

Energy Benefits of USMCA

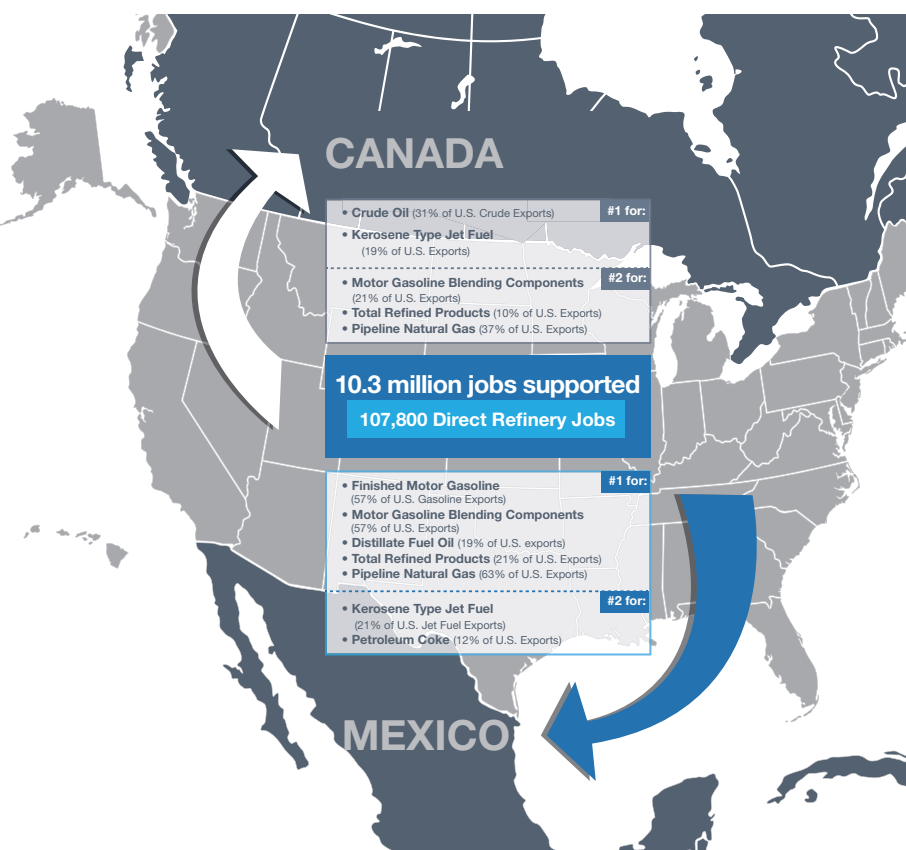


AMERICAN PETROLEUM INSTITUTE

North American energy markets are highly integrated and interdependent (see API background *North American Energy*). The U.S.-Mexico-Canada Agreement (USMCA) would play a critical role supporting and growing North American energy integration, interdependence and energy security by eliminating tariffs for crude oil, gasoline, kerosene-type jet fuel and other refined products, and for energy-intensive manufactured goods. The USMCA will retain liberalized energy trade, provide investment protection and serve as the foundation for new U.S. investments in Mexico's natural gas and oil industry.

U.S. NORTH AMERICAN ENERGY EXPORTS

FIGURE 1. NORTH AMERICA ENERGY EXPORTS, 2017



4 REASONS U.S. NEEDS USMCA

Oil production from shale resources, made available by hydraulic fracturing and horizontal drilling, has led a U.S. revolution in crude oil production. As a result, **imports of crude oil by the U.S. decreased from 9,213 thousand barrels per day (Kb/d) in 2010 to 7,969 Kb/d in 2017.**

#1 SUPPORTS JOBS

- 10.3 million U.S. natural gas and oil industry jobs
- Maintains robust demand for energy-intensive manufactured goods – such as plastics, petrochemicals and fertilizers – with natural gas as a heat and raw material source.
- Supplies of Canadian and Mexican heavy crude oil help support U.S. refining sector and its jobs.

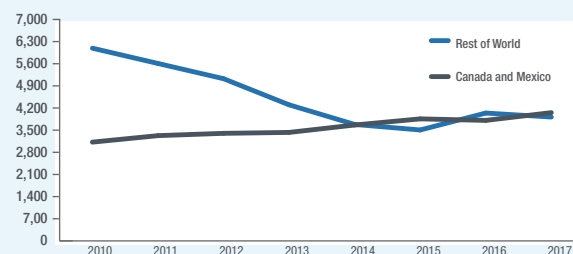
#2 BENEFITS CONSUMERS

- North America's integrated energy market is more efficient than separate markets, resulting in more affordable energy for consumers in all three countries.

#3 STRENGTHENS OUR ENERGY SECURITY

- North America is nearing energy self-sufficiency. According to EIA, the production of petroleum and other liquids by the U.S., Canada and Mexico soon will outpace their consumption.
- North America is less reliant on other suppliers and less subject to potential supply disruptions because of free and safe energy trade.
- U.S. has become the "swing producer" in global energy markets, making them less subject to suppliers who would use energy as a political weapon.
- Thanks to free trade, Mexico is the No. 1 export market for U.S. natural gas and refined products and the No. 4 export market for upstream oil and gas equipment.

FIGURE 2. U.S. CRUDE OIL IMPORTS, 2010–2017
(Thousand Barrels per Day, Annual Average)



#4 HELPS OPEN MARKETS

- U.S. direct oil and natural gas investments in Canada totaled **\$2.7 billion** in 2017 for extraction and **\$5.5 billion** in petroleum pipelines.
- Free and integrated energy markets, easing restrictions on foreign investment, have been solidified in Canada, and there is the potential for the same investment climate in Mexico.

ENERGY BENEFITS OF USMCA

USMCA AND THE U.S. REFINING SECTOR

A total of 68 U.S. refineries imported crude oil from either Canada or Mexico in 2017, turning that crude into products Americans use every day. These refineries are configured to process heavy crudes from Canada and Mexico, supporting thousands of U.S. jobs. Canada is the United States' No. 1 source for imported crude oil, and imports of Canadian crude have increased nearly 75 percent since 2010. U.S. refineries that import Mexican crude also supply refined products to the domestic market, as well as exports back to Mexico.

FOUR REFINERIES, FOUR CASE STUDIES*

A number of U.S. refineries rely on supplies of crude oil from Canada and Mexico – which they turn into beneficial products we use daily, supporting domestic jobs and economic growth. A look at four facilities helps illustrate these points:

#1 EXXONMOBIL JOLIET, ILL.

- EMPLOYEES AND CONTRACTORS: **1,000**
- INFLOW ARROW FROM CANADA: **212,000 BPD**
- OUTFLOW ARROW TO U.S.: **248,000 BPD**
- REFINERY PRODUCTS: GASOLINE, DIESEL, COKE, SULFUR, PROPYLENE, ASPHALT

#2 BP WHITING, IND.

- EMPLOYEES AND CONTRACTORS: **1,700**
- INFLOW ARROW FROM CANADA: **301,000 BPD**
- OUTFLOW ARROW TO U.S.: **362,000 BPD**
- REFINERY PRODUCTS: GASOLINE, DIESEL, JET FUEL, ASPHALT

#3 SHELL/PEMEX DEER PARK, TEXAS

- EMPLOYEES AND CONTRACTORS: **2,700**
- INFLOW ARROW FROM MEXICO: **152,000 BPD**
- OUTFLOW ARROW TO U.S.: **340,000 BPD**
- REFINERY PRODUCTS: GASOLINE, AVIATION FUELS, DIESEL FUELS, SHIP FUEL, PETROLEUM COKE

#4 CHEVRON PASCAGOULA, MISS.

- EMPLOYEES AND CONTRACTORS: **4,083**
- INFLOW ARROW FROM MEXICO: **64,000 BPD**
- OUTFLOW ARROW TO U.S.: **280,000 BPD**
- REFINERY PRODUCTS: GASOLINE, DIESEL, JET FUEL, OTHER

U.S. NORTH AMERICAN ENERGY EXPORTS

FIGURE 3. NORTH AMERICA ENERGY EXPORTS, 2017



*Workers are employee and contractors

SOURCES: Compiled by API's Steve Crookshank, Michael Flickinger, Bryan Just, Marcus Koblitz and Aaron Padilla. Figure 1: Economic Impacts of the Natural Gas and Oil Industry. Table 4. – Direct Impact of the Oil and Natural Gas Industry in the U.S. Economy by Sub-sector, 2015, Page 12: <http://www.api.org/-/media/Files/Policy/Issues/Oil-and-Gas-2015-Economic-Impacts-Final-Cover-07-17-2017.pdf>
 # 1: ExxonMobil Joliet, Ill.: <https://corporate.exxonmobil.com/Locations/United-States/Joliet-operations-overview#aboutus>
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