

# LIFT THE BAN, COOK THE CLIMATE

## WHY ELIMINATING THE CRUDE EXPORT BAN FAILS THE CLIMATE TEST

### Climate science: Leave the vast majority of fossil fuels in the ground.

The stark reality laid out in the Intergovernmental Panel on Climate Change's (IPCC) Fifth Assessment report of November 2014 is that more than three-quarters of existing, proven fossil fuel reserves need to stay in the ground if the world is to maintain a 2-in-3 chance of limiting global warming to 2°C.<sup>1</sup> This estimate is likely conservative, given the IPCC's consensus based process.

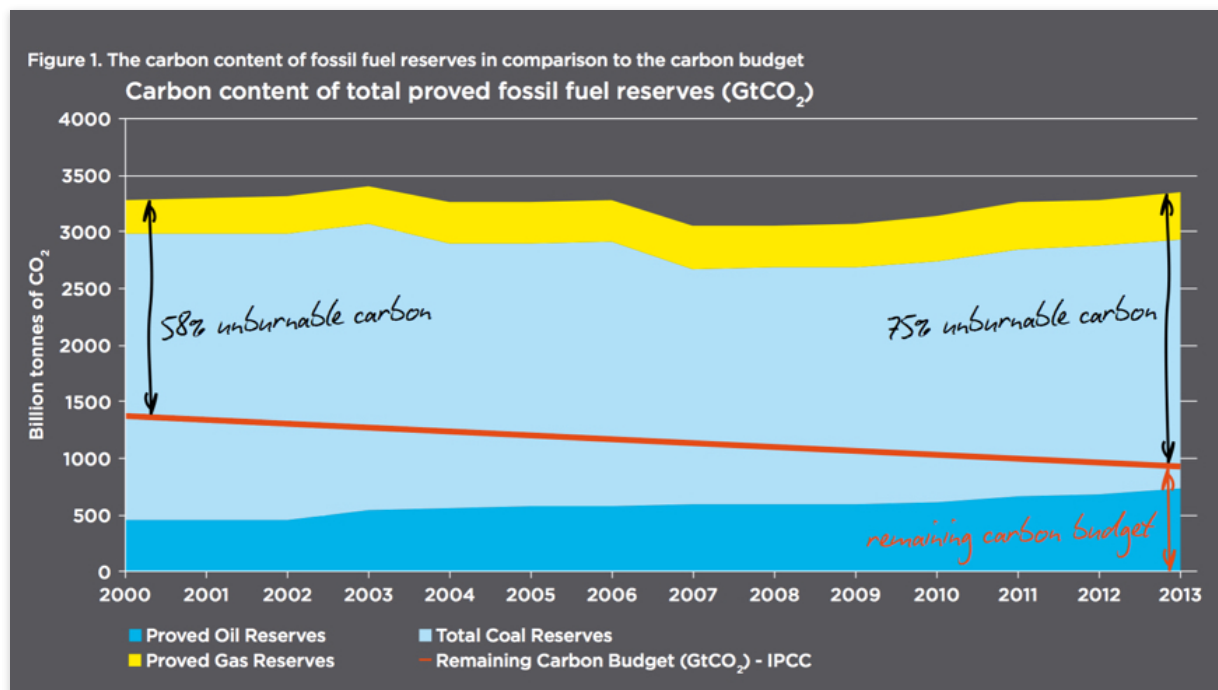
The oil industry and environmental organizations agree - lifting the crude oil export ban will increase the incentives to find and produce more oil. Although the crude oil export ban was never designed as a climate protection measure, it

currently functions as an important limiting factor on an industry that has already increased production by 75% since 2008.

Encouraging more oil production is precisely the wrong policy signal to be sending if you are not a climate denier. In fact, a cap and gradual phase down in U.S. - and global - oil production over the next 35 years is exactly what we need in order to avoid catastrophic climate change.

### Lifting the crude export ban would increase US oil production.

U.S. oil producers want an end to the export ban in order to gain access to international markets, which would raise the price they receive for their crude oil. In recent years, a glut of U.S. light crude has caused a structural price differential between



North American crude oil and international crude oil, primarily manifested in the spread between the WTI and Brent crude oil price benchmarks. Eliminating the ban on crude exports would raise the price of WTI while possibly lowering the price of Brent, resulting in the potential for increased profits for American oil producers.

Analysis released by the pro-exports American Petroleum Institute showed an estimated increase of 500,000 barrels per day (bpd) by 2020 if the export ban were to be lifted<sup>ii</sup>, which roughly concurs with Oil Change International's estimate of 476,000 bpd in the same time period.<sup>iii</sup> Additional analysis by the Center on Global Energy Policy also demonstrated that lifting the crude export ban would result in additional U.S. oil production, albeit with a wider range of estimation.<sup>iv</sup>

## **Lifting the crude oil export ban will result in more oil produced globally.**

With oil, like any commodity, increasing supply lowers prices and stimulates demand. However, the North American oil and gas industry has for years claimed that its aggressive expansion of unconventional oil, such as fracked tight oil and tar sands, does not lead to greater greenhouse gas emissions because the Organization of Petroleum Exporting Countries (OPEC) constrains supply to keep prices high. They have argued that an increase in supply from North America is generally met with decreases among the OPEC suppliers.

This has only ever been partially true due to the lack of supply discipline among certain OPEC members. However, OPEC's most important and disciplined supplier, Saudi Arabia, has recently reversed its traditional policy and rendered this argument completely invalid.

In response to the surge of production from the U.S. and Canada, Saudi Arabia and OPEC announced in November 2014 that it would no longer constrain supply and would seek to gain market share instead of maintaining price. This has completely changed the international oil market and ushered in persistently lower oil prices that are

widely believed to become a consistent feature of the oil market for years to come. As a result, oil production, emissions, and demand for oil are all rising.

In short, if increases in U.S. oil production were ever being offset by reductions in supply elsewhere, they certainly are not today. Therefore removing the crude oil export ban and increasing US oil production will significantly increase greenhouse gas emissions from oil globally. In view of the climate crisis, this is exactly the wrong direction to be taking. We need to be doing everything we can to lower fossil fuel supply and demand.

## **Increased U.S. production results in more risks to communities and the climate.**

### ***More bomb trains on the rails***

The U.S. oil boom has precipitated a parallel boom in the transportation of crude by rail. Since 2010, the amount of crude oil travelling on U.S. railways has increased over 5,400%.<sup>v</sup> Around 1 million barrels of crude oil is currently loaded and unloaded onto and off of the rail network every day in the United States.<sup>vi</sup> However, the capacity of loading and unloading terminals in the U.S. and Canada is nearly five times greater.<sup>vii</sup>

In addition, planned new terminals and capacity expansions at existing terminals may add a further 1 million bpd in the next two years.<sup>viii</sup> If increased production were to reach the top end of an estimate by the Center for Global Energy Policy – some 1.2 million bpd – this could more than double crude-by-rail traffic from today's levels.<sup>ix</sup>

American citizens are rightly concerned about current crude-by-rail activity and even more concerned about the potential for it to grow further. According to a review of federal accident records conducted by Associated Press, at least 21 oil-train accidents and 33 ethanol train accidents involving a fire, derailment, or significant amount of fuel spilled have occurred in the U.S. and Canada since 2006.<sup>x</sup> This does not include additional accidents in first half of 2015. Recent

rules proposed by the Obama administration have prompted a lawsuit owing to their inability to adequately protect communities from the hazards of crude-by-rail.<sup>xi</sup>

***Risking our climate***

While the crude oil export ban is not a climate policy, lifting it would hinder, not help, progress towards the goal of climate protection. Given the conditions of the current global oil market, additional U.S. oil production would likely lead to an increase in global greenhouse gas emissions. Eliminating the export ban will harm the climate by incentivizing the extraction of more oil that should otherwise be left in the ground, and by stimulating oil demand by raising oil supply.

A net increase in global greenhouse emissions is very likely to be the result of lifting the crude oil export ban. The United States and the world have agreed in multiple international forums to limit average global temperature rise to below 2°C. At this point, the world is dangerously close to passing the point at which that goal can be achieved and therefore condemning future generations to climatic changes that will drastically challenge their chances of living prosperous and secure lives.

Given this context, any policy change that could result in a net increase in global greenhouse emissions needs to be evaluated in terms of its climate impact. As President Barack Obama noted in June of 2013 in regards to the Keystone XL pipeline:

***“[O]ur national interest will be served only if this project does not significantly exacerbate the problem of carbon pollution.”***

This ‘climate test’ should be applied to all policy decisions as well as the permitting of infrastructure to extract, transport, or process fossil fuels. The lifting of the crude oil export ban certainly fails this test.

**Removing the ban presents major risks, minimal benefits (if at all) to consumers.**

A recent review by the U.S. Government Accountability Office (GAO)<sup>xii</sup> was widely reported to have shown removing the crude export ban would result in reduced gas prices in the U.S. of around 13 cents per gallon. But a closer look at this analysis paints a different story: the studies reviewed by the GAO show a wide range of impacts, from essentially zero to the widely reported 13 cents. Further, even a 13-cent reduction in gas prices represents a very small impact when placed in the context of the highly volatile global market. 13 cents is less than 8 percent of the \$1.67 per gallon drop in average U.S. gasoline price experienced in 2014.<sup>xiii</sup>

Finally, the International Energy Agency and others now estimate that a commitment to a low carbon energy transition would yield oil prices 35-50% less, by 2040 than a business as usual scenario.<sup>xiv</sup>

Now is not the time to return to a policy America abandoned 40 years ago. Now is the time to discard business as usual energy policies, and instead use every tool we have to chart a course for a cleaner, and cheaper, energy future.



**Recent Gas Price Fluctuation vs. Maximum Price Impact of Lifting Export Ban**

Source: Oil Change International using EIA, <http://www.eia.gov/petroleum/gasdiesel/>  
 IHS, U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy (Englewood, CO: IHS, 2014)

## For more information:

- Testimony to Congress by Stephen Kretzmann, Executive Director, Oil Change International: <http://priceofoil.org/2015/04/14/congressional-testimony-kretzmann-crude-oil-export-ban>
- Report: “Lifting the Ban, Cooking the Climate” <http://priceofoil.org/2014/03/03/lifting-ban-cooking-climate/>

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<sup>i</sup> Intergovernmental Panel on Climate Change. “Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.” Geneva, Switzerland, 151 pp. <https://www.ipcc.ch/report/ar5/syr/>

<sup>ii</sup> ICF International and EnSys Energy. “The Impacts of U.S. Crude Oil Exports on Domestic Crude Production, GDP, Employment, Trade, and Consumer Costs The Impacts of U.S. Crude Oil Exports on Domestic Crude Production, GDP, Employment, Trade, and Consumer Costs.” American Petroleum Institute. March 31, 2014. <http://www.api.org/rss/-/media/Files/Policy/LNG-Exports/LNG-primer/API-Crude-Exports-Study-by-ICF-3-31-2014.pdf>

<sup>iii</sup> Oil Change International. “Lifting the Bank, Cooking the Climate: The Climate Impact of Ending the U.S. Crude Oil Export Ban.” March 2014. <http://priceofoil.org/content/uploads/2014/03/LiftingTheBanFinal.pdf>

<sup>iv</sup> Jason Bordoff and Trevor Houser. “Navigating the U.S. Oil Export Debate.” Columbia University School for International and Public Affairs Center on Global Energy Policy. January 2015. [http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate\\_January%202015.pdf](http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf)

<sup>v</sup> U.S. Energy Information Administration. “U.S. Movements of Crude Oil By Rail.” March 30, 2015. <http://www.eia.gov/petroleum/transportation/> Total crude oil moved by train in January 2010 was 630,000 barrels. In December 2014 it was 34,859,000 barrels.

<sup>vi</sup> U.S. Energy Information Administration. “U.S. Movements of Crude Oil By Rail.” March 30, 2015. <http://www.eia.gov/petroleum/transportation/>

<sup>vii</sup> Oil Change International. “Runaway Train: The Reckless Expansion of Crude-by-Rail in North America.” May 2014. [http://priceofoil.org/content/uploads/2014/05/OCI\\_Runaway\\_Train\\_Single\\_reduce.pdf](http://priceofoil.org/content/uploads/2014/05/OCI_Runaway_Train_Single_reduce.pdf)

<sup>viii</sup> Oil Change International. “Runaway Train: The Reckless Expansion of Crude-by-Rail in North America.” May 2014. [http://priceofoil.org/content/uploads/2014/05/OCI\\_Runaway\\_Train\\_Single\\_reduce.pdf](http://priceofoil.org/content/uploads/2014/05/OCI_Runaway_Train_Single_reduce.pdf)

<sup>ix</sup> Jason Bordoff and Trevor Houser. “Navigating the U.S. Oil Export Debate.” Columbia University School for International and Public Affairs Center on Global Energy Policy. January 2015. [http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate\\_January%202015.pdf](http://energypolicy.columbia.edu/sites/default/files/energy/Navigating%20the%20US%20Oil%20Export%20Debate_January%202015.pdf)

<sup>x</sup> Matthew Brown and Josh Funk. “Fuel Trains Could Derail Up To 10 Times A Year Over Next Two Decades, Feds Predict.” Huffington Post, February 22, 2015. [http://www.huffingtonpost.com/2015/02/23/ap-exclusive-fuelhaulin\\_n\\_6730476.html](http://www.huffingtonpost.com/2015/02/23/ap-exclusive-fuelhaulin_n_6730476.html)

<sup>xi</sup> EarthJustice. “Groups Sue Obama Administration Over Weak Tank Car Standards.” May 14, 2015 <http://earthjustice.org/news/press/2015/groups-sue-obama-administration-over-weak-tank-car-standards>

<sup>xii</sup> U.S. Government Accountability Office. “Crude Oil Export Restrictions.” July 8, 2015. <http://www.gao.gov/assets/680/671235.pdf>

<sup>xiii</sup> U.S. Energy Information Administration. Gasoline and Diesel Fuel Update. <http://www.eia.gov/petroleum/gasdiesel/> Accessed July 14, 2015.

<sup>xiv</sup> Per Klevnäs, Nicholas Stern, and Jana Frejova. “Oil Prices and The New Climate Economy.” May 2015. <http://2014.newclimateeconomy.report/wp-content/uploads/2015/05/Oil-prices-and-the-New-Climate-Economy.pdf>