years as the domestic and international oil landscape has evolved. The Congressional Research Service estimates that the number of U.S. refineries has declined over the last decade from 158 to approximately 115 today.<sup>7</sup> Yet, operable capacity, which includes both operating and temporarily idled capacity, has increased during that time from 16.5 million barrels a day to over 18 million barrels a day. At the same time, refining companies have retrofitted their facilities to accommodate changing supplies of

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<sup>5</sup> Chris Kahn, *In a first, gas and other fuels are top US export*, Associated Press (via LexisNexis), December 31, 2011.

<sup>6</sup> Energy Information Administration, U.S. Exports of Crude Oil and Petroleum Products, February 27, 2013, <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MITTEXUS2&f=M>.

<sup>7</sup> Antony Andrews, et al., *The U.S. Oil Refining Industry: Background in Changing Markets and Fuel Policies*, Congressional Research Service, December, 2012.



“sweet” and “sour” crude oil stocks, and several northeastern refineries that were designated for closure have been acquired by new owners and remain in operation.<sup>8</sup>

- a. Please describe the changes in U.S. refinery capacity and ownership as they exist today compared to the prior-year period for each PADD.
  - b. Provide the EIA’s estimate of the refiners’ average monthly cost of crude for each PADD for the most recent six month period and describe how these estimates compare with the prior year period.
  - c. Identify any significant disruptions of refinery capacity from accidents or other unplanned causes that have occurred in the past six months, and their impact on regional market supply and price. How does the most recent six-month period compare to the same timeframe over the past five years?
  - d. One of the widely reported reasons for price increases in the first two months of the year was the unusually large amount of “turnarounds,” or planned maintenance of oil refineries, this year, which reduced refining capacity.<sup>9</sup> For each PADD, please describe the status of refinery turnarounds that have occurred over the past six months compared to the prior year. How does the most recent six-month period compare to the same timeframe for each of the past five years?
  - e. Describe, for each PADD, how changes in refinery capacity and ownership have affected regional markets for supply of petroleum products and prices over the past five years. Please include an analysis of changes in market concentration and market power as a result of consolidation and ownership changes.
- 4.) Transportation and Mid-Stream Capacity – Changes in the pipeline system, such as the reversal of the Seaway Pipeline and expansion of railroad capacity have acted to alleviate some of transportation constraints resulting from shifts in crude oil supply. Reuters reports that shipment of crude oil by rail have increased from 11,000 barrels per day in 2007 to 340,000 barrels per day in 2012.<sup>10</sup> During recent catastrophic weather events, Jones Act waivers have been issued to increase transportation capacity.<sup>11</sup> At the same time, major refining companies have sold or transferred a number of product terminals and associated pipelines to unaffiliated entities:<sup>12</sup>
- a. Identify and describe any significant disruptions in pipeline, rail, barge or other types of petroleum transportation during the past six months that would have

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<sup>8</sup> See for example: Carlyle Group, The Carlyle Group and Sunoco Agree to Form Philadelphia Refinery Joint Venture, July 1, 2012, <http://www.carlyle.com/news-room/news-release-archive/carlyle-group-and-sunoco-agree-form-philadelphia-refinery-joint-ventu>; and Delta Air Lines, Delta Subsidiary to Acquire Trainer Refinery Complex, April 30, 2012, <http://news.delta.com/index.php?s=43&item=1601>.

<sup>9</sup> Selam Gebrekidan, *US Midwest, Gulf Coast gear up for heavy refinery maintenance*, Reuters, January 18, 2013, [http://articles.chicagotribune.com/2013-01-18/news/sns-rt-refinery-maintenanceus11e9ci580-20130118\\_1\\_bpd-oil-futures-refiners](http://articles.chicagotribune.com/2013-01-18/news/sns-rt-refinery-maintenanceus11e9ci580-20130118_1_bpd-oil-futures-refiners)

<sup>10</sup> Nicole Mordant, *Analysis: Crude-by-rail carves out long-term North American niche*, Reuters, November 4, 2012.

<sup>11</sup> The Merchant Marine Act of 1920, commonly known as the Jones Act, requires all shipping between points within the United States be carried by vessels built in the United States; owned by American citizens/companies and manned with U.S. citizen crews. The Administration is given authority to waive these requirements in the interest of national defense (46 USC 501).

<sup>12</sup> For example, see Olivia Pulsinelli, *Buckeye completes \$260M purchase of Chevron marine terminal facility*, *Houston Business Journal*, July 27, 2012, [http://www.bizjournals.com/houston/morning\\_call/2012/07/buckeye-completes-260m-purchase-of.html](http://www.bizjournals.com/houston/morning_call/2012/07/buckeye-completes-260m-purchase-of.html); and Starr Spencer, *Hess to sell last refinery, US oil terminals*, *Platts Oigram News* (via Lexis Nexis), January 29, 2013.



- contributed to reduced petroleum supplies or increased prices. Please identify which markets were affected and to what degree?
- b. EIA data shows that recent crude and gasoline stocks have been at above-average levels. How do the levels of crude and petroleum products in storage, nationally and for each PADD, over the past six months compare to the prior-year period, and to the comparable period over the past five years?
  - c. Please describe, for each PADD, changes in pipeline capacity and ownership over the past five years and how they have affected regional markets for supply of petroleum products and prices. Please include changes in market concentration and market power as a result of consolidation and ownership changes, especially in key price-setting locations such as Cushing, Oklahoma and New York Harbor.
  - d. Describe, for each PADD, changes in terminal capacity and ownership over the past five years and how they have affected regional markets for supply of petroleum products and prices including changes in market concentration and market power as a result of consolidation and ownership changes, especially in key price-setting locations such as Cushing, Oklahoma and New York Harbor.
  - e. Describe how capacity and ownership for railroad transportation of crude and petroleum products have changed over the past five years and which markets have benefited from these changes.
  - f. How much Jones Act-qualified capacity exists to transport petroleum within the United States? Have Jones Act waivers been used to relieve other transportation constraints? If so, to what extent?
  - g. What data does EIA collect on the ownership of crude and petroleum products in storage?
- 5.) Consumption – According to EIA, in 2012, U.S. liquid fuel consumption fell 394,000 barrels per day, roughly 2.1 percent below 2011 levels. Increased fuel efficiency in the U.S. automobile fleet has contributed to reductions in gasoline consumed by American drivers. One recent report estimated that efficiency improvements in light-duty vehicles bought since 2007 alone saved 6.1 billion gallons of fuel over five years:<sup>13</sup>
- a. Please describe levels of consumption and retail prices of gasoline and distillate fuels in the U.S. nationally and for each PADD for the past six months compared to the year-prior period.
  - b. To what extent have higher retail prices over the last six months affected U.S. consumption of gasoline and distillates?
  - c. Please describe the trends in domestic consumption and retail prices of gasoline and distillate fuels nationally and for each PADD over the last five years.
  - d. Please describe, for each PADD, how changes in consumption of gasoline and distillate fuels have affected regional markets for supply of the respective products over the past five years.

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<sup>13</sup> Michael Sivak and Brandon Schoettle, *Benefits of Recent Improvement in Vehicle Fuel Economy on Overall Fuel Consumption and Emissions*, Report No. UMTRI-2012-27, University of Michigan Transportation Research Institute, October, 2012. <http://deepblue.lib.umich.edu/bitstream/handle/2027.42/93781/102888.pdf>

Administrator Sieminski  
March 11, 2013  
Page 5

Recognizing the significant amount of information being requested, please respond to the questions directly related to past six months and comparable prior year periods first (Questions 1a, 1b, 2a, 2b, 2c, 3a, 3b, 3c, 3d, 4a, 4b, 5a, and 5b). The information that you provide in response to these questions will be important for the Committee as it prepares for its hearing. Thank you for your attention to this matter.

Please contact David Berick or Peter Gartrell on the committee staff with any questions at (202) 224-4971.

Sincerely,



Ron Wyden  
Chairman

cc: Lisa Murkowski, Ranking Member