

POLICY PARADOX: REMOVING SANCTIONS ON IRAN WHILE IMPOSING SANCTIONS ON AMERICA?

If U.S. lawmakers do not act now to remove the ban on U.S. crude exports and allow American producers to compete on the world market, Iran will lock up targeted sources of U.S. export demand abroad.

While Iran has traditionally produced a heavier grade of crude oil with higher sulfur content than that of the U.S., the country is rapidly increasing its production of condensates. These lighter barrels would compete directly with rising volumes of light-sweet U.S. production in target U.S. export markets like East Asia and Europe.

To quantify the magnitude of this potential opportunity loss, Iranian oil minister Bijan Zanganeh anticipates an increase of 1 million barrels per day of exports within 7 months of sanctions being lifted, with the majority of those exports destined for U.S. allies in Asia and Europe. Mohsen Qamsari, director of international affairs at state-run National Iranian Oil Co., further notes, Iran will try to “maximize our crude export capacity to Europe” in addition to securing demand in Asia.

It would be hard to blame our allies, particularly in Europe, for wanting to diversify away from Russian barrels – after all, they were a significant source of demand for Iranian barrels prior to sanctions being imposed beginning in late 2011. But should we be pushing our allies into the open arms of Iran when U.S. crude oil could instead satisfy their demand?

The U.S. Energy Information Administration anticipates the addition of Iranian barrels to the global marketplace will reduce 2016 oil prices another \$5 - \$15 from already depressed levels. That means further capex cuts and lost American jobs as a direct result of new Iranian barrels securing markets that could have gone to U.S. suppliers.

With a lifting of sanctions on Iran around the corner, the lifting of sanctions on U.S. oil producers has never been more urgent. Policymakers must act now to allow U.S. producers to compete fairly on the world market, supporting American jobs while providing our allies with a safer, far more desirable alternative to Iranian barrels.

¹ WSJ, “Iran Deal Raises Prospect of Fresh Oil Glut,” July 14, 2015.

² EIA Short Term Energy Outlook, July 7, 2015, p.3.

³ Financial Times, “Assessing OPEC’s oil market strategy,” June 12, 2015.

Iran can boost oil production in one week after international sanctions are lifted, Oil Minister Bijan Namdar Zanganeh said. Production can increase by 500,000 barrels a day within a week after sanctions end and by 1 million barrels a day within a month following that, Zanganeh said.

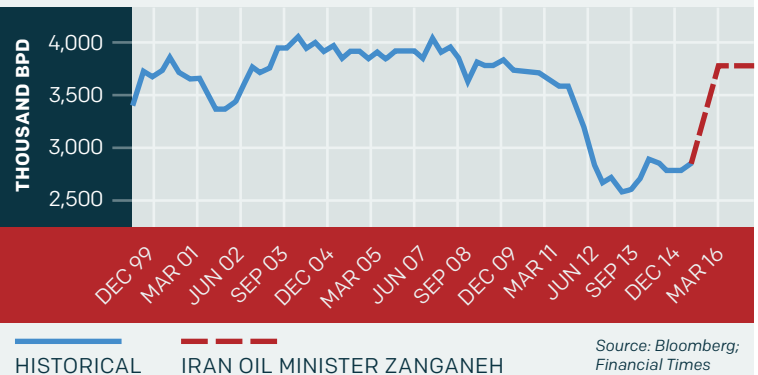
Source: Bloomberg

Forgive us Oklahomans if we feel sucker punched when hostile nations like Iran get permission to export oil while American energy leaders like Oklahoma are prevented from doing the same. It’s well past time to end our country’s outdated, prohibitive oil export ban and let energy states like Oklahoma compete in the international market. If Iran gets to do it, why can’t we?

Preston Doerflinger

Oklahoma Secretary of Finance and Revenue

IRANIAN CRUDE OIL & CONDENSATE OUTPUT



IRANIAN EXPORT DESTINATIONS, PRE-SANCTIONS (2011)

