



## 'CRUDE' STUDY ON U.S. REFINING CAPACITY BUILT ON BAD DATA, FLAWED ASSUMPTIONS

Consulting firm Baker & O'Brien (BoB) recently released a report titled, "An Analysis of U.S. Light Tight Oil Absorption Capacity," which concludes that by 2020, the United States will have capacity to absorb 3.1 – 4.3 million barrels per day (MMB/D) of additional light tight oil (LTO) production versus what was consumed in Q4 2013. This suggests that the recent surge and continued growth in U.S. LTO could all be used domestically, but the study is highly flawed – in both its assumptions and its analysis.

### BACKGROUND

Much of the increase in U.S. oil production over the last several years comes in the form of light, sweet crude (also called light tight oil), while most U.S. refineries are configured to process heavier crudes. According to IHS Energy, "over \$85 billion has been spent in the past quarter century to reconfigure these refineries to process heavy oil imported from countries such as Venezuela, Mexico and Canada. As a result, there are limits to how much of the new, domestically produced light tight oil (LTO) the refining system can efficiently and effectively process." Domestic producers, therefore, need access to global markets to sell LTO that cannot be refined efficiently in the U.S.

The BoB study attempts to downplay and dismiss the mismatch between increasing volumes of LTO and the ability of U.S. refiners to absorb it. But the study lacks analytical rigor and many of its central claims rest on flawed assumptions.

- The LTO forecast is too low
- Ignores refinery economics
- Unrealistic estimate of spare U.S. refining capacity
- Flawed conclusion that LTO could replace all crude oil imports
- Ignores U.S. transportation infrastructure constraints
- Overstates domestic refinery expansions
- Ignores U.S. refinery turnarounds

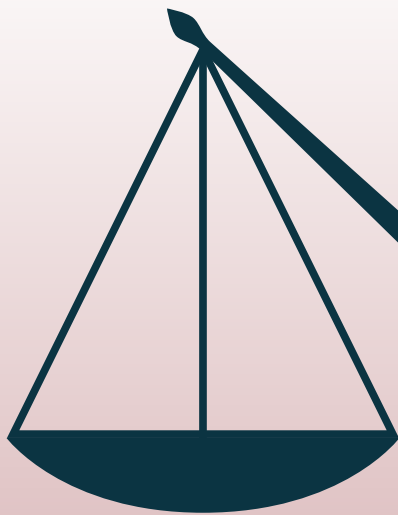
## CONCLUSION

U.S. refineries are primarily configured to process heavier, sour grades of crude oil, meaning increases in U.S. LTO production will require additional markets to be sustainable. Increased US production will go to U.S. refineries where possible, but even with refining expansions projected in the U.S., the projected increase in production means the U.S. market will have a surplus of LTO. Lifting the crude oil export ban would not only provide a market for this additional crude, but it will also ensure that the U.S. can continue increasing its domestic oil production, which will create thousands of new jobs and enhance energy security.

# 13 INDEPENDENT STUDIES OUTWEIGH C.R.U.D.E.'S SELF-INTEREST

The best science and the smartest minds in American agree. U.S. crude oil exports will lower gasoline prices for American Consumers.

**THE REALITY IS SIMPLE.** Consumers and businesses buy refined products, not crude oil. Refineries buy crude oil. The cost savings U.S. refiners gain from buying cheaper, export-restricted domestic crude and selling refined products at the world market price go straight into the pockets of refinery owners. The savings are not passed on to U.S. consumers.



## C.R.U.D.E. LOBBYING GROUP

Motivated purely by self-interest

- Record profits
- Gauging consumers
- Bad data
- Flawed assumptions

## 13 INDEPENDENT STUDIES AGREE

1. U.S. Energy Information Administration, What Drives U.S. Gasoline Prices?
2. U.S. Government Accountability Office (GAO), Changing Crude Oil Markets: Allowing Exports Could Reduce Consumer Fuel Prices, and the Size of the Strategic Reserve Should be Reexamined
3. Congressional Budget Office, The Economic and Budgetary Effects of Producing Oil and Natural Gas from Shale
4. Center for New American Security, Crude Oil Export & U.S. National Security
5. Brookings Institution, Changing Markets: Economic Opportunities from Lifting the U.S. Ban on Crude Oil Exports
6. Aspen Institute, Lifting the Crude Oil Export Ban: The Impact on U.S. Manufacturing
7. Harvard Business School, America's Unconventional Energy Opportunity
8. Columbia University, Navigating the U.S. Oil Export Debate
9. Rice University, Baker Institute for Public Policy, To Lift or Not to Lift? The US Crude Oil Export Ban: Implications for Price and Energy Security
10. ICF International, The Impacts of U.S. Crude Oil Exports on Domestic Crude Production, GDP, Employment, Trade and Consumer Costs
11. IHS, Unleashing the Supply Chain: Assessing the Economic Impact of a US Crude Oil Free Trade Policy
12. IHS, U.S. Crude Oil Export Decision: Assessing the Impact of the Ban and Free Trade on the Economy
13. EIA, Effects of Removing Restrictions of U.S. Crude Oil Exports