

**U.S. House of Representative, Agriculture Committee
Energy and the Rural Economy: Economic Impacts of
Exporting Crude Oil
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Chairman Conaway and Ranking member Peterson, thank you for the opportunity to testify today on the impact that lifting the export ban on crude oil would have on rural North Dakota, particularly the agricultural community.

The North Dakota Petroleum Council (NDPC) represents more than 500 companies engaged in all aspects of oil and gas activities in North Dakota, South Dakota, and the Rocky Mountain region. NDPC members produce 98 percent of all oil and gas in North Dakota. North Dakota's two largest industries are agriculture and energy.

North Dakota is the second largest oil-producing state in the nation, reaching 1.1 million barrels of daily production in May 2014, up from 100,000 barrels per day in 2007. Since 2005, the oil and gas industry had grown from a \$3 billion industry supporting 5,000 jobs to a \$43 billion industry with 65,000 direct jobs. Today, the industry in North Dakota has more than 12,000 producing oil wells, and contributes \$8-\$9 million per day in oil production taxes to the state and political subdivisions.

These benefits extend well beyond North Dakota and into our neighboring states of Minnesota, South Dakota, Montana, and even farther. In fact, according to a recent study by Harvard Business School, between 2011 and 2014, many states saw a triple digit increase in job postings related to unconventional oil development, including North Dakota at 286 percent, Montana at 198 percent, and Minnesota at 193 percent. For every dollar spent on oil and gas development in North Dakota, another \$1.50 in additional business activity is generated, sending ripple effects through our state and national economies.

Turning back the clock a dozen years, rural North Dakota towns were shrinking and some had become ghost towns. Many businesses closed, schools consolidated and farm auctions were frequent. North Dakota's young people, educated in some of the finest primary, secondary and post-secondary schools in the country, were North Dakota's most valuable export because suitable employment was not available at home. The cost of living, along with low commodity prices, forced most farm families to supplement their income with a second full-time job at a local business, coal mine or power plant. Their greatest fear was that they would be the generation who could no longer hang onto the land that previous generations worked so hard to keep in the family.

IN 2006, horizontal drilling technology unlocked the Bakken, resulting in a surge of oil and gas production, making North Dakota equivalent to the nineteenth largest oil producing country and with development came a rural renaissance for our state. The oil and gas industry, as well as service companies, engineers, geologists and all the manufacturing and logistics that must accompany the industry brought jobs, new business opportunities, and royalties to land and mineral owners. Once dying towns are now blossoming and the state's population has grown 23 percent since 2000. North Dakota has been ranked as one of the best states for young

people because of the abundant job opportunities. This has attracted new people to the state and brought many back home to live closer to family.

Oil development has also helped supplement the incomes for many local farmers and ranchers who receive checks for pipeline right of ways or mineral royalties. Some landowners sold sand and gravel from pits on their land to the industry to build well pads and maintain roads. The influx of money allowed them to purchase bigger and newer equipment to enhance their farming and ranching operations. Some for the first time could plan to pass the family farm or ranch on to the next generation.

The state also benefited from capital improvements and infrastructure projects brought about by the oil industry. Burlington Northern Santa Fe railway, the largest railroad in North Dakota has invested hundreds of millions of dollars to improve the transportation infrastructure that not only benefits oil and gas, but also the movement of agricultural products to market and fertilizers to the local elevators. Some rural elevators had not had rail service in years. This investment would never have occurred without oil and gas development.

Additionally, value-added projects such as fertilizer plants are being constructed or planned, and will soon benefit North Dakota agricultural producers. U.S. farmers rely heavily on costly imports for fertilizer supplies. We now have an opportunity to produce more fertilizers close to the farms in North Dakota.

The first refinery to be built in four decades recently began operating in North Dakota. This refinery will process 20,000 barrels of Bakken crude per day to produce about 7,000 barrels per day of diesel fuel. There has not been a recent harvest where we haven't experienced a shortage of diesel fuel. This refinery is just one step forward in helping agriculture get the energy resources they need to harvest their crops. These are just a few examples of how agriculture and oil can partner for rural growth.

This rural renaissance is being threatened by foreign entities not always friendly to the United States and by restrictions imposed on the sale of oil abroad. The recent collapse of the price of oil was precipitated by OPEC's decision protect its market share by driving prices down and attempting to put American producers out of business. This tactic by our foreign oil competitors has had an impact on the U.S. industry. In North Dakota alone, 15,000 – 20,000 direct oil and gas, as well as many indirect employment opportunities have been lost. Across the nation this number is closer to 130,000 lost job opportunities. More than 100 drilling rigs are now sitting idle in North Dakota and production in the state has been flat for the past several months. Mineral owners are receiving smaller royalty checks, and the state of North Dakota and its citizens are receiving lower oil and gas tax revenues that fund schools, roads and infrastructure across our state.

The U.S. oil and gas industry can rise to meet many challenges through innovation and hard work, but facing export restrictions at home, places the industry at an extreme competitive disadvantage. The U.S. government should lift the ban on crude oil exports and allow oil produced here at home, in places like North Dakota, to reach global markets. The U.S. energy industry deserves the opportunity to compete globally; lifting the ban on crude oil exports would immediately restore our competitiveness and revive the renaissance in rural America. Not only would rural America prosper, but all U.S. citizens would benefit from lifting the ban.

Repealing the ban would create jobs, grow our economy, help decrease gasoline prices, and improve our energy security. The Domestic Energy Producers Alliance reports that lifting the ban will add 1 percent to gross domestic product growth, drastically reducing the U.S. trade deficit and putting Americans back to work. A recent study by IHS found that job creation from

lifting the ban would average almost 400,000 jobs in the first year and peak in 2018 at nearly one million new jobs. The Brookings Institute concluded U.S. households will benefit from lifting the export ban through higher incomes and wages and lower gasoline prices.

It is important to note that economists and experts all agree that lifting the export ban will put downward pressure on U.S. gasoline prices. In a report titled "What Drives U.S. Gasoline Prices?" the U.S. Energy Information Administration (EIA) found that our gasoline prices are tied to the international price of oil, also known as Brent. Allowing U.S. oil exports would add to global supply and put downward pressure on international prices, which are precisely what determines our price at the pump. A study by Columbia University found that lifting the ban could reduce our gasoline prices by up to 12 cents per gallon. Other studies say American consumers could save up to \$5.8 billion annually each year from 2015 to 2035.

Transportation fuels, gasoline and diesel fuel represent major fixed costs in any farming and ranching operation. Lower prices would benefit all of rural America and all American drivers. The Center for New American Security stated that new U.S. oil supplies have already helped to cap price spikes caused by global supply disruptions and to moderate oil prices for consumers.

Energy abundance and domestic energy Independence are terms that are difficult to grasp after decades of discussions on peak oil and energy scarcity. Two generations of Americans have been taught to believe that the United States has no choice but to be reliant on foreign energy supplies, particularly those from the Middle East. Many Americans have been indoctrinated with an energy scarcity mentality. Ken Hersch, CEO of NBP Energy Capital Management said "the ramifications of the U.S. moving from being primarily an oil consumer to being both a producer and consumer of oil, will shape global events for the next fifty years as oil scarcity gives way to oil abundance."

Thanks to advances in technology U.S. energy potential has been unlocked and has given this nation the key to break open abundant energy reserves, lower the price of transportation fuels, create jobs and generate a robust U.S. economy.

It is time for a paradigm shift in mindset from energy scarcity to one of energy abundance that includes lifting the ban on crude oil exports. As the Harvard Business School so aptly stated in their study, unconventional energy development is "perhaps the largest single opportunity to change America's competitiveness and economic trajectory, as well as our geopolitical standing." We must seize this opportunity, and the first step is lifting this antiquated export ban.

The story of North Dakota oil and gas development and its impact on agriculture in our state is an amazing American story, one that is being discussed all over the world. Exporting crude oil will have a dramatic effect on our state's ability to fully develop the Bakken and realize its full benefits. Now is the time to follow North Dakota's lead and let our nation be the energy leader for the world.

Mr. Chairman, and members of the committee, you have before you a once in a generation opportunity to impact the economy of the United States, provide lower transportation costs to rural America and make the U.S. the global energy market leader.