U.S. House of Representatives
Committee on Agriculture
Room 1301, Longworth House Office Building
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July 20. 2015

The Honorable Fred Upton
Chairman, Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member, Committee on Energy and Commerce
U.S. House of Representatives
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Upton and Ranking Member Pallone:

Last week, the Committee on Agriculture held a hearing titled: "Energy and the Rural Economy: the Economic Impact of Exporting Crude Oil". During this meeting we heard from a number of witnesses about the important economic impact that would result from eliminating the market-distorting ban on exporting crude oil.

During the hearing, bipartisan support was expressed for lifting the export ban because, as we heard from our witnesses, lifting the ban would drive investment in U.S. production, providing many needed jobs in rural America, and lower fuel prices for consumers.

As you both know, the agricultural economy is sensitive to the global price of oil. Rural families drive further than their urban counterparts, farms use diesel to run equipment and transport products to market, and the price of fertilizer and other agricultural inputs fluctuate with the price of oil. In the testimony the Committee heard, we are confident that lifting the crude oil export ban will benefit all Americans who rely on gasoline, diesel, and other refined products.

Our government watchdogs support this finding. Mr. Frank Rusco from the Government Accountability Office (GAO) closed his testimony by summarizing GAO's findings from a survey of the economic literature: "Allowing exports of oil from the United States makes sense from the standpoint of economic efficiency, it allows the price of oil to be set by market forces and it allows the efficient running of US refining operations. It will likely cause consumer prices to fall or remain unchanged, and it should stimulate economic activity, particularly in rural areas, in which shale oil reserves exist."

Mr. Harold Hamm, the Chairman and CEO of Continental Resources, echoed Mr. Rusco's comments, testifying that:

> "...refined products are based on world prices, not domestic prices, U.S. oil exports would actually lower domestic gasoline prices, according to studies by 12 government institutions and universities including the Congressional Budget Office, Energy Information Administration, and Harvard Business School."

Beyond simply lowering fuel prices for consumers, lifting the ban will also drive enormous investment in American resources and could potentially put hundreds of thousands of rural Americans back to work. The Committee also heard important testimony from Mr. Jamie Webster, an energy economist from IHS, who summarized his recent landmark study on the economic impact of lifting the ban.

Mr. Webster found that lifting the ban would stimulate "nearly $750 billion more in investment from 2016 to 2030—and increase oil production by 1.2 million barrels per day." In addition, his study showed the increased investment would lead to an additional $86 billion in GDP; 400,000 new jobs annually, many of them in rural areas; 25 percent higher pay for workers in the energy industry supply chain; and $1.3 trillion in federal, state and municipal revenues from corporate and personal taxes, without increasing tax rates.

Lifting the crude oil export ban is about jobs, particularly jobs in the rural districts we represent. However, the economic investment extends beyond just hiring people to drill oil wells. As Ms. Kari Cutting, Vice President of the North Dakota Petroleum Council, testified increased activity in the oil field is felt even in districts where no drilling occurs. In her comments, she explained how she saw economic growth "extend well beyond North Dakota and into our neighboring states of Minnesota, South Dakota, Montana, and even farther...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."

Continuing to impose a ban on crude oil exports also has implications for our international trade agenda. As Chairman David Porter of the Texas Railroad Commission, the lead regulator for oil and gas in the State of Texas, noted during his prepared remarks:

> "...lifting the ban will enhance free trade and lower the U.S. trade deficit. The U.S. exports all types of goods and commodities, from fruits and vegetables, to cars, to computer software. In addition, the federal government also allows for unlimited exports of refined products, such as gasoline, diesel fuel and jet fuel. Why should U.S. crude oil be treated any differently? A study by Columbia University rightly noted that "crude export restrictions are inconsistent with the U.S. enjoying the benefits of petroleum trade and the U.S. commitment to free and open markets." Allowing U.S, crude oil exports will also help lower crude oil

imports, thereby lowering the trade deficit. According to ICF International, crude oil exports could narrow the U.S. trade deficit by $22.3 billion in 2020."

The Committee invited Mr. Terry Duffy, Chairman of CME Group, to discuss the impact of the ban on global energy markets. In his remarks, he was unambiguous in his belief that "...the export ban was 'protectionist' in nature and intent when it was put into place over 40 years ago. Its actual impact has been harmful to the efficiency of markets and to the price discovery process in the energy sector."

The Committee recognizes the impact that increased oil production has had on all rail customers, and we will continue to monitor the ability of our rail and other transportation infrastructure to meet the needs of our rural electric cooperatives as well as our grain farmers.

However, there is no question that if an oil export ban had not been imposed in 1975, few would argue for imposing one today.

Mr. Hamm put it best when he said "The ban is a terrible relic of the Nixon era that today actually harms the American economy and makes domestic gasoline and diesel prices higher than they should be."

We urge you to support legislation that finally lifts the crude oil export ban and unburdens American producers from this self-imposed free-trade embargo.

Sincerely,

K. Michael Conaway
Chairman

Collin C. Peterson
Ranking Member