

U.S. Petroleum Exports and Related Issues

What Are the Benefits of Exporting Petroleum Products?

- Increased oil and gas development and refinery activity creates more American jobs.
- Increased oil and gas development and refinery activity adds tax revenue to state and local governments.
- As with any export, such as grains, steel, machinery, and ethanol, exports help improve the U.S. balance of trade.
- Flexibility to export product in times of market imbalance helps refiners operate efficiently and maintains U.S. refining capacity. This contributes to US energy security.
- Refining enhances the U.S. economy by adding economic value to the raw material: in the case of exported petroleum products, the U.S. produces or buys crude oil, refines it at U.S. refineries and then resells finished petroleum products at significantly higher value. This increase in value is what GDP measures.

U.S. Crude Exports Are Not at Issue

- The U.S. exports very little crude oil (0.4% of gross supply in 2012¹). Additional crude supplies (domestic or from Canada) would serve to reduce imports from other nations and/or offset declining supplies from Mexico and Venezuela.
- U.S. producers need to receive a license from the Commerce Department before crude can be exported, and these licenses are not typically issued.

Facts about U.S. Fuel Exports

- For the first time since 1949, in 2011 the U.S. became a net exporter of petroleum products. A decade ago, fuel and petroleum products were not even among the top 25 exports.
- In 2012, fuel and other petroleum products were a significant part of U.S. exports (7.5%) as measured in dollars, at \$117 billion. This was due in part because of reduced domestic fuel demand (due to the lagging economy, increased use of renewables in finished petroleum products and more fuel efficient cars) and in part because the industry produced near record amounts of gasoline and diesel in 2012.
 - Some reports erroneously claimed that fuel and petroleum products are the number one export. Fuel and other petroleum product exports (\$117 billion) are comparable in value to other well known exports such as automotive vehicles, parts, and engines (\$146 billion), agricultural goods (\$145 billion), and computers, peripherals, and semi-conductors (\$91 billion).² Note also that only 4.75% of finished motor gasoline refined in the U.S. is exported.

Why Do U.S. Refiners Export Products?

¹ Source: EIA. Monthly Energy Review, May 2013.

² U.S. Department of Commerce, Bureau of Economic Analysis. February 14, 2012.

- Refineries cannot produce only one product from a barrel of oil. Even refineries that are optimized to produce more of a certain product will still end up producing a variety of products from a barrel of oil - gasoline, diesel, heating oil, bunker fuel, etc. Ultimately, they need markets for every product they produce.
- Petroleum products are traded globally, and the U.S. has a long history of exporting certain petroleum products and importing others to balance refinery outputs and global demand. For example, U.S. refiners have tended to export diesel to Europe (where diesel demand is stronger) while European refiners have tended to export gasoline to the U.S. (where gasoline demand is stronger).
- In 2012, only about 9% of U.S. refined on-road motor fuel was exported.³ The vast majority of U.S. petroleum product exports consist of byproducts of the transportation fuels refining process (e.g., asphalt, residual fuel oil, petroleum coke).

If the U.S. Exports Petroleum Products, Why Do We Sometimes Import Gasoline?

- There are many reasons for imports (e.g., reduced refining margins, cost of environmental compliance, increased competition, refinery closures).
- Refinery closures are independent company decisions. However, many east coast refineries (PADD I) are having difficulty remaining competitive, especially given the relatively high crude oil costs and competition from foreign refiners.
- Excess production of gasoline in Gulf refineries (PADD III) cannot be easily transported to the New England region by pipeline (larger product pipelines only reach as far as NYC). Further, it has typically been costlier to ship gasoline from the Gulf to the northeast U.S. than to import it from Europe and Canada. Therefore, in general it has been more economical to export gasoline from PADD III out of the U.S. and import gasoline into PADD I.⁴

³ Source: EIA. Accessed June 3, 2013

⁴ Source: EIA, personal communication, February 17, 2012.