HOT AIR

The White House is taking an "active look" at the crude oil export ban, whatever that means

By Erika Johnsen

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The United States' crude oil production is on track to hit an all-time record high within just a few short years, and most fortunately for America, that fact doesn't seem to be *entirely* lost on an otherwise fossil-fuel begrudging Obama administration. I shudder to think what the monthly jobs reports would look like if the White House wasn't riding on the coattails of our incidental production growth, although the president is still looking for potential ways to exert more authority over hydraulic fracturing (the technology that very suddenly and fortuitously for him spurred the shale boom on state and private lands) and his administration has been deliberately sluggish with issuing drilling permits for offshore and federal lands — but the way the regulatory situation stands right now, opening up more areas for drilling actually might not be that helpful anyway.

U.S. producers have been mostly prohibited from exporting crude oil (*not* to be confused with refined gasoline) since the drama with OPEC back in 1973, and because of our specific refining capacity, we are already rapidly approaching the point at which the U.S. market won't be able to absorb much more production growth. Instead of sittin' pretty with a glut on our hands, allowing crude-oil exports would enable Americans to take full advantage of our abundant energy resources and to create jobs and grow wealth uninhibited by utterly arbitrary free-trade restrictions; Obama's Energy Secretary Ernest Moniz has mentioned before that the administration might be willing to get on board with some revisions to the ban, and even one of his ultra-progressive senior advisers echoed that sentiment this week, via the Financial Times:

The White House is examining the longstanding US ban on exports of crude oil, a senior official has said, offering the Obama administration's most detailed statement yet of its thoughts on the issue.

John Podesta, who is one of President Barack Obama's most senior advisers, said the administration was "taking an active look" at the strains caused by the US shale oil boom. Any change would have implications for oil traders, refiners and consumers worldwide. …

Asked on Thursday about the administration's thinking on crude oil exports, Mr Podesta said: "We're taking an active look at what the production looks like, particularly in Eagle Ford, in Texas, and whether the current refinery capacity in the US can absorb the capacity increase to refine the product that's being produced."

"We're taking a look at that and deciding whether there's the potential for effectively and economically utilising that resource through a variety of different mechanisms," he told Columbia University's Center on Global Energy Policy conference in New York.

The politics of lifting the ban — both for the executive and the legislative branches — are (needlessly) tough, especially since critics on both side will raise the specter of potentially higher gasoline prices, but I'll let Scott Lincicome at the Cato Institute take care of that one:

Because U.S. and Canadian refinery capacity is finite, America's newfound energy abundance has led to a glut of domestic oil and caused domestic crude oil prices (West Texas Intermediate and Louisiana Light Sweet) to drop well below their global (Brent) counterpart. One might think that this price divergence would mean lower U.S. gas prices, but such thinking fails to understand that U.S. gasoline exports may be freely exported, and that gasoline prices are set on global markets based on Brent crude prices. As a result, several recent analyses – including ones by Citigroup [$], Resources for the Future and the American Petroleum Institute – have found that liberalization of U.S. crude oil exports would *lower*, not raise, gas prices by as much as 7 cents per gallon.

Read: The price we pay for actual gasoline at the pump is largely determined globally, while refiners enjoy the domestic benefits of a closed crude market — and the sooner we can rid ourselves of the self-inflicted opportunity costs of the export ban, the better off we'll be.