Black Gold: The Case for Exporting Oil to S. Korea

By Vance Trefethen

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An archaic law left over from the dark days of the Arab oil embargo of the 1970s is still on the books. But energy trade policies dating back to the days of Presidents Nixon and Ford aren’t viable in the 21st century. Let’s make things better by affirming that: The United States federal government should substantially reform its trade policy with one or more of the following nations: China, Japan, South Korea, Taiwan.

OBSERVATION 1. We offer the following DEFINITIONS.

**Trade**: “: the activity or process of buying, selling, or exchanging goods or services” (*Merriam Webster Online Dictionary, copyright 2015* [*http://www.merriam-webster.com/dictionary/trade*](http://www.merriam-webster.com/dictionary/trade)*)*

**Policy**: “a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body” (*Merriam Webster Online Dictionary, copyright 2015* [*http://www.merriam-webster.com/dictionary/policy*](http://www.merriam-webster.com/dictionary/policy))

OBSERVATION 2. INHERENCY, or the structure of the Status Quo. Two key FACTS about our current policy

FACT 1. US oil exports are blocked. A 1970s-era law blocks exports of US crude oil

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

After the 1973 Arab oil embargo, however, international crude prices soared, giv­ing US producers an incentive to sell their crude abroad. To defend domestic price controls, the government introduced oil export restrictions. While price controls have long since been abandoned, oil export restrictions persist.

FACT 2. South Korea wants restrictions lifted, so they can import US oil

Reuters news service 2014. (journalists [VALERIE VOLCOVICI](http://blogs.reuters.com/search/journalist.php?edition=us&n=valerie.volcovici&), [TIMOTHY GARDNER](http://blogs.reuters.com/search/journalist.php?edition=us&n=tim.gardner&) AND MEEYOUNG CHO) 1 Sept 2014 Exclusive: From Seoul to Mexico City, pressure mounts to ease U.S. oil export ban <http://www.reuters.com/article/2014/09/01/us-oil-exports-usa-idUSKBN0GW31L20140901>

Washington is facing growing international pressure to ease its long standing ban on crude oil exports, with South Korea and Mexico joining the European Union in pressing the case for U.S. oil shipments overseas. South Korean President Park Geun-hye told a visiting U.S. delegation of lawmakers on the House of Representatives energy committee on Aug. 11 that tapping into the gusher of ultra-light, sweet crude emerging from places like Texas and North Dakota was a priority, the lawmakers said. One of South Korea's leading refiners has opened discussions with the government in Seoul over how to encourage Washington to open the taps, three sources in South Korea with direct knowledge of the matter told Reuters.

OBSERVATION 3. We offer the following PLAN to do exactly that.

1. Congress votes to allow unrestricted crude oil exports to South Korea.

2. Enforcement: Through existing export control enforcement methods and personnel.

3. Funding: From existing budgets of existing agencies.

4. Timeline: Immediately upon an Affirmative ballot.

5. All Affirmative speeches may clarify as needed.

OBSERVATION 4. ADVANTAGES

ADVANTAGE 1. Improve South Korean economy. We see this in 2 sub-points:

A. Cheaper US oil would benefit South Korean industries

Phillip Brown, Robert Pirog, Adam Vann, Ian Fergusson, Michael Ratner & Jonathan Ramseur 2014. (All are with Congressional Research Service: Brown - Specialist in Energy Policy. Pirog - Specialist in Energy Economics. Vann - Legislative Attorney. Fergusson - Specialist in International Trade and Finance. Ratner - Specialist in Energy Policy. Ramseur - Specialist in Environmental Policy) 31 Dec 2014 U.S. Crude Oil Export Policy: Background and Considerations <https://www.fas.org/sgp/crs/misc/R43442.pdf>

Compared to some reported U.S. prices, South Korean refiners have paid approximately $20 per barrel of condensate more than U.S. refiners in some regions. This large price spread represents a potential opportunity for South Korean buyers (i.e., lower price paid) and U.S. oil producers (i.e., higher value received), even when factoring in transportation costs. Additionally, by sourcing condensate from an alternative and potentially lower cost supplier, South Korea could use this as leverage to encourage Qatar to lower its condensate price. Ultimately, these outcomes would improve the economics and profitability of South Korean refiners and petrochemical companies.

B. US imports would reduce risk by reducing price fluctuations

Reuters news service 2014. (journalists [VALERIE VOLCOVICI](http://blogs.reuters.com/search/journalist.php?edition=us&n=valerie.volcovici&), [TIMOTHY GARDNER](http://blogs.reuters.com/search/journalist.php?edition=us&n=tim.gardner&) AND MEEYOUNG CHO) 1 Sept 2014 Exclusive: From Seoul to Mexico City, pressure mounts to ease U.S. oil export ban <http://www.reuters.com/article/2014/09/01/us-oil-exports-usa-idUSKBN0GW31L20140901>

In the midst of a shale revolution, the United States is soon expected to surpass both Russia and Saudi Arabia as the world's largest producer. While fully overturning the ban would require Congressional action that most consider unlikely in the near-term, many argue that Obama could gradually allow for more oil to flow abroad through existing means. New supplies would be welcome in South Korea, which relies on imports to cover 97 percent of its energy needs and has been pressured to curb purchases from OPEC member Iran -- once one of its primary suppliers -- due to U.S. and EU sanctions introduced in 2012. "Depending on one source too much raises risks," said James Kim, research fellow at the Asan Institute for Policy Studies think tank in Seoul. "If we have various sources to import crude including the United States, it will help reduce price fluctuations."

ADVANTAGE 2. Lower gasoline prices

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council, and, prior to that, holding senior policy positions on the White House’s National Economic Council and Council on Environmental Quality; currently professor of professional practice at Columbia’s School of International and Pub­lic Affair and serves as founding Director of SIPA’s Center on Global Energy Policy. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; is also a visiting fellow at the Peterson Institute for International Economics in Washington and serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee ) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/on-the-record/navigating-us-oil-export-debate>

If recent production growth rates continue, a shortage of US light crude refining capacity will likely reduce domestic crude prices relative to international levels, slowing the pace of upstream investment and future crude output. Modifying or removing crude export restrictions would prevent this from occurring by allowing domestic producers to compete in global markets. Permitting companies to export crude oil in greater quantities may reduce the rents refiners receive relative to leaving current restrictions in place, but will likely decrease the price Americans pay for gasoline, diesel and other petroleum products and benefit the US economy as a whole.

ADVANTAGE 3. New American jobs

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy, Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

Letting drillers reap extra profits from selling crude oil overseas, if the market dictates, would provide greater incentives for drilling, stimulating new supply. It would also encourage investment in oil and gas production in the United States rather than abroad. In oil-producing regions, more workers would be hired for oil exploration and production, as well as for local service industries. Greater policy certainty regarding exports would also catalyze the expansion of U.S. energy infrastructure.

ADVANTAGE 4. Weakens OPEC.

**US oil exports, even in small quantities, would benefit the US and world economies by weakening the Organization of Petroleum Exporting Countries, OPEC – a cartel that heavily influences global oil markets. We see this in 2 subpoints:**

A. The Link: Any additional US oil exports would dilute OPEC’s market share.

Phillip Brown, Robert Pirog, Adam Vann, Ian Fergusson, Michael Ratner & Jonathan Ramseur 2014. (All are with Congressional Research Service: Brown - Specialist in Energy Policy. Pirog - Specialist in Energy Economics. Vann - Legislative Attorney. Fergusson - Specialist in International Trade and Finance. Ratner - Specialist in Energy Policy. Ramseur - Specialist in Environmental Policy) 31 Dec 2014 U.S. Crude Oil Export Policy: Background and Considerations <https://www.fas.org/sgp/crs/misc/R43442.pdf>

Should the United States remove barriers to crude oil exports, the amount of exports may not matter as much as the psychological impact. The view that the United States is committed to the global energy market may have the greatest effect. Even in the long run, most industry analysts do not project that the United States will produce more crude oil than it consumes (see Figure 1). Nevertheless, any additional barrels that the United States produces will dilute OPEC’s market share, assuming demand stays the same, and this may be viewed positively by most oil-consuming countries.

B. The Impact: This is good for us because OPEC is bad for the US economy

Dr. [Roger Meiners](http://www.perc.org/staff/roger-meiners) & Dr. [Andrew Morriss](http://www.perc.org/staff/andrew-morriss) 2013. (Meiners -  law degree from the University of Miami and Ph.D. in economics from Virginia Tech Univ. Morriss – law degree from the University of Texas at Austin; Ph.D. in economics from the Massachusetts Institute of Technology ) 19 July 2013 “What’s Wrong With the Global Oil Market?” <http://www.perc.org/articles/what-s-wrong-global-oil-market>

Monopolies drive up prices and lower productivity and misallocate resources. One study estimated the cost of OPEC to the U.S. economy was as much as $500 billion in 2008. The price volatility caused by OPEC harms American interests no matter how the price moves. When OPEC forces the price of oil higher, Americans have transferred a premium to OPEC nations beyond what the competitive market price of oil would have been. When OPEC suffers a collapse, the price at times has fallen so low as to disincentivize alternatives to oil, as well as new, higher-cost oil supplies.

2A EVIDENCE: EXPORT OIL TO S. KOREA

DEFINITIONS & BACKGROUND

Definitions of “condensate”

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

Condensate is very light hydrocarbon liquid. While there is no precise definition, it is generally considered to be higher than 50 degrees API gravity. Condensate is treated differently for export purposes depending on its source— even if the liquid from the different sources are chemically essentially the same thing. Condensate that comes straight off a wellhead—so-called lease condensate—is considered crude oil from the perspective of BIS regulations and thus is not exportable without a license. “Plant condensate” that results from the processing of natural gas, on the other hand, is allowed to be exported.

OPENING QUOTES

The oil export ban was useless in the 1970s and is harmful now

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy, Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

When Congress in the 1970s made it illegal to export domestically produced crude oil without a license, the goal of the legislation was to conserve domestic oil reserves and discourage foreign imports. In reality, the export ban did not help accomplish either of these objectives. It has now become more of a hindrance than a help.

INHERENCY

“S. Korea got a shipment of condensate from Texas in 2014” – Response: And then Obama stopped any further shipments.

**Analysis: Even if he allowed other shipments later, it shows status quo law is at the President’s whim because he can interpret the regulations how ever he wants to. We need Congress to fix the law clearly.**

Reuters news service 2014. (journalists [VALERIE VOLCOVICI](http://blogs.reuters.com/search/journalist.php?edition=us&n=valerie.volcovici&), [TIMOTHY GARDNER](http://blogs.reuters.com/search/journalist.php?edition=us&n=tim.gardner&) AND MEEYOUNG CHO) 1 Sept 2014 Exclusive: From Seoul to Mexico City, pressure mounts to ease U.S. oil export ban <http://www.reuters.com/article/2014/09/01/us-oil-exports-usa-idUSKBN0GW31L20140901>

In March, the U.S. Department of Commerce approved exports from two domestic companies, Pioneer Natural Resources and Enterprise Product Partners, of lightly processed condensate. A first cargo of 500,000 barrels was loaded in Texas City, Texas at the end of July and is expected to reach South Korea on Sept. 10. But since the Commerce Department's decision became public in June, at least three further applications have been put on hold as the Obama administration sorts out policy on the ban.

“Condensate exports were legalized” – Response: But not much happened

Gregory Meyer, Neil Hume, Anjli Raval 2015. (journalists) Financial Times, 7 Jan 2015 US export code adds to bearish oil outlook <http://www.ft.com/cms/s/0/2edcccce-95e2-11e4-a390-00144feabdc0.html> (brackets added)

The government guidelines would enable energy companies to export condensate that has been processed by an even simpler, cheaper unit called a stabiliser that can be installed in an oilfield. Jake Dweck, a partner at the Sutherland law firm and expert on oil export policy, says the new guidance shows that “the Obama White House has given the green light to processed condensate exports under the ambit of current law”. Analysts are uncertain how much US condensate will now enter the world market, however. Since the private rulings last year, US condensate exports have been modest — no more than 25,000 b/d [barrels per day], Energy Information Administration [data](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=M_EPOUK_EEX_NUS-Z00_MBBLD&f=M" \t "_blank" \o "US exports - EIA.gov) show.

“Distillation and condensate exports were legalized” – Response: Regulations are not clear, and we don’t know what may be exported. Also, requires companies to use $150 million equipment to pre-process the oil before exporting

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

Second, the Department of Commerce could proceed with a flexible approach in its application of existing laws and regulations. This approach seems to have been evident re­cently when it granted classification rulings to Pioneer and Enterprise to export condensate processed through stabi­lizers that include a simple distillation tower. And it was further evident when BIS on December 30 2014 issued a set of FAQs that identified six factors it will consider, among others, in determining whether liquid hydrocar­bons have been “processed through a crude oil distillation tower.” As discussed previously, these factors make clear that other companies may now export lightly processed condensate that has been both stabilized and processed through a field distillation tower, and may open the door beyond condensate to some exports of light oil (e.g., 40 or 45 API gravity) processed through simple and cheaper (around $150 to 200 million) stabilization and distillation units. The volume of condensate and light oil that will be permissible to export will be determined by how flexi­bly and permissively BIS interprets the new FAQs that it has issued. Because the classification rulings are not public, it is difficult to know exactly how the FAQs will be applied in practice and what reasoning is used to reach findings about what may or may not be exported.

Exporting condensate isn’t enough – it is very limited; covers only 10% of the oil supply growth

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

While allowing condensates to be sold to other countries would be a meaningful adjustment to current export restric­tions, there are limitations policymakers should consider. It is important to bear in mind that condensate exports provide some relief but do leave the fundamental market problem largely unaddressed. While condensate produc­tion has grown rapidly, the EIA estimates it accounts for only 10 percent of the total increase in US light oil supply growth since 2011.

“Companies can get exemptions” – Response: The process is complicated and unlikely to succeed, so they don’t even try

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

When Congress in the 1970s made it illegal to export domestically produced crude oil without a license, the goal of the legislation was to conserve domestic oil reserves and discourage foreign imports. In reality, the export ban did not help accomplish either of these objectives. It has now become more of a hindrance than a help. The opaqueness of the export approval process discourages would-be exporters from applying for licenses. Companies see a lack of legal clarity and fear inconsistent regulation. They are hesitant to incur negative publicity on Capitol Hill when they doubt they will be granted approval.

“We’re exporting already” – Response: Only under very specific exemptions. Otherwise, exports are banned

**[Note that “exporting to South Korea” is not on the list of exemptions]**

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

Crude oil exports are not allowed unless they fit into one of the following categories, for which an export license from BIS is required, or upon an individualized showing that export is in the national interest:  
Exports from Alaska’s Cook Inlet   
Exports to Canada for consumption or use therein   
Exports in connection with refining or exchange of strategic petroleum reserve oil   
Exports of heavy California crude oil up to an av­erage volume not to exceed 25,000 b/d   
Exports that are consistent with certain interna­tional agreements   
Exports that are consistent with findings made by the president under an applicable statute   
Exports of foreign origin crude oil where the ex­porter can demonstrate that it has not been com­ingled with oil of US origin   
Exports pursuant to an exchange meeting statu­tory criteria

Korea is not going to develop any significant amount of its own domestic oil

International Energy Agency 2011. (independent international organization of 29 countries; founded in 1974 to help countries co-ordinate a collective response to major disruptions in the supply of oil) “Oil & Gas Security – Emergemcy Response of IEA Countries” <http://www.iea.org/publications/freepublications/publication/korea_oss2011.pdf>

Korea National Oil Corporation (KNOC) is the only producer of condensate in Korea. KNOC has drilled 43 wells in the continental shelf to explore possible oil and gas reserves since the early 1980s, and finally discovered a commercially viable gas field called Donghae-1, which is located about 60 km southeast of Ulsan. The Donghae-1 offshore field began commercial production of gas and condensate in 2004. A significant increase of domestic oil production is not expected in Korea.

SIGNIFICANCE

How much crude oil does South Korea import? 2.37 million barrels / day, mostly from the Middle East

International Energy Agency 2011. (independent international organization of 29 countries; founded in 1974 to help countries co-ordinate a collective response to major disruptions in the supply of oil) “Oil & Gas Security – Emergemcy Response of IEA Countries” <http://www.iea.org/publications/freepublications/publication/korea_oss2011.pdf>

Korea has very little indigenous oil production, which averaged at 21 kb/d [thousand barrels per day] in 2010. Korea’s oil demand increased from 2.14 mb/d in 2000 to 2.25 mb/d in 2010, with an annual average growth rate of 0.5%. Korea is a big consumer of naphtha mainly for the petrochemical industry. Korea’s oil imports in 2010 were 3.14 mb/d [million barrels per day], consisting of 2.37 mb/d [million barrels per day] of crude oil. Korea is highly dependent on the Middle East, which accounted for some 82% of the total crude oil imports in 2010.

How much crude oil could the US export? Up to 2 million barrels/day, and it would not raise gas prices

Dr. Arthur Herman 2015. (Ph.D. in history from [Johns Hopkins University](https://en.wikipedia.org/wiki/Johns_Hopkins_University); senior fellow at the Hudson Institute) 26 May 2015 “Crude Story” THE AMERICAN INTEREST <http://www.the-american-interest.com/2015/05/26/crude-story/>

A host of studies, including by both the Houston-based energy research firm IHS Cambridge Associates and by NERA Economic Consulting for the Brookings Institution, suggest that U.S. oil exports will not raise gasoline prices but lower them. More specifically, NERA estimates that even if the U.S. producers exported as much as two million barrels a day—roughly one quarter of current production—the price plunge might be as much as $5–7 per barrel in the first year, with further price declines following over the next decade. The report concludes that the price drop at the pump would be in the 8-12 cents per gallon zone, even if the decline in supply of LTO for domestic production means a growing convergence of West Texas Intermediate and Brent crude prices.

SOLVENCY / ADVOCACY

South Korea wants US oil exports

Phillip Brown, Robert Pirog, Adam Vann, Ian Fergusson, Michael Ratner & Jonathan Ramseur 2014. (All are with Congressional Research Service: Brown - Specialist in Energy Policy. Pirog - Specialist in Energy Economics. Vann - Legislative Attorney. Fergusson - Specialist in International Trade and Finance. Ratner - Specialist in Energy Policy. Ramseur - Specialist in Environmental Policy) 31 Dec 2014 U.S. Crude Oil Export Policy: Background and Considerations <https://www.fas.org/sgp/crs/misc/R43442.pdf>

Increased U.S. crude oil and condensate supply—especially price discounts for crude and condensate in some U.S. regions—has motivated several countries to call for ending U.S. crude oil export restrictions. South Korea has been vocal about its interest in purchasing U.S. crude oil and condensate. In August 2014, South Korean President Park Geun-hye expressed to U.S. lawmakers that getting access to U.S. condensate is a priority. In particular, South Korean refiners and petrochemical companies could potentially benefit financially from access to U.S. condensate.

Specific Advocacy: The US should pick a nation like S. Korea or India and export oil only to them, and not export to the world in general

Dr. Arthur Herman 2015. (Ph.D. in history from [Johns Hopkins University](https://en.wikipedia.org/wiki/Johns_Hopkins_University); senior fellow at the Hudson Institute) 26 May 2015 “Crude Story” THE AMERICAN INTEREST <http://www.the-american-interest.com/2015/05/26/crude-story/>

This means that an outright lifting of the ban could quickly dissipate our current shale advantage, whereas a carefully modulated petro-diplomacy strategy would husband and exploit it. Of course, some will object that this approach borders on neo-mercantilism, thus overthrowing a sacrosanct principle of American diplomacy, namely promotion of free trade. Yet the sober truth is that the vast majority of bilateral “free trade agreements” are anything but; most contain loopholes for certain favored industries and products that remain protected by tariffs, import quotas, or other mechanisms. A real free-trade agreement need be only one page long; but there are no such agreements. Right now the United States has very little leverage for advancing freer trade on a bilateral basis. Oil trade deals with countries like South Korea or India could become among the most valuable levers we have.

For inherency refutation on “Status Quo is legalizing distillation and condensates” – Dr. Herman in 2015 knew about those trends and still advocates our plan. This is from the same article as the plan advocacy above:

Dr. Arthur Herman 2015. (Ph.D. in history from [Johns Hopkins University](https://en.wikipedia.org/wiki/Johns_Hopkins_University); senior fellow at the Hudson Institute) 26 May 2015 “Crude Story” THE AMERICAN INTEREST <http://www.the-american-interest.com/2015/05/26/crude-story/>

America’s energy security faces a strange paradox. On the one hand, we are the only leading industrial nation that prohibits crude oil exports. On the other, foreign tankers regularly line up at the dock in Galveston, Texas, to take on what is not supposed to leave the country, namely, crude oil—almost half a million barrels to South Korea alone last September and October. The paradox is explained by the fact that this exported oil is ultra-light condensate from natural gas extraction, which the Commerce Department has decided is not crude oil as defined under the law Congress passed back in 1975 to ban oil exports.

“US refineries / markets aren’t saturated yet” – Response: We shouldn’t wait ‘til they get saturated, we should export now

Elizabeth Rosenberg 2015 (director of the Center for a New American Security’s Energy, Economics, and Security Program) quoted in OIL & GAS JOURNAL 15 Apr 2015 More witnesses urge Congress to repeal US crude oil export ban <http://www.ogj.com/articles/2015/04/more-witnesses-urge-congress-to-repeal-us-crude-oil-export-ban.html>

“Lifting crude export restrictions makes sense even as lower oil prices slow investment and drilling in the US, and domestic refiners consider expanding their capacity to absorb more light oil,” Rosenberg said. “These factors may delay the point at which the US market is totally saturated with crude and the export restrictions stall out domestic oil production growth. However, responsible policy should intervene far before the oil market reaches such dire conditions.”

ADVANTAGES

Exporting oil would save the US domestic shale oil industry from collapse

Dr. Arthur Herman 2015. (Ph.D. in history from [Johns Hopkins University](https://en.wikipedia.org/wiki/Johns_Hopkins_University); senior fellow at the Hudson Institute) 26 May 2015 “Crude Story” THE AMERICAN INTEREST <http://www.the-american-interest.com/2015/05/26/crude-story/>

*Wall Street Journal* columnist Holman W. Jenkins Jr. has even predicted that a failure to permit oil exports will cripple the shale boom altogether. Taken together with falling global prices over the past year, the discount domestic producers are still forced to take from American refiners will discourage more exploration and production. “With the global oil price 50 percent lower than it was a year ago”, Jenkins notes, “the difference between the depressed world price and the even more depressed domestic price inevitably is the margin of ruin for some producers.”

Restrictions on oil exports undermine the US economy – exports would solve

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy, Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

Restrictions on crude oil exports are already beginning to undermine the efficiency of the U.S. oil economy. Much of the country's rapidly growing production of light crude oil, including lease condensates (i.e., ultra-light oil), comes from either areas where refiners are not interested in or able to process it, given that many U.S. refineries are configured to run lower-quality crude oil, or in parts of the country with inadequate transportation infrastructure. With few viable domestic buyers, producers are forced to choose between leaving oil in the ground and pumping it at depressed prices. These artificially low prices slow additional U.S. crude oil production. New refineries and pipelines currently under construction will help remedy some of these market distortions over time, but a simpler, more cost-effective solution would include allowing U.S. crude to be exported.

US exports would contribute to world oil market stability

Phillip Brown, Robert Pirog, Adam Vann, Ian Fergusson, Michael Ratner & Jonathan Ramseur 2014. (All are with Congressional Research Service: Brown - Specialist in Energy Policy. Pirog - Specialist in Energy Economics. Vann - Legislative Attorney. Fergusson - Specialist in International Trade and Finance. Ratner - Specialist in Energy Policy. Ramseur - Specialist in Environmental Policy) 31 Dec 2014 U.S. Crude Oil Export Policy: Background and Considerations <https://www.fas.org/sgp/crs/misc/R43442.pdf>

If world oil prices decline as a result of U.S. exports, this could result in somewhat lower petroleum product prices for U.S. consumers as refiners use a mixture of domestic and imported crude oils that are tied to the world price of oil. This could occur if the quantity weighted reduction in world prices more than offset the quantity weighted increase in regional domestic prices. Although a fall in world oil prices might be predicted, its magnitude may be small should the amount of U.S. crude oil exports be small relative to the world market. By contributing to an increase in world spare capacity, U.S. exports could contribute to less volatile prices in the world oil market. Price stability, coming from less reaction to the numerous supply problems that plague the supply side of the market, could reduce market uncertainty, possibly bringing benefits to national and international energy planners.

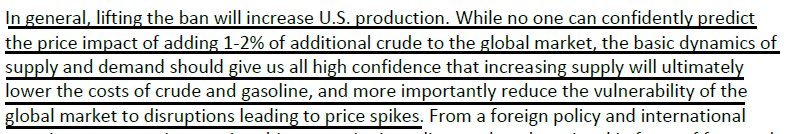
Impact of OPEC: They restrict oil supplies, raise prices, lower productivity and misallocate resources

Dr. [Roger Meiners](http://www.perc.org/staff/roger-meiners) & Dr. [Andrew Morriss](http://www.perc.org/staff/andrew-morriss) 2013. (Meiners -  law degree from the University of Miami and Ph.D. in economics from Virginia Tech Univ. Morriss – law degree from the University of Texas at Austin; Ph.D. in economics from the Massachusetts Institute of Technology ) 19 July 2013 “What’s Wrong With the Global Oil Market?” <http://www.perc.org/articles/what-s-wrong-global-oil-market>

First, the oil market is far from the free market of economics textbooks. OPEC, which came to prominence in the 1970s, is what MIT professor and oil expert Morris Adelman termed a “clumsy cartel.” When it is effective, it has an impact. OPEC works to restrict supply. Saudi Arabia’s announcement in January 2013 that it had cut production five percent in December 2012 led oil prices for February delivery to climb 72 cents per barrel. Monopolies drive up prices and lower productivity and misallocate resources.

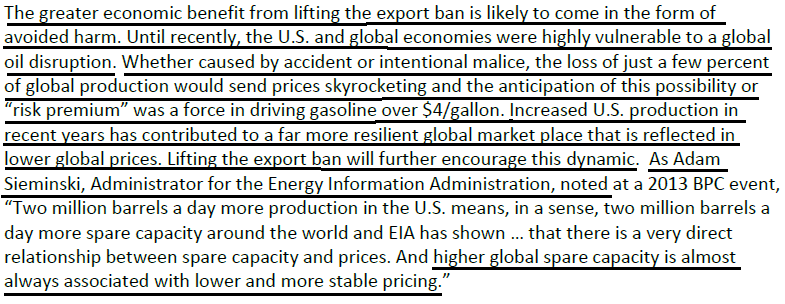
Exporting would help stabilize world oil markets

Jason Grumet 2015 (President, Bipartisan Policy Center) 14 Apr 2015 testimony before the US House of Representatives Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, Subcommittee Hearing: The Crude Oil Export Ban: Helpful or Hurtful? <http://docs.house.gov/meetings/FA/FA18/20150414/103314/HHRG-114-FA18-Wstate-GrumetJ-20150414.pdf>



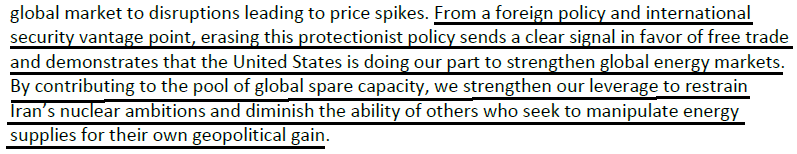
Lifting the export ban would benefit the US and global economy by stabilizing global oil prices

Jason Grumet 2015 (President, Bipartisan Policy Center) 14 Apr 2015 testimony before the US House of Representatives Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, Subcommittee Hearing: The Crude Oil Export Ban: Helpful or Hurtful? <http://docs.house.gov/meetings/FA/FA18/20150414/103314/HHRG-114-FA18-Wstate-GrumetJ-20150414.pdf>



Exporting would reduce foreign market manipulation

Jason Grumet 2015 (President, Bipartisan Policy Center) 14 Apr 2015 testimony before the US House of Represenattives Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade, Subcommittee Hearing: The Crude Oil Export Ban: Helpful or Hurtful? <http://docs.house.gov/meetings/FA/FA18/20150414/103314/HHRG-114-FA18-Wstate-GrumetJ-20150414.pdf>



DISADVANTAGE RESPONSES

Net benefits outweigh disadvantages, and any potential oil market risks would be self-correcting

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy, Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

Without compelling reasons for continuing to restrict crude exports, and given the potential benefits, Congress should liberalize the crude oil export regime. Republicans and Democrats alike, including President Obama, express support for boosting U.S. exports in general. Crude oil should be no exception. Some observers might object to exports on the grounds that U.S. oil production could fall short of today's optimistic forecasts or that exports will cause gasoline prices to rise. These should not be major concerns. U.S. crude exports are self-limiting: if the supply gains expected do not materialize, the market will induce producers to keep the oil at home rather than to send it abroad. Though the companies that benefit from today's export restrictions might oppose any change in the status quo, the broader gains available to the United States from allowing crude exports make it the far better choice.

“Oil shortages in the US” – Response: US oil production is booming, there’s plenty of oil to export

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf> (Brackets added)

While US oil export restrictions have evolved gradually over the past forty years, US oil market conditions changed dramatically over the past few years, prompting a reevalua­tion of export restrictions in their entirety. The application of hydraulic fracturing, horizontal drilling, and seismic imaging to tight oil formations has catalyzed a renaissance in US oil production. After peaking at 11.3 million b/d in 1970, US production began a multi-decade decline, falling to 6.8 million b/d in 2006. US oil demand grew by 6 million b/d over the same period, leaving the country de­pendent on imports for up to 60 percent of total supply. Since 2008, however, US oil production has recovered dra­matically. Crude supply is up more than 3.8 million b/d as of September 2014, to 8.86 million b/d [barrels per day], with significant gains in 2012, 2013 and 2014. Production of oil-like natural gas liquids (NGLs) from shale and other gas wells has doubled from 1.7 to 3.3 million b/d, bringing the total US supply to 11.9 million b/d. This surge has entirely erased the previous multidecade decline (Figure 3).

“Higher gasoline prices” – Response: Gas prices would fall with more crude oil exports

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; currently professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group (RHG) and leads the firm’s energy and natural resources practice; serves on the US Trade Representative’s Trade and Environment Policy Advisory Committee) Columbia Univ Center on Energy Policy, 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

Perhaps the key issue, substantively and politically, in the debate about whether to allow crude exports has been the perception that such a move would push up prices at the pump for consumers. Both economic theory and empirical evidence, however, suggest refined product prices would fall, not rise, if exports were allowed.

Deeper analysis & warrants: Why crude oil export restrictions don’t lower gas prices inside the US

Prof. Jason Bordoff and Trevor Houser 2015. (Bordoff – former Special Assistant to the President and Senior Director for Energy and Climate Change on the Staff of the National Security Council; professor of professional practice at Columbia’s School of International and Pub­lic Affairs. Houser – attorney with the Rhodium Group and leads the firm’s energy and natural resources practice; serves on US Trade Representative’s Trade and Environment Policy Advisory Committee) 16 Jan 2015 “Navigating the US Oil Export Debate” <http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf>

Indeed, this is exactly what’s occurred over the past few years. Between 2011 and 2013, PADD 2 refiners paid 16 percent less, on average, per barrel of crude than PADD 1 refiners, thanks to infrastructure bottlenecks between the US Midcontinent and the East Coast (Figure 13). PADD 4 refiners paid 22 percent less. Yet the price of gasoline sold by PADD 2 and PADD 4 re­finers was only 1 percent and 1.4 percent lower than PADD 1 refiners over this period respectively (Figure 14). Lower crude costs improved refiner profitability but did not lower prices for consumers. Likewise we would not expect refiners to pass on an export restriction-driven discount in domestic crude costs in refined product prices. To the extent that such a domestic crude discount reduces US crude production, it would increase global crude prices. Higher global crude prices would translate into higher global marginal refining costs which would raise the global price of gasoline, diesel and other refined product prices from which domestic product prices are set.

“Lose our surplus oil and hurt US consumers” – Response: Shale drilling allows more flexibility and stabilizes oil markets

Dr. Arthur Herman 2015. (Ph.D. in history from [Johns Hopkins University](https://en.wikipedia.org/wiki/Johns_Hopkins_University); senior fellow at the Hudson Institute) 26 May 2015 “Crude Story” THE AMERICAN INTEREST <http://www.the-american-interest.com/2015/05/26/crude-story/>

The third and final argument against lifting the 1975 ban is a macroeconomic one, namely, that the energy abundance the shale revolution has produced will dissipate if our surplus is shipped abroad. Related to this argument is the fear that, if oil prices retain their historic volatility, the American consumer could be caught in a vise if prices spike while U.S. producers are exporting too much of the shale supply. On the other hand, a steep drop in prices will induce a cutback in new shale exploration and production, undercutting our abundance at its very source. To support their claim, oil-export critics point to the impact of the recent drop in the price of oil on new shale investment, especially by smaller and mid-size producers. This pessimistic scenario overlooks the fact that shale extraction technology has enabled producers to adopt a much more flexible response to price changes than conventional producers, enabling them to reduce production quickly when prices fall and resume with similar speed when prices rise again. The overall impact has been to provide a new stability to global oil prices, even as other technologies are allowing more efficient production from existing wells. Indeed, oil analyst Rusty Braziel has recently reasoned that even at $35 a barrel, increased drilling efficiency, falling production costs, and heavier reliance on the most productive oil areas will mean sustained production for a large proportion of U.S. shale producers. “I just don’t see a way that the brakes are going to be slammed on”, adds David Knapp of Energy Intelligence.

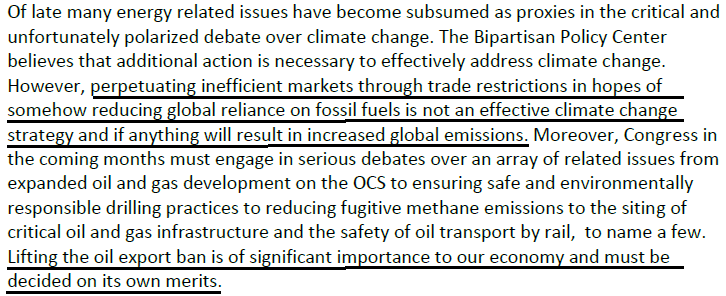
“National Security” – Response: Oil exports won’t hurt national security

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

Allowing crude oil exports will not affect U.S. energy security. Proponents of the export ban might argue that it increases national security by slowing the depletion of U.S. oil fields. Yet the ban also slows production growth, increasing the country's reliance on imported energy. Insofar as oil self-sufficiency would be economically and militarily useful in a time of crisis, removing the ban would increase U.S. security by catalyzing oil production. Were an international emergency to arise, exports could be temporarily suspended, providing extra oil for domestic needs, though such extreme measures would likely hurt U.S. trade relationships.

“Climate Change – increased burning of fossil fuel” – Response: No reason to keep the export ban

Jason Grumet 2015 (President, Bipartisan Policy Center) 14 Apr 2015 testimony before the US House of Represenattives Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade <http://docs.house.gov/meetings/FA/FA18/20150414/103314/HHRG-114-FA18-Wstate-GrumetJ-20150414.pdf>



“US Consumers Hurt / Higher Gas Prices” – Response: US consumers are not benefiting from the export ban

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

As it stands, the primary beneficiaries of the export ban are a few fortunate oil refineries in the central United States—not U.S. consumers—that are able to buy crude oil at depressed prices before selling it at prevailing market rates. Current law arbitrarily works to the benefit of these companies. In several years, a wider range of refineries will benefit from the ban as pipeline capacity constraints are alleviated and more light oil flows to the U.S. Gulf Coast.

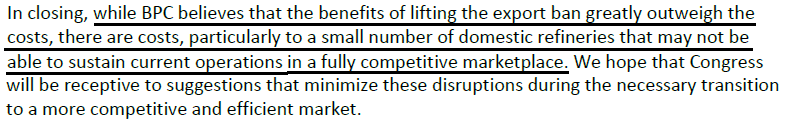
“Environmental impacts” – Response: 1) Regulations will solve 2) Not unique, since regulators will have to deal with US oil drilling anyway regardless of whether we export

[Blake Clayton](http://www.cfr.org/experts/energy-security/blake-clayton/b17617) 2013 (Adjunct Fellow for Energy, Council on Foreign Relations) The Case for Allowing U.S. Crude Oil Exports Policy Innovation Memorandum No. 34, July 2013 <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

To the extent that exports mean greater domestic production of tight oil from hydraulic fracturing, or "fracking," allowing exports could bring environmental risks such as water contamination and local pollution. These risks, however, are manageable through prudent regulation. Continuing to ban crude oil exports is not an effective means of preventing harm to the environment. Environmental regulators will need to manage the risks of oil production regardless of whether the United States exports more crude oil.

“Hurts some US refineries” – Response: Net benefits greatly outweigh

Jason Grumet 2015 (President, Bipartisan Policy Center) 14 Apr 2015 testimony before the US House of Represenattives Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation, and Trade <http://docs.house.gov/meetings/FA/FA18/20150414/103314/HHRG-114-FA18-Wstate-GrumetJ-20150414.pdf>



“Bilateral oil deal would undermine other trade negotiations” – Response: It would promote free trade faster

Dr. Arthur Herman 2015. (Ph.D. in history from [Johns Hopkins University](https://en.wikipedia.org/wiki/Johns_Hopkins_University); senior fellow at the Hudson Institute) 26 May 2015 “Crude Story” THE AMERICAN INTEREST <http://www.the-american-interest.com/2015/05/26/crude-story/>

Some critics will still insist that such bilateral deals will undermine efforts to negotiate comprehensive free trade agreements such as those with the European Union (the Transatlantic Trade and Investment Partnership, or TTIP) or with Asia (the Trans-Pacific Trade Treaty, or TPTT). This is simply untrue. On the contrary, these bilateral oil trade agreements could serve as important curtain raisers for comprehensive agreements already in the works, by lowering tariffs and trade barriers (the goal of every free trade agreement) to a commodity like oil now, rather than waiting until a multilateral deal is done.