(BN) Twitter Tussle Erupts Between Drillers, Refiners on Oil Exp
orts

+--+

Twitter Tussle Erupts Between Drillers, Refiners on Oil Exports
2015-05-05 09:00:00.2 GMT

By Jim Snyder

(Bloomberg) -- The tumble in oil prices is opening a rift in the petroleum industry, which often links arms in Washington against common enemies like tax increases and drilling limits.

The issue: A debate on whether to end a 1970's-era ban on most exports of oil pumped from the U.S. Drillers want the restrictions to end, in the face of a 40 percent price drop over the past year. Refiners enjoying a surge in profits from the cheap oil want to keep them in place.

Both sides are making their case through stepped up lobbying, ad campaigns, congressional hearings, think-tank studies -- even Twitter.

"Guess energy independence doesn't matter to you," said a Tweet by the Consumers and Refiners United for Domestic Energy, a group of four refiners formed last year that goes by the acronym "Crude."

Why export? "For the same reason we import & export a ton of other products, including gasoline, cars, computers etc. it's how the economy works," came the Twitter retort from a group organized by drillers last year, the Producers for American Crude Oil Exports, or "Pace."

As Twitter sniping goes, the Crude-Pace exchange was pretty tame (see rap star @chrisbrown for worse). But it shows divisions over whether a ban in place since 1975 makes sense amid bountiful U.S. supply.

Marathon, Chesapeake

The members of Pace, such as ConocoPhillips, Marathon Oil Corp. and Chesapeake Energy Corp., spent almost $27 million to lobby last year, dwarfing the $3.44 million spent by the members of Crude. Outgunned financially, Crude tries to compensate by stressing touchstones that include energy independence and the threat of higher gasoline prices.

"A little bit of back-and-forth happens from time to time," said Jay Hauck, executive director of Crude.

The division is complicating the issue for lawmakers, who are already wary of being blamed for rising gas costs should they lift the ban.

Processed products such as gasoline, diesel and jet fuel aren't subject to the export ban. That means refiners are making significant profits buying oil at a discount from the global benchmark and then selling their products to domestic and international customers, Representative Joe Barton, a Texas Republican who has a bill to end the export ban, said last week at a Capitol Hill news conference.

Bills Proposed

Senator Lisa Murkowski, an Alaska Republican and chairman of the Senate Energy and Natural Resources Committee, also plans to introduce a bill this year. But when either measure gets considered for a vote is unclear.

Representative Henry Cuellar of Texas, one of four Democrats who signed on to Barton's bill as co-sponsors, called the export ban outdated. He still has concerns about the effect lifting it would have on refinery workers in his district, which also includes the Eagle Ford formation where producers are active in extracting crude oil.

Cuellar "remains committed to advocating for all sectors of the oil industry," spokeswoman Kirsten Hartman said in an e-mail.

Some of the refiners' profits end up in Washington. Crude, the group, spent about $90,000 in the first three months this year to lobby Congress and the Obama administration, its highest quarterly total since forming in 2014.

Profits Rise

Larger refiners spend more, though their position is more nuanced. Valero Energy Corp., a San Antonio-based refiner that reported per-share earnings last week of $1.87, beating a $1.68 estimate of analysts surveyed by Bloomberg, thinks ending the ban should be part of wholesale changes, like lifting the Jones Act. That law requires that American ships and crews be used to haul goods between U.S. ports. Repealing it is a tough sell politically.

Joseph Gorder, Valero chief executive officer, said during a call with investors on April 28 that the U.S. still imports about 7 million barrels per day.

"So the question becomes, do you really need the exports," he said. Valero spent $315,000 on lobbying from January through March, including on the export ban.

Pace, the producer group, spent about $60,000 to lobby this year, up from $20,000 reported in the fourth quarter of 2014 when the organization was founded. Individually the 16 member companies, including Hess Corp. and ConocoPhillips, which both posted quarterly losses, spent more than $27 million to lobby in 2014, according to public records.

'Trapped' Oil

"Our crude is trapped here with no relief in sight," John Hess, CEO of Hess, said April 21 at IHS CeraWeek energy conference in Houston.

At the same meeting, Murkowski said a big impediment to lifting the ban is lawmakers' fear that they'd be blamed if gasoline prices later rose, even if there isn't a connection.

Producers have tried hard to sell the idea that selling more U.S. crude overseas will, perhaps counter-intuitively, lower gasoline prices by adding to global supplies. Reports from the Brookings Institution and others suggest they have a point -- domestic gasoline prices are tied to the international oil price, not the U.S. benchmark.

Crude says the studies are flawed, and challenges another point producers make: that U.S. refiners don't have the capacity to handle all the light, sweet crude produced from shale rock formations that are behind the domestic production boom.

The so-called refining wall is a myth, Hauck, executive director of Crude, said in a phone interview.

For Related News and Information:
In Pitch to End Crude Export Ban, Drillers Promise Cheaper Fuel
Poland, Lithuania Press U.S. to Lift Crude-Export Restrictions
Oil Producers Face Skeptical Congress in Drive to End Export Ban
Bloomberg spot oil prices: BOIL <GO>
First Word Oil: NI BFWOIL <GO>
Bloomberg Intelligence Oil Analysis: BI OILS <GO>

To contact the reporter on this story:
Jim Snyder in Washington at +1-202-624-1972 or
jsnyder24@bloomberg.net
To contact the editors responsible for this story:
Jon Morgan at +1-202-654-7370 or
jmorgan97@bloomberg.net
Steve Geimann