

**Submitted Testimony of David Porter
Chairman, Texas Railroad Commission
Before the U.S. House Committee on Agriculture
July 8, 2015**

Chairman Conaway, Ranking Member Peterson, and members of the Committee:

For the record, I am David Porter, Chairman of the Texas Railroad Commission.

For those of you who aren't familiar with the Texas Railroad Commission, we are the state's chief energy regulator. I am one of three statewide elected Commissioners, and we oversee everything from oil and gas to pipelines, uranium exploration, surface coal mining, natural gas local distribution companies and alternative natural gas fuels.

Thank you for holding this hearing and for the opportunity to testify today about the immediate need for Congress to lift the crude oil export ban. Crude oil exports would spur new American energy production, foster economic growth and provide direct benefits to rural America and our Nation as a whole.

The U.S. crude oil export ban is a left-over relic from another period of time. Forty years ago the United States was in the midst of the Arab oil embargo and faced gasoline shortages across the country. The crude export ban was put in place out of fear of increased dependence on foreign oil and the need to protect our dwindling domestic oil supply. The world today is a much different place and the circumstances we faced in the 1970s are no longer relevant or true today.

Technological advancements have allowed U.S. producers to tap new sources of oil and natural gas from shale formations, including from the Permian Basin and Eagle Ford in Texas. Development of our shale resources has been a game-changer and presents the US with the opportunity to be the world's largest producer of both oil and natural gas.

The export ban is more than just an outdated policy. Keeping it in place is actually harming our economy.

In Texas, we understand and experience firsthand the link between U.S. oil and natural gas production and the strength of the economy. The two are inextricably linked. When oil prices recently dropped, we felt the harsh economic impacts at home. We saw thousands of hardworking men and women put out of work and rigs idled. We saw state revenues – used to support schools and infrastructure investments – decline. This impacted our state budget and the State Comptroller noted that the slowdown in oil and gas production “will dampen overall economic growth in Texas.”

At the Texas Railroad Commission, we saw the number of drilling permits issued dramatically drop. In May of 2014, we issued 2,389 permits. This past May we issued only 916. This decline in wells drilled will harm our economy and the livelihood of all Texans.

To put this in perspective, according to recent studies from the University of Houston and Rice University, each drilling rig represents a total of 224 jobs. These are jobs on the rig itself and those across the supply chain and in the broader economy. With the loss of 1072 rigs through June, you can do the math to see just how devastating the recent downturn in development has been for oil and natural gas producing states. It comes to roughly 240,000 jobs. While repealing the ban will not bring back these jobs overnight, it will certainly get some of these men and women back to work in the near term.

The ban is also responsible for the disparity between the U.S. pricing benchmark for crude known as WTI, and the international benchmark, Brent. The majority of the new oil being produced from our shale formations is light sweet crude and the US refining capacity is not designed to economically handle the increased volumes of this type of crude. As a result, our oil is essentially trapped in the U.S., creating a supply glut that is driving down the price of U.S. oil. This represents billions of dollars of lost revenue that could be pumped back into the U.S. economy.

The best way to put people back to work and address the glut of light sweet crude oil is to allow it to be exported to the world market. Earlier this year, the Texas State Legislature passed and Governor Abbott signed a resolution asking Congress to lift the ban on crude exports. It notes the multiple benefits it would bring to Texas and the U.S.

First, lifting the export ban would increase production here at home, resulting in new American job creation, economic growth and increased state and federal revenue. According to a study by ICF International, it's estimated that U.S. GDP would increase by \$38.1 billion in 2020 if expanded crude exports were allowed. The same study also noted that U.S. federal, state, and local tax receipts attributable to this GDP increase could reach \$13.5 billion in 2020.

While large producing states like Texas would immediately feel the job-creating benefits, studies show that nearly every state and congressional district would also benefit from increased oil production due to the expansive supply chain it supports. According to IHS Energy, for every energy job created in oil production, three jobs are created in the supply chain and six more in the broader economy.

Second, lifting the export ban would help consumers save money at the pump. Domestic gasoline prices are based on the international price of oil. Therefore, increasing the global supply of oil would lower international oil prices and ultimately help lower the price of domestic gasoline. According to Columbia University, domestic gasoline prices could be reduced by up to 12 cents a gallon if the ban were lifted.

Lower fuel prices would be especially beneficial to farmers and rural Americans. As you are aware, agriculture is an energy-intensive industry and rural Americans spend more money on fuel as a percentage of their income than urban residents. Lower gasoline prices would provide a significant economic boost for many of these families and small businesses.

Third, 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.

Finally, lifting the crude oil export ban will strengthen our national security and help our global allies. While I’m not a foreign policy expert, I will take the advice of those who are and encourage others to do the same. Former Defense Secretary Leon Panetta, former Defense Secretary William Cohen and former National Security Advisor Stephen Hadley all agree that our security interests around the world would be strengthened by allowing U.S. crude oil exports. The U.S. can become a stable supply source for our allies, help prevent market distortions and lower the influence of OPEC.

The Center for a New American Security (CNAS), issued a report in May on the multiple ways lifting the ban would enhance our national security, one of which is the ability it would give the U.S. to sustain and expand energy sanctions: *“The United States will be in a stronger position to impose future energy sanctions, if necessary, if it promotes free trade in energy. In so doing, policymakers would make it possible for U.S. producers to expand production more easily to substitute for global supplies unavailable due to sanctions.”*

Indeed, the increase in U.S. energy production has helped make the international sanctions against Iran successful. A recent report by U.S. Senator Lisa Murkowski’s majority staff on the Senate Energy and Natural Resources Committee points out that the U.S. government has placed de facto sanctions on U.S. oil producers and if the sanctions against Iran are lifted, Iranian oil would reach global markets that U.S. production is prohibited from accessing. Chairman Murkowski concluded, “Any deal that lifts sanctions on Iranian oil will disadvantage American companies unless we lift the antiquated ban on our own oil exports.” I agree.

Allowing the free trade of oil would make the U.S. a true global energy leader and super power. It would mean hundreds of thousands of new jobs for Americans, thriving communities with vibrant economies, and families saving money every time they fill up their cars. This is the world I want to live in, and the world we can live in if Congress and the President take immediate action to lift the crude oil export ban.

Thank you again for the opportunity to speak and I’d be happy to answer any questions regarding my testimony.