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H.R. 702, To adapt to changing crude oil market conditions

FLOOR SITUATION

On Friday, October 9, 2015, the House will consider H.R. 702, a bill *to adapt to changing crude oil market conditions*, under a structured rule. H.R. 702 was introduced on February 4, 2015 by Rep. Joe Barton (R-TX) and was referred to the House Committee on Energy and Commerce, and in addition, to the Committee on Foreign Affairs. The Energy and Commerce Committee ordered the bill reported by a vote of 31 to 19 on September 17, 2015.

SUMMARY

H.R. 702 amends the Energy Policy and Conservation Act of 1975 to repeal the President's authority to restrict the export of: (1) coal, petroleum products, natural gas, or petrochemical feedstocks; and (2) supplies of materials or equipment necessary to maintain or further the exploration, production, refining, or transportation of energy supplies, or for the construction or maintenance of energy facilities within the United States. The bill specifically prohibits any federal official from imposing or enforcing any restriction on the export of crude oil.

The bill also requires the Secretary of Energy to study and make recommendations on the appropriate size, composition, and purpose of the Strategic Petroleum Reserve.

The bill also reauthorizes funding for the Maritime Security Fleet through fiscal year 2021.

BACKGROUND

During the Arab-Israeli War in 1973, the Organization of Arab Petroleum Exporting Countries (OPEC) imposed an oil embargo in retaliation for the United States support of Israel. In the wake of the embargo, which resulted in dramatic increases in oil prices and massive gasoline shortages in the U.S., the Energy Policy and Conservation Act of 1975 (EPCA) was enacted to address shortages.

The EPCA directed the President to "promulgate a rule prohibiting the export of crude oil and natural gas produced in the United States," but provided an exemption for such exports if they are "consistent with the national interest and the purposes of this chapter."[1] Under current law, many petroleum products such as gasoline, diesel fuel, and natural gas liquids (NGLs) are not subject to export restrictions. In August 2014, approximately 4.1 million barrels of these products were exported per day—up from an average of nearly 1.4 million barrels per day in 2007.[2]

In 2009, U.S. crude oil production began to dramatically increase due in large part to new advanced drilling and oil extraction technologies, which according to some analysts, lead to decreases in global gasoline and diesel prices. As a result of these new technologies, oil producers and industry analysts are projecting an oversupply of domestic light crude oil, which could lead to price discounts and lower production, if the crude oil export ban is not lifted. According to a recent study, "in a low international crude oil price environment, the importance of addressing the export ban is very high, with discounts [on crude oil prices] attributable to the trade barrier erected by current policy reaching as high as $8 per barrel in a $50 [per barrel of oil] world, depending on the quality of the crude oil that is being produced and marketed."[3]

Commercial studies and federal government analysis suggests that gasoline prices are correlated to international crude oil prices—since gasoline and other petroleum products can be exported without restriction—and U.S. gasoline prices could possibly decrease if crude oil exports were allowed.[4] Other reports have also stated that lifting the ban could reduce the price volatility in the global oil market.[5]

According to the U.S. Energy Information Administration, in August 2015, 40 percent of the cost of a gallon of gasoline was attributable to the refiner's cost of crude oil, 25 percent was attributable to refining costs, 19 percent was attributable to distribution and marketing expenses, and 17 percent was attributable to taxes.[6]

According to the bill sponsor, "It's past time for America to embrace our energy abundance. For too long, 1970s-era restrictions have prohibited most exports of American crude oil. It's a win for the consumer, a win for the producer and a win for America's strategic interests."[7]

The Maritime Security Program was originally established in 1996 as a 10-year program for up to 47 vessels in U.S. registry. The program is operated by the Department of Transportation, in consultation with the Secretary of Defense, to provide military access to vessels that engage in international trade. The program was reauthorized in 2003 for 10 more years, at which time the number of ships in the fleet was increased from 47 to 60. The National Defense Authorization Act of 2013 extended authorization of the program through FY 2016. H.R. 702 reauthorizes the program through FY 2021.

COST

The Congressional Budget Office (CBO) estimated enacting the bill, as reported by the Committee, would reduce net direct spending by $1.4 billion over the 2016-2025 period by increasing offsetting receipts from federal oil and gas leases.

AMENDMENTS

[1] 42 U.S.C. §6212(b)(1)
[2] See CRS Report, U.S. Crude Oil Export Policy: Background and Considerations, December 31, 2014.
[3] See Medlock, Kenneth, Ph. D., To Lift or Not to Lift? The U.S. Crude Oil Export Ban, March 2015, at V.
[4] See CRS Report, U.S. Crude Oil Export Policy: Background and Considerations, December 31, 2014.
[5] Id.
[6] See EIA, Gasoline and Diesel Fuel Update, September 21, 2015.
[7] See Press Release, "#SubEnergyPower to Vote on Oil Exports Bill," September 8, 2015.

1. Justin Amash (R-MI)—The amendment strikes section 6 and its related findings in section 1. The amendment removes the provision increasing the authorization of appropriations for the Maritime Security Fleet.

2. John Delaney (D-MD)—The amendment adds an additional finding that the United States has reduced its oil consumption over the past decade, and increasing investment in clean energy technology and energy efficiency will lower energy prices, reduce greenhouse gas emissions and increase national security.

3. Jared Huffman (D-CA)—The amendment requires the Secretary of the Energy to complete a study on the net greenhouse gas emissions that will result from the repeal of the crude oil export ban.

4. Brenda Lawrence (D-MI)—The amendment requires a study of the State of national implications of lifting the crude oil export ban with respect to consumers and the economy.

5. Luke Messer (R-IN)—The amendment ensures the Administration is able to ban the export of crude oil to state sponsors of terrorism.

6. Luke Messer (R-IN)—The amendment prohibits the export of crude oil, refined petroleum products, and petrochemical products to the Islamic Republic of Iran.

7. Henry Cuellar (D-TX)—The amendment provides the Department of Energy authority to continue developing partnerships in the areas of oil and gas exploration, production, midstream, and refining with minority serving institutions, including Hispanic Serving Institutions and Historically Black Colleges and Universities. The Amendment would encourage public private partnerships between the Department of Energy and minority serving institutions.

8. John Garamendi (D-CA)—The amendment inserts safeguards to protect against the rise of domestic oil prices significantly above world market levels, as well as the decline of domestic oil refinery capacity.

9. Sheila Jackson Lee (D-TX)—The amendment requires the lifted ban to be assessed after 10 years and directs the Secretaries of Energy and Commerce to work together to review the impact of lifting the ban as it relates to promoting U.S. energy and national security and report their findings to Congress.

10. Sheila Jackson Lee (D-TX)—The amendment directs the Secretaries of Energy and Commerce to work together and submit a report within 180 days on how lifting the ban on crude oil exports will help create opportunities for veterans and women in the U.S., while promoting energy and national security.

STAFF CONTACT

For questions or further information please contact John Huston with the House Republican Policy Committee by email or at 6-5539.