



*September 2015*

# Lifting the Crude Oil Export Ban

## Explainer III: Geopolitical Ramifications of Lifting the Crude Export Ban

In 1975, Congress passed the Energy Policy and Conservation Act, which paved the way toward banning the export of domestically produced crude oil and built upon existing domestic price controls, in response to the 1973 Arab oil embargo. At the time, such measures were seen as a means to secure U.S. “energy independence” and maintain low oil and gasoline prices in the United States. But global and domestic oil markets have both substantially changed since the 1970s. Domestic price controls for oil were lifted in 1981, and crude oil markets are now globally integrated, with prices set by global supply and demand. As Bipartisan Policy Center (BPC) President Jason Grumet outlined in testimony to the House Foreign Affairs Terrorism, Non Proliferation and Trade Subcommittee earlier this year, BPC supports lifting the crude oil export ban.

BPC prepared these briefs to promote a greater understanding of the issues surrounding the crude oil export ban. This is the third in a series that includes a topic overview and a review of potential domestic effects.



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## *American Crude Oil on the Global Market*

Repealing the crude oil export ban could have a significant impact on geopolitics and national security. Lifting the ban would allow the United States to strengthen its position as a world leader in the energy market by increasing its ability to produce greater amounts of crude oil.

- The United States could help reduce the volatility of the global oil market through the introduction of domestically produced crude oil, supplies of which are not subject to the political instability experienced by some of the world's largest producers such as Iraq, Libya, and Nigeria.
- Higher levels of domestic production have led to a decrease in U.S. imports of crude oil and therefore less dependence on supplier states. However, the Organization of Petroleum Exporting Countries (OPEC) has maintained and even increased production levels, despite the low oil price environment, in an effort to retain market share and force out U.S. producers.
- Allowing U.S. crude on the global market would dilute OPEC's market share and provide stability.
- A more stable market benefits all consumers, including the United States, by reducing the risk and impact of supply interruptions.
- A reliable global crude market strengthened by U.S. exports would allow foreign policymakers more latitude regarding energy security considerations when dealing with crises abroad. With a more reliable market, the United States would have greater leverage in its relations with both allies and aggressor nations.
- Increased domestic production and reduced imports have increased American energy independence and therefore freed up more oil for global markets. This allowed greater latitude in enacting sanctions on oil exporting countries that violated international law without creating additional market instabilities.

## *Effect on American Allies*

There are numerous benefits if American allies can readily access secure U.S. sourced crude exports.<sup>1</sup>

- Additional U.S. crude oil in the market—even the prospects of it—would provide American allies with leverage against potentially manipulative supplier nations.
- With the United States taking on the role as an exporter of crude oil to the global market, vulnerable importing states would be able to add the United States as another legitimate import option, thus decreasing the relative power of other exporting countries by diluting their market share.
- This could have significant implications for dependent states—such as Poland, Belgium, the Netherlands, India, Japan, and South Korea—looking for stable diversification options. For example, 93 percent of Poland's imports came from Russia in 2014.<sup>2</sup>
- Continued reliance on manipulative nations leaves our allies vulnerable to coercion. For example, a number of European countries lost their gas supply when Russia cut off natural gas to Ukraine over pricing disputes in January 2009.<sup>3</sup>

## *Free Trade*

The United States could further grow its economy and enhance its national security through the free trade of energy.

- Some exports of crude oil are already taking place between the United States and its North American neighbors.
- Furthermore, the nuclear deal negotiated between Iran and the P5+1 nations allows for greater exports of Iranian energy resources. If the United States were to lift its oil export ban, it could promote free-trade ideals and counterbalance future increases in Iranian oil exports, not to mention other potential competitors on the global market, such as Russia.
- Crude oil is the only U.S. energy source currently banned from export. By lifting the crude oil export ban, the United States would remain a vocal leader in support of free trade and the abolition of unfair tariffs and trade restrictions relative to all commodities, including crude oil.

## *End Notes*

<sup>1</sup> Blake Clayton, "The Case for Allowing U.S. Crude Oil Exports," Council on Foreign Relations Press, July 2013. Available at: <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>.

<sup>2</sup> European Commission. Available at: <http://ec.europa.eu/energy/en/statistics/eu-crude-oil-imports>.

<sup>3</sup> Leon Panetta, "The Oil-Export Ban Harms National Security," The Wall Street Journal, May 19, 2015. Available at: <http://www.wsj.com/articles/the-oil-export-ban-harms-national-security-1432076440>.



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