

United States Senate

WASHINGTON, DC 20510

January 16, 2015

The Honorable Penny Pritzker
Secretary
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, DC 20230

Dear Secretary Pritzker:

We are writing again to ask that you reevaluate Commerce's recent decision to weaken the oil export ban. This change in policy has led to increased oil exports and those increased exports have increased the price of American oil relative to the world price of oil. Americans have enjoyed a discount for years, and, for the sake of consumers and the American worker, we ask again that you reevaluate this change in policy now that it is negatively impacting our economy.

As you know, for almost five years now, Americans have enjoyed some of the cheapest oil in the world. The price of West Texas Intermediate (WTI or the American price of oil) has consistently been \$5 to \$10 cheaper than Brent crude or the world price oil, and the gap has been as large as \$27 during recent years. Now, thanks to the Administration's loosened export policy, that discount for U.S. crude has been nearly erased.

The United States has banned the export of crude oil for over 40 years in an effort to bolster American energy independence and protect the American consumer. The change in the Commerce Department's interpretation of what constitutes "crude oil," and therefore what falls under the crude oil ban, began with two private rulings this summer which reportedly stated that condensate (a form of light crude oil) would no longer meet the definition of "crude oil" as long as the condensate went through a minimal distilling process. These rulings have led Commerce to issue guidance memorializing the narrower definition of "crude oil," and, in turn, the looser crude oil export policy. In recent months US crude oil exports have begun to flow in earnest. These decisions by the Commerce Department were made despite the fact that the department's regulations clearly include "lease condensate" within the definition of crude oil, and therefore subject to the export ban. The Commerce Department made these changes without a formal rulemaking process that would have allowed for public review and comment.

Now, U.S. companies and foreign governments are acting on this new interpretation, and US exports of crude are ramping up. Ed Morse, global head of commodities research at Citigroup has predicted that condensates exports could increase from the current 200,000 barrels per day to 1 million barrels per day by the end of the year. Most recently, Petroleos Mexicanos (Pemex),

Mexico's state-owned oil company, asked to exchange 100,000 barrels a day of light U.S. crude for Mexican crude, but this is just the beginning. As Michael Lynch, president of Strategic Energy & Economic Research recently told Bloomberg Businessweek, "[t]he Mexican request could be the first of many..... WTI is relatively strong because it looks like exports will be rising." In other words, increased U.S. oil exports means there is a larger market for U.S. crude, and this leads to higher demand and higher oil prices. We believe losing our American oil discount is contrary to the national interest.

Lower American oil prices mean lower costs for American refiners, and, in turn, lower fuel costs for Americans at the pump. In fact, American consumers in some regions of the country have been seeing more than \$1 billion in annual fuel savings in recent years, in part as a result of less expensive U.S. oil. Further, American petrochemical companies that use crude oil as a feedstock also enjoy lower costs compared to their overseas competitors. The only interests that do not seem to benefit from cheaper American oil are oil companies who want to be able to fetch higher prices for their product on the world market. That is understandable, but basing policy on what is best for oil companies to the detriment of most American businesses, American consumers, American workers, and our national security simply does not make sense.

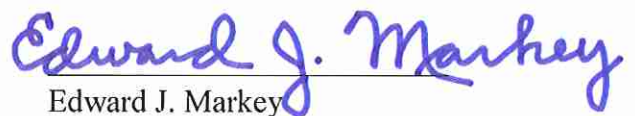
Of course, the existing loosened export policy is not good enough for the oil companies. They now want to completely lift the ban on exports even though we still import nearly 30% of our crude oil. It is expected that an amendment to completely end the export ban could reach the Senate floor as soon as next week. We plan on vigorously opposing this amendment, but in the meantime we ask that you reverse the Commerce Department's new interpretation of what constitutes "crude oil" and the resulting relative increase in American oil prices.

We understand that both American and world oil prices have fallen dramatically in recent months, but we believe we should vigorously preserve the oil export ban and ensure American oil prices are as low as possible and not pursue policies that will narrow the gap between American oil prices and world oil prices.

Thank you for your attention to this matter.

Sincerely,


Robert Menendez
United States Senator


Edward J. Markey
United States Senator