



Eyes on Texas & Washington

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April 3, 2017

Senate Natural Resources Committee Votes Unanimously In Favor Of FRED Resolution



AUSTIN — On March 30, the Texas Senate Natural Resources Committee unanimously voted in favor of a resolution calling on the federal government to work with Texas in unraveling the harmful, overreaching regulations aimed at negatively impacting the oil and gas industry.

Senate Concurrent Resolution 26 filed by Senate Natural Resources Chairman Craig Estes (R-Wichita Falls) strongly urges Congress and the new administration to closely review these onerous regulations in order to determine whether the rules should be revised, repealed or alternatively, delegated back to the states to implement and enforce.

The Alliance's Executive Vice President John Tintera testified before the Senate committee encouraging lawmakers to approve the measure and support state delegation. Tintera and the Alliance's government relations team have been working diligently with state lawmakers, as well as federal representatives and national trade groups, through the Alliance's Federal Regulatory Energy Delegation (FRED) Committee to seize the opportunity to alleviate the massive regulatory burdens that have stunted the growth of the oil and gas industry in our state.

A similar resolution, House Concurrent Resolution 84, has also been filed in the House of Representatives by House Energy Resources Chairman Drew Darby (R- San Angelo). Both resolutions acknowledge the incredible economic security and prosperity that Texas oilfields have afforded the state and the country as a whole, and also reference the more than 20 lawsuits that Texas has filed in conjunction with many other oil and gas producing states against federal overreach.

The full text of [Senate Concurrent Resolution 26](#) and [House Concurrent Resolution 84](#) are available online.

Trump Issues Executive Orders To Enhance 'Energy Independence'

President Trump issued an executive order on March 27 during ceremonies at the Environmental Protection Agency that will change many Obama era environmental policies in an effort to increase U.S. energy production.

Obama administration's Clean Power Plan rule, coal-leasing moratorium on public lands, and executive orders dealing with climate change will be affected.

Trump’s executive order also will repeal the Obama administration’s calculation of the social cost of greenhouse gas emissions, which was used to justify many of EPA’s far-reaching regulations imposed on fossil fuels.

Another important aspect of the executive order directs each federal agency to identify rules and policies that "serve as obstacles or impediments to domestic energy production." During the next 180 days, agencies and the White House will review those submissions, and "those plans will serve as a blueprint for the administration going forward on energy policy."

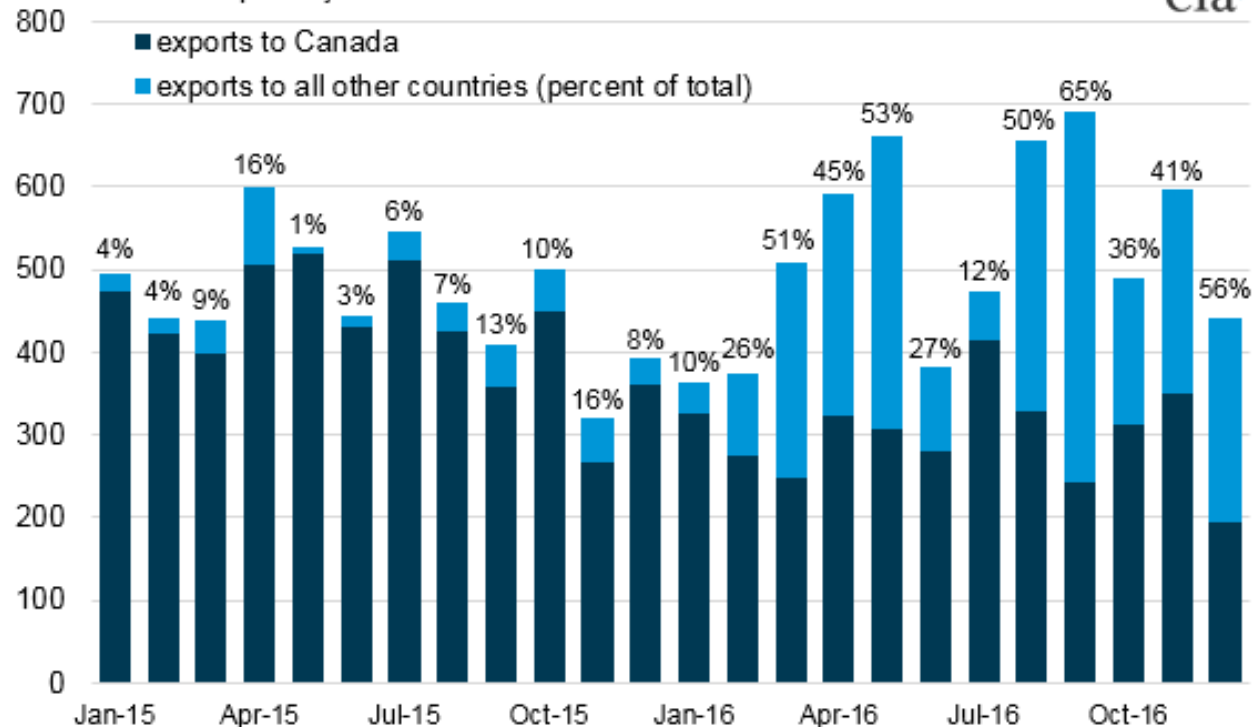
Trump’s plan is designed to increase more energy production domestically in an effort to reach “energy independence.”

U.S. Crude Shipped To More Destinations In 2016

Following the removal of restrictions on U.S. crude oil exports in December 2015, the U.S. exported crude oil to 26 different countries in 2016, compared with 10 the previous year. In 2015, 92 percent of U.S. crude oil exports went to Canada, which was exempt from U.S. crude oil export restrictions. After the lifting of restrictions, Canada remained the top destination, but on average in 2016 received only 61 percent of U.S. crude exports.

Figure 1. U.S. crude oil exports

thousand barrels per day

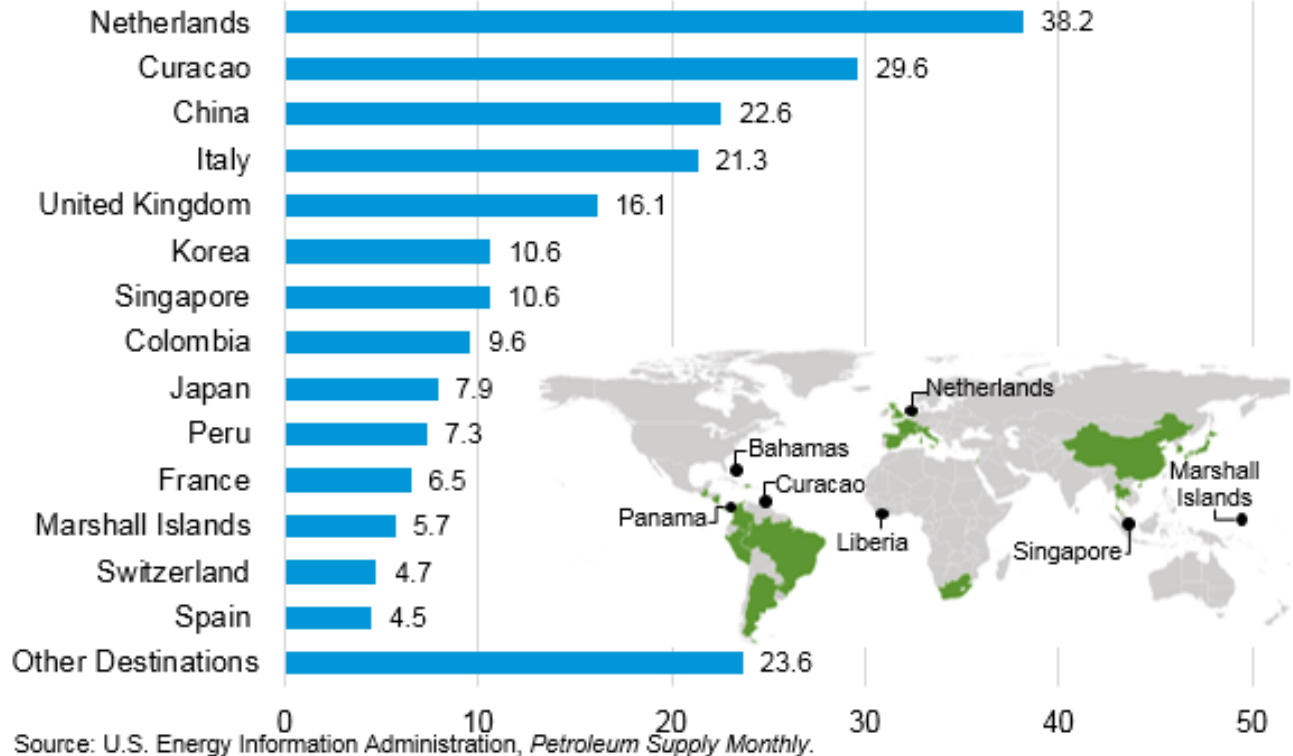


Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*.

Aside from Canada, European destinations such as the Netherlands, Italy, the U.K. and France rank high on the list of U.S crude oil export destinations. The next largest regional destination is Asia, including China, Korea, Singapore and Japan. In 2016, the U.S. exported to eight different Central and South American destinations including Curacao, Colombia and Peru.

Figure 2. 2016 U.S. crude oil exports (excludes Canada)

thousand barrels per day



Some nations listed as receiving crude oil exports from the U.S. in U.S. Energy Information Administration export statistics, such as the Marshall Islands, Bahamas, Panama, and Liberia, are unlikely to be actual final destinations. Ports in the United States are not deep or wide enough to allow safe navigation and loading of the largest and most economic ships to transport crude oil, such as VLCCs. Instead, U.S. crude oil is exported on smaller vessels and is then transferred to larger vessels in deeper waters outside of port.

The U.S. Customs and Border Protection documentation requires the final destination of an export to be listed, if known. In some cases, cargoes that undergo ship-to-ship transfer or that do not have a buyer prior to loading will cite the jurisdiction of the transfer or the registration flag of the vessel to which the cargo is being transferred, not the cargo's actual final destination. Many vessels are registered in nations such as the Marshall Islands, Bahamas, Liberia, and Panama—meaning the exported crude oil was likely destined elsewhere.

Curacao, located in the Caribbean Sea north of Venezuela, received 30,000 b/d of U.S. crude oil in 2016, making it the third largest destination. Petróleos de Venezuela (PDVSA), the state-owned oil company of Venezuela, operates the 330,000 b/d Isla refinery on Curacao, as well as crude and petroleum product storage facilities on the island. Trade press reports and tracking of ship movements indicate that U.S. crude exports to Curacao are likely being blended with heavy Venezuelan crude oil, for either processing at the Isla refinery or re-export to PDVSA customers.

In 2016, U.S. crude oil exports averaged 520,000 barrels per day (b/d), 55,000 b/d (12 percent) more than in 2015 despite a year-over-year decline in production. However, the rate of U.S. crude oil export growth has slowed significantly from its pace over 2013-15 when annual U.S. crude production grew rapidly. Meanwhile, increased crude oil imports in 2016 have substituted for some domestic crude oil at U.S. refineries, allowing for increased refinery runs despite lower production and higher exports.

The 2016 increase in U.S. crude oil exports occurred despite relatively narrow price spreads between domestic and international crude oils. In 2016, the spot price premium of Brent crude oil over West Texas Intermediate (WTI) crude oil averaged \$0.41 per barrel, typically insufficient to cover the costs associated with exporting and transporting crude oil. Another factor limiting U.S. crude oil exports was decreased U.S. production. Average crude oil production for 2016 was 8.9 million b/d, 500,000 b/d less than in 2015.

However, several factors culminated in 2016 to facilitate increased U.S. crude oil exports. Low tanker rates for most of 2016 meant that the price spread needed for an economically attractive trade between the U.S. and another market was narrower.

Additionally, the U.S. imported 7.9 million b/d of crude oil in 2016, meaning many ships were likely available for back-haul voyages, which is the trip a tanker would normally make empty while returning to a port to load its next cargo. Rates for back-haul voyages are significantly discounted versus regular tanker rates and could even further narrow the price spread needed for an economically attractive trade.

Recently, as U.S. refineries underwent planned turnarounds, which reduced crude runs, and as the spot price spread between Brent and WTI increased to \$2.08/b in January, U.S. crude oil exports exceeded one million b/d for the weeks ending February 10 and 17.

House, Senate Begin Looking At Budget Cuts For EPA And DOE

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Texas Mutual Introduces New Training Modules For Employees



Texas Mutual Insurance has developed a new e-Learning educational program, which offers an innovative approach to online learning. Policyholders have access to the new course catalog containing 200 modern videos accompanied by quizzes. With e-Learning, you can assign training, view results, send announcements, track progress and keep records easily.

To get started, take a look at our [informational e-Learning sheet](#), watch a preview, or [login to texasmutual.com](#).

Texas Mutual Offers Free Safety Webinar



Are your safety meetings feeling repetitive? Safety meetings don't have to draw yawns. In our upcoming webinar, we'll discuss some core elements of conducting safety meetings to get you back to the basics. We'll explore how to help your employees get the most out of your safety meetings and keep safety top of mind on the job.

Safety Meetings: Back to Basics

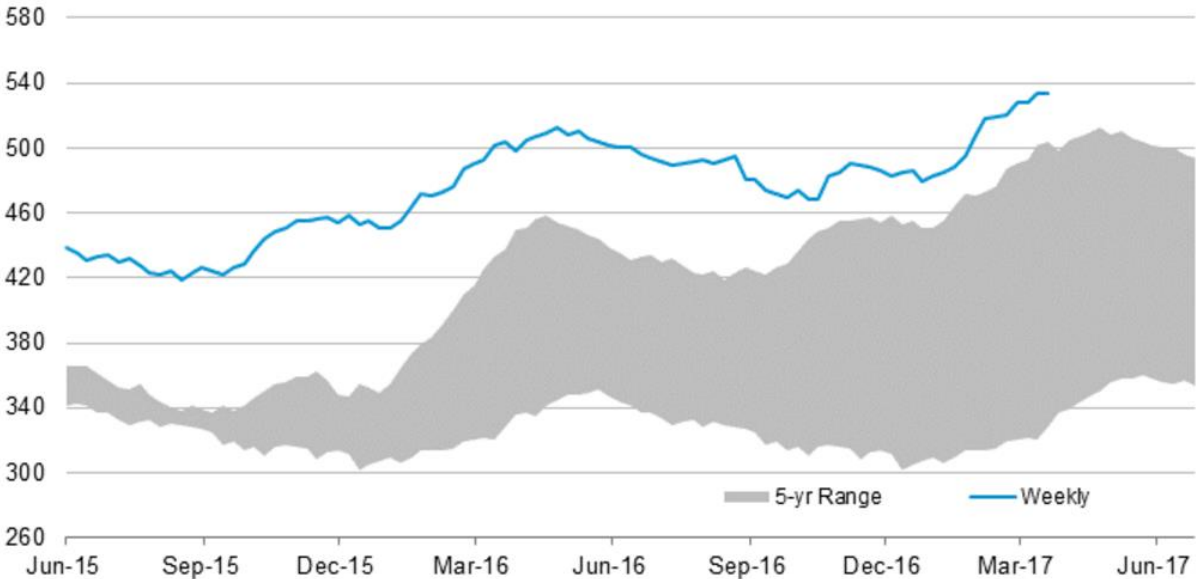
Friday, April 7 @ noon

[Click here to register.](#)

EIA Crude Oil And Natural Gas Data

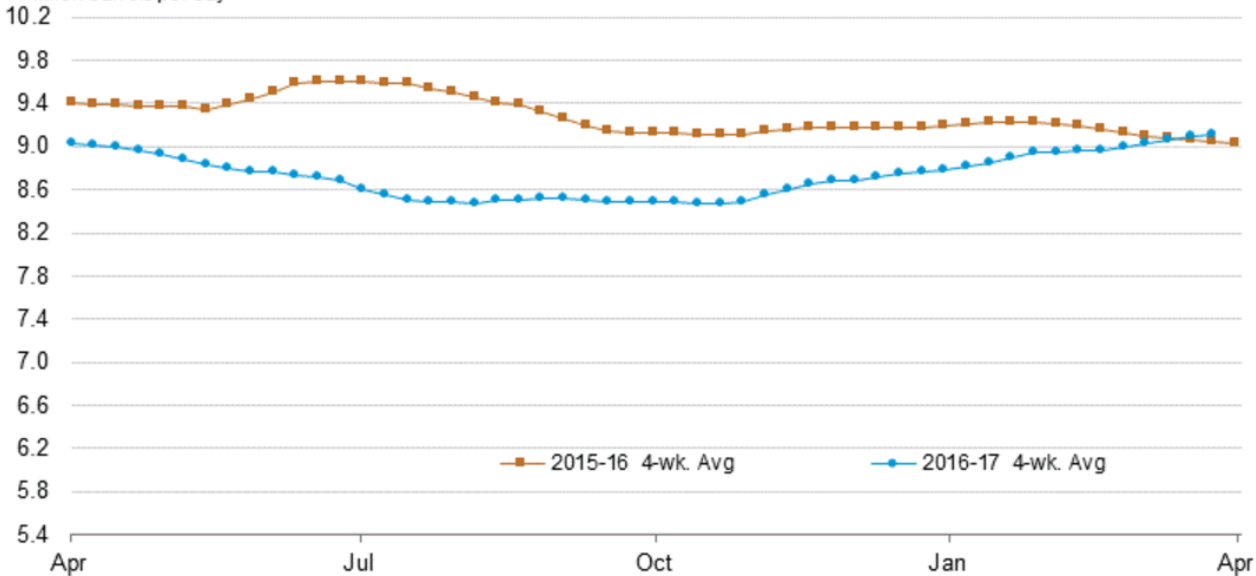
U.S. crude oil stocks

million barrels



U.S. crude oil domestic production

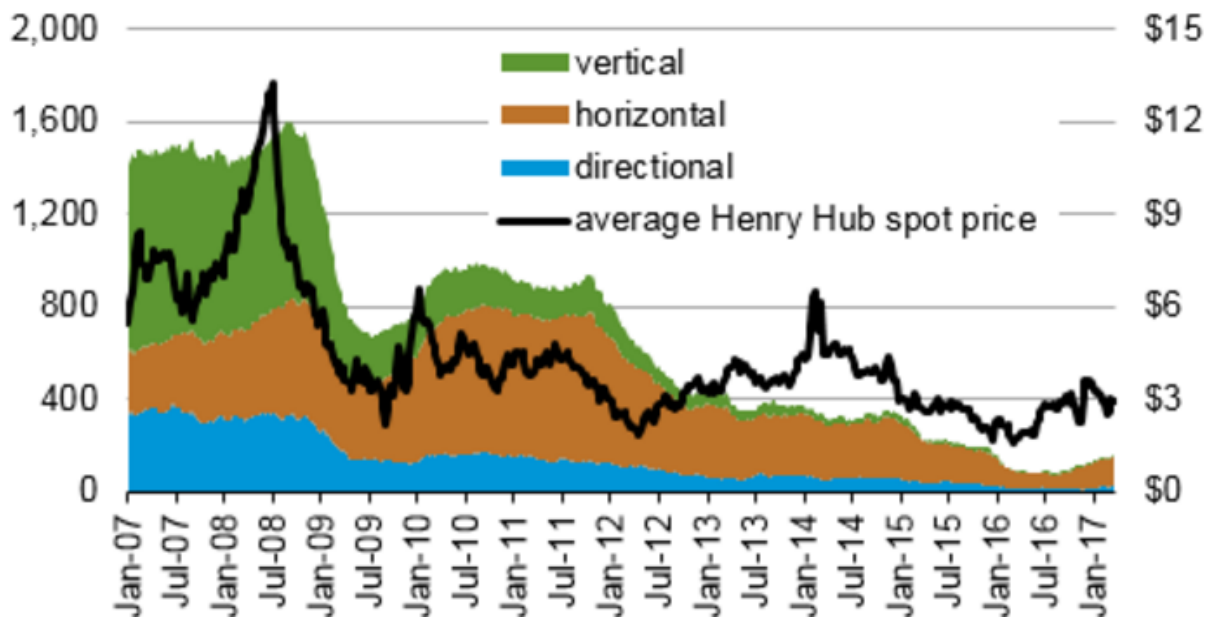
million barrels per day




Weekly natural gas rig count and average spot Henry Hub

active rigs

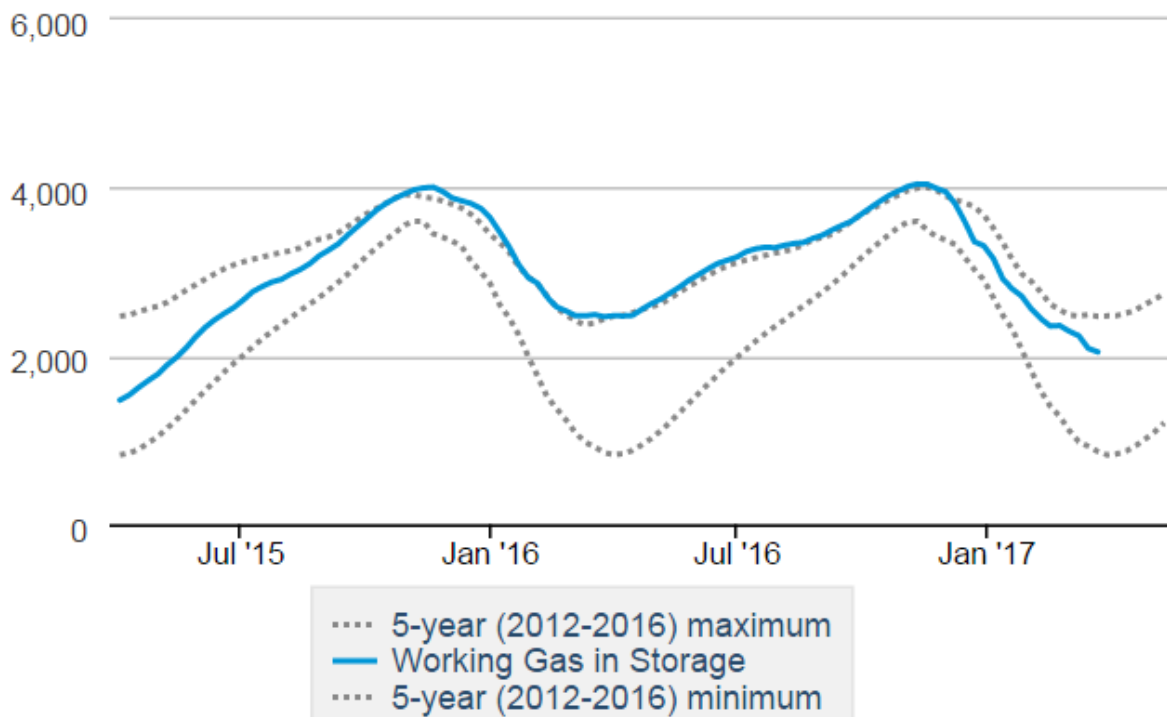
\$ per MMBtu



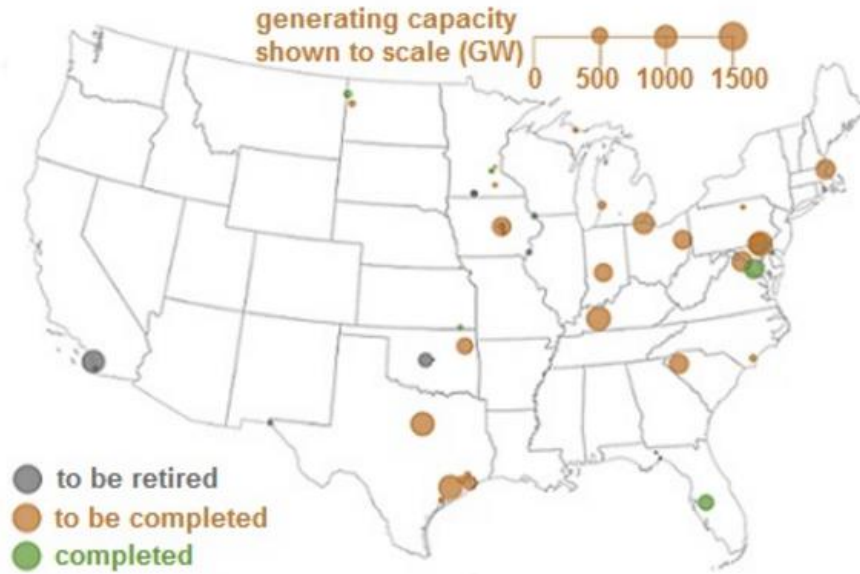
Working natural gas in underground storage

 DOWNLOAD

billion cubic feet



Natural gas-fired power generating capacity changes for 2017



Mark Your Calendars!

Below are the dates of our future meetings and hearings. For more info, visit: www.TexasAlliance.org

- ✓ April 25-26, 2017: [Alliance Expo & Annual Meeting](#). Held at the Kay Yeager Coliseum, Wichita Falls. [CLICK HERE](#) for more information!
- ✓ May 15, 2017, 5:30 pm - 7:00 pm: Houston Wildcatters honors Thomas Jorden, CEO of Cimarex. Held at the Houston Petroleum Club. Check back later for registration information!
- ✓ August 23, 2017, 5:30 pm - 7:00 pm: Houston Wildcatters honors Bryan Sheffield, CEO of Parsley Energy. Held at the Houston Petroleum Club. Check back later for registration information!
- ✓ October 5, 2017, 5:30 pm - 7:00 pm: Houston Wildcatters honors Tommy Nusz, CEO of Oasis Petroleum. Held at the Houston Petroleum Club. Check back later for registration information!

For more information on the oil & gas industry, including crude oil & natural gas price data, click the icon to view the latest edition of

NewsLine

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www.TexasAlliance.org