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LIFTING THE CRUDE OIL EXPORT BAN MAY HAVE SURPRISING RESULTS AT THE PUMP

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As prices at the pump continue to plummet, it is only normal to wonder what unseen force is behind the recent fluctuation in the price of crude oil and how long the SUV-friendly prices are here to stay. The economic rollercoaster that a barrel of crude oil rides annually is driven by many factors, the most fundamental of which is supply and demand.^[i] Surprisingly, and contrary to what many may believe, a solution to keeping the cost of gasoline down for good in the United States is to export the supply of crude oil that we have elsewhere.

In 1975, Congress effectively banned exportation of crude oil through section 103 of the Energy Policy and Conservation Act.^[ii] The Act was passed due to the imposition of an embargo against the United States by the Organization of Petroleum Exporting Countries, or OPEC.^[iii] The reason for this embargo was largely in response to the U.S. support of Israel in the 1973 Arab-Israeli War.^[iv] For four decades the ban has been in place, with allowance for only a handful of exceptions.^[v] This summer, the U.S. Senate Committee on Energy and Natural Resources advanced a bill that would lift the forty-year-old ban, thus allowing the export of crude oil to nations not subject to U.S. sanctions.^[vi] On September 10th, The House Energy and Commerce Committee voiced their approval of the bill, referred to as H.R. 702.^[vii] With U.S. oil production at a record high, support has grown for the passing of a bill that would lift the ban and stimulate the market by channeling crude oil to foreign buyers.^[viii]



(<http://www.pclsg.com/press/Delivery%20of%20Double%20Fortune.html>)

At first glance, one might assume that the signing of such a bill would be to our detriment, and sharing our supply of crude oil with foreign markets might drive the cost of gasoline up. However, a recent study by the Obama administration found that lifting the ban would not raise domestic gas prices, but may slightly lower them.^[ix] The reasoning is simple; by lifting the ban on crude oil exports, domestic oil companies will become motivated to increase production in order to take advantage of higher prices in overseas markets.^[x] This influx of oil to overseas markets would drive global oil prices down, provided that foreign production is not reduced.^[xi] This could reduce the price of gasoline domestically, “because most U.S. retail gasoline is priced based on the global benchmark rather than the national one.”^[xii]

Until the publication of the Obama administration’s study, which favors lifting the ban for economic benefits, some were unsure if the current administration would be willing to sign a bill that would lift the ban on oil exports. Now, it seems the study was published to justify an imminent move to start sending U.S. crude oil to foreign markets. With the development of new drilling technologies, as well as alternative methods, such as hydraulic fracturing, we are no longer the energy-dependent country of the late twentieth century.^[xiii] In the coming months we could see a lift of the ban that has been in place for forty years. The potential for such a move could mean a stimulated domestic economy for the sector, and that our SUV-friendly gasoline prices are here to stay.

[i] Nick Cunningham, *What determines if oil prices go up or down?*, USA Today (Apr. 6, 2015, 11:59 AM), <http://www.usatoday.com/story/money/markets/2015/04/06/oil-price-determinants/25357815/>.

[ii] 42 U.S.C. § 6212 (2006).

[iii] *Oil Embargo: 1973-1974*, U.S. Dept. of St. Office of the Historian, <http://history.state.gov/milestones/1969-1976/oil-embargo> (last modified Oct. 31, 2013).

[iv] *Id.*

[v] 15 C.E.R. § 754.2.

[vi] Keith Goldberg, *US Energy Legislation To Watch This Fall*, Law 360 (Sept. 3, 2015, 5:02 PM), <http://www.law360.com/energy/articles/700909/house-panel-oks-bill-lifting-crude-oil-export-ban>.

[vii] *Id.*

[viii] Amy Harder, *Government Report Finds Economic Benefits of Oil Exports*, The Wall Street J. (Sept. 1, 2015, 8:27 PM), <http://www.wsj.com/articles/government-report-finds-economic-benefits-of-oil-exports-1441118093>.

[ix] *Effects of Removing Restrictions on U.S. Crude Oil Exports*, U.S. EIA, <http://www.eia.gov/analysis/requests/crude-exports/> (last visited Sept. 15, 2015).

[x] *Id.*

[xi] Harder, *supra* note viii.

[xii] *Id.*

[xiii] *Id.*

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