



An oil rig south of town extracts crude in Taft, California. Calls are growing for an end to a 40-year-old ban on exporting US crude. (David McNew - Getty Images)

TO EXPORT OR NOT TO EXPORT: PARTISAN DIVIDE OVER BAN ON FOREIGN SALES OF US OIL

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Oil is fuelling another battle in Washington. As domestic crude oil production gushes to multi-year highs, the president and his Republican opponents are battling over whether to end the 40-year-old ban on exporting US crude.

Republicans say the ban, which was enacted during the Arab oil embargo of the 1970s, and kept in place for years because US production was low, is a relic of another time. Many analysts agree – to some extent.

“We kept the ban in place because of peak oil worries, that we were running out. But that’s all changed with the new technology,” said Phil Flynn, senior energy analyst at The Price Futures Group, referring to fracking and horizontal drilling, which has pushed US oil production to 9.3m barrels a day.

Even the Congressional Budget Office has weighed in, with a study suggesting greater tax receipts from federal oil and gas leases would follow a lifting of the ban. A study from Columbia University’s Center

on Global Energy Policy forecasts lower gasoline prices and geopolitical benefits, and the centrist Brookings Institute issued a research report citing the economic benefit to exporting US crude oil.

Congress wants action. On 9 October the House voted by 261-59 to end it. Two different Senate subcommittees also approve of ending the ban.

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Yet Democrats are far from agreeing. If the House version of the export ban removal reaches president Barack Obama's desk, he has vowed to veto it. Lifting the ban will not address the energy problems of the US, and the world, he argues.

"Legislation to remove crude export restrictions is not needed at this time. Rather, Congress should be focusing its efforts on supporting our transition to a low-carbon economy," the White House said last month in response to the House bill.

Why are Democrats and Republicans so far apart? One reason is just politics, and the other is genuinely different values.

A major Democratic concern with simply lifting the ban is that it will be a gift to the oil industry. Democrats cite a report from the Department of Energy's Energy Information Administration, which said oil producers may receive \$23bn to \$29bn over the next few years – if US and global prices remain close.

To lift the ban, Democrats "want something in return; that's politics. They're not going to give something to the industry without exacting some price for it", said Michael Cohen, head of energy research at Barclays.

Rather than just lift the ban, Democrats want to review energy policy in the bigger picture, including investments in clean technology, he said. Republicans aren't going to meet them there.

What it comes down to is a values debate on each side, said Usha Haley, professor of management, West Virginia University, who focuses on energy and trade deals. Republican arguments about the economic impact of lifting the export ban may make sense on face value, but she doubts there would be much benefit for consumers.

"Economic arguments occur in a test tube. Yes the US is awash in oil, and they link [their point] to the consumer benefiting. The big oil companies benefit; there's no direct link to consumer," she said.

Democrats are also concerned that exporting will lead to more drilling and possible environmental damage, she said. In the end, they are both making unproven assumptions, she added.

Reviewing the ban and overall energy policy is a worthwhile exercise, said Haley, as the current energy landscape is so different than it was in the 1970s. And any review should include cleaner energy. "Fossil fuels are of the past," she said.

But while the shouting in Washington over the export ban is likely to pick up as we head to the election, few expect the ban will end before the next president takes office.

The Republican presidential candidates all side with ending the ban, Obama has his veto ready but neither side will take the chance of making a decision ahead of the big vote.

"The ultimate bottom line in all of this is: will it raise gasoline prices to the American consumer?" said Cohen. If gasoline prices rise because of higher global prices or because the export ban ended, politicians running for office can lay the blame at their opponent. "It affects both parties. It's why we don't believe in an election year either party wants to tackle it," he said.

After the election? Flynn said he eventually sees the ban falling, noting the Obama administration's recent decision to swap oil types between Mexico and Canada.

"It may come in incremental steps, where they keep making exceptions where all in intents and purposes it disappears. If a Republican gets in office it will ... I think Hillary Clinton as president ... would be pragmatic," he said.