



Testimony
Submitted By
The
Independent Petroleum Association of America
To
The
Committee on Energy and Natural Resources
U.S. Senate
Hearing
On
Energy Accountability and Reform Legislation
June 9, 2015

This testimony is filed on behalf of the Independent Petroleum Association of America (IPAA), the American Association of Professional Landmen (AAPL), the Association of Energy Service Companies (AESC), the International Association of Drilling Contractors (IADC), the International Association of Geophysical Contractors (IAGC), the National Stripper Well Association (NSWA), the Petroleum Equipment Suppliers Association (PESA), and the following organizations:

Arkansas Independent Producers and Royalty Owners Association
California Independent Petroleum Association
Coalbed Methane Association of Alabama
Colorado Oil & Gas Association
East Texas Producers & Royalty Owners Association
Eastern Kansas Oil & Gas Association
Florida Independent Petroleum Association
Idaho Petroleum Council
Illinois Oil & Gas Association
Independent Oil & Gas Association of New York
Independent Oil & Gas Association of West Virginia
Independent Oil Producers' Agency
Independent Oil Producers Association Tri-State
Independent Petroleum Association of New Mexico
Indiana Oil & Gas Association
Kansas Independent Oil & Gas Association
Kentucky Oil & Gas Association
Louisiana Oil & Gas Association
Michigan Oil & Gas Association
Mississippi Independent Producers & Royalty Association
Montana Petroleum Association
National Association of Royalty Owners
Nebraska Independent Oil & Gas Association
New Mexico Oil & Gas Association
New York State Oil Producers Association
North Dakota Petroleum Council
Northern Montana Oil and Gas Association
Ohio Oil & Gas Association
Oklahoma Independent Petroleum Association
Panhandle Producers & Royalty Owners Association
Pennsylvania Independent Oil & Gas Association
Permian Basin Petroleum Association
Petroleum Association of Wyoming
Southeastern Ohio Oil & Gas Association
Tennessee Oil & Gas Association
Texas Alliance of Energy Producers
Texas Oil and Gas Association
Texas Independent Producers and Royalty Owners Association
Utah Petroleum Association
Virginia Oil and Gas Association

West Slope Colorado Oil & Gas Association
West Virginia Oil and Natural Gas Association
Western Energy Alliance

Collectively, these groups represent thousands of independent oil and natural gas explorers and producers, as well as the service and supply industries that support their efforts. Independent producers drill about 95 percent of American oil and natural gas wells, produce about 54 percent of American oil, and more than 85 percent of American natural gas.

In addition to the specific statements made herein, we support testimony submitted separately by the participants in this testimony.

While this hearing addressed a broad array of bills, this testimony addresses our support for S.1312, The Energy Supply and Distribution Act of 2015. Among the provisions of this legislation are sections that would expand America's opportunity to export surplus volumes of U.S. crude oil. We strongly support enactment of S.1312. The reasons are numerous.

The United States ban on the export of its crude oil is unnecessary

In 1975, the United States government enacted limitations on the export of crude oil to protect American consumers from price volatility on the world market. Today, America has an abundance of energy supplies, brought on by the advancement of hydraulic fracturing and horizontal drilling technology. The United States is now the world's largest producer of oil and natural gas – surpassing Saudi Arabia and Russia. However, the laws that govern America's crude oil exports are outdated and inconsistent. While the surplus of American crude oil cannot be exported, there are currently no restrictions on exporting U.S. gasoline, diesel, jet fuel, and other forms of fossil energy.

Crude oil exports will not adversely impact America's gasoline prices

Gasoline prices are tied to international oil prices and set by the global market. U.S. Secretary of Energy Ernest Moniz confirmed at a February 2015 Senate hearing that if the United States exported its surplus of crude oil, there would be no change or even "minor decreases" in the price of U.S. gasoline. Adding more reliable American energy supplies to the global market will reduce market volatility and help stabilize international oil prices. Today, the export ban puts United States companies at a competitive disadvantage, preventing them from competing on equal footing with international state-owned and private competitors in the very global marketplace that sets the energy prices driving their businesses.

The economic benefits of exporting crude oil are extensive

Exporting the surplus of American crude production will unleash the full potential of America's energy renaissance. Numerous independent and non-political economic studies have confirmed that repealing the crude oil export ban will lead to more good-paying American jobs, reduced pressure on gasoline prices, increased American energy production, greater national security, and will strengthen America's credibility around the world. Additionally, repealing the crude exports ban would provide America's energy producers with competitive access to the global trade market, which will further reduce the impact of global unrest on the price of oil and is consistent with the Obama Administration's broad free trade policy priorities.

American consumers benefit from crude oil exports

The U.S. Energy Information Administration and numerous independent economic studies have confirmed that expanding U.S. crude oil exports would lead to lower gasoline prices for consumers, allowing American families to pocket more of their hard-earned dollars instead of paying more to fill-up their cars each day. Granting the export of America's energy supply surplus will encourage U.S. producers to reinvest their money into generating more American-made energy, which powers the economy, increases national energy security, and keeps energy costs down for the consumer.

Exporting crude oil affect benefit the United States' foreign policy and national security

Allowing the export of surplus American crude oil production would result in sharp reductions to the trade deficit and reduce the need for the United States and its allies to import oil from volatile regions of the world. Given the increased security threats facing the nation and its allies, the United States must leverage its abundant energy resources to further enhance its economic and national security. Lifting export restrictions would provide America with greater foreign policy influence and would strengthen its trading position worldwide. In a recent op-ed, Leon Panetta, former CIA Director and former Secretary of Defense, stated the issue well:

Ignored is a powerful, nonlethal tool: America's abundance of oil and natural gas. The U.S. remains the great arsenal of democracy. It should also be the great arsenal of energy.

Conclusion

For these and many other reasons, the enactment of The Energy Supply and Distribution Act of 2015 would dramatically benefit the American economy and enhance its ability to influence energy and global security policy around the world.