The Detroit News

Drop America's energy export ban

By Doug Bandow
February 11, 2014

For years people have been told to expect a dismal energy future. But because of rapid market innovation, Americans now can look forward to a future of energy abundance. The U.S. could even become a leading exporter.

President Ronald Reagan set the stage for today's energy advances by unilaterally eliminating oil price controls. An energy revolution currently is underway, with increasing supplies and falling prices. Even more could be done if Washington expanded access to federal lands and waters and freed producers to make best use of what they extract.

Control of natural gas exports goes back to the Natural Gas Act of 1938. The 1970s were marked by various energy "shocks" and "crises," leading to passage of the Energy Policy and Conservation Act, which regulates oil as a "short supply" product.

Arbitrary restrictions bedevil energy exports. Last year Energy Secretary Ernest Moniz announced that he was delaying decisions on a score of applications for political reasons even though the department had already concluded that such exports would benefit the U.S. economy.

The ban on oil is even tougher, with only small amounts being shipped to Canada. Few licenses have been issued under the law's "national interest" exception, and none since 2000.

Forbidding petroleum exports does not make additional supplies available to Americans. Rather, the ban prevents energy companies from saving money. For instance, it would be cheaper to sell Alaskan crude to Asia and purchase more oil from Latin America.

The export ban also risks halting the increase in domestic energy production. U.S. oil production is at a quarter century high, but the greatest supply increases have been of crude oil that is "lighter" and "sweeter" than usual. Most domestic refineries, especially in the Gulf Coast, are designed to handle "heavy" oil.

A new report released by Alaska's Sen. Lisa Murkowski warned of fears that "rising light crude production will soon exceed not only the nation's light refining capacity, but also the ability of refiners to adapt to the new production slate. When this point is reached, the U.S. oil resurgence will collide with the de facto ban on crude oil exports." Maria van der Hoeven, executive director of the International Energy Agency, similarly worried that the export ban "could threaten the economic viability of these new supplies, potentially stopping the boom in its tracks."

Supporters of the prohibition contend that it helps consumers and reduces foreign dependency. In fact, exporting natural gas and oil does not increase America's dependence on foreign imports, but merely reshuffles global supplies. Today, Americans are wasting money on extra transportation costs and failing to collect from higher-priced sales.

Exports also would be environmentally friendly. Instead of building more refineries to handle increased production, the U.S. would send more of its crude oil to other nations' facilities.

Finally, lifting the export prohibition would have little impact on consumer prices. The ban most directly benefits refiners, who are exporting record amounts of products. Today a few lucky firms gain billions from an unfair and arbitrary subsidy courtesy Uncle Sam.

In fact, argued van der Hoeven, "American end-users do not benefit from this production windfall since U.S. retail product prices are still heavily influenced by international markets." Energy remains a global marketplace. The best way to reduce consumer prices would be for Uncle Sam to reduce domestic barriers to production and allow international markets to function.

The energy boom is a great boon for Americans. Innovative markets have erased decades of rhetoric about shortages and scarcity. America's energy future will grow even brighter if only Uncle Sam stops getting in the way.

Doug Bandow is a senior fellow at the Cato Institute.