Energy Secretary Jennifer Granholm recently contacted the leaders of the United States' major refining companies for a meeting on fuel exports. Without acknowledging that refiners have been running all-out for much of the past year after emerging from a long stretch of major business and job losses, she criticized the industry and hinted strongly that if refiners do not voluntarily cut fuel exports and increase U.S. fuel inventories, the Biden administration might require it.

Restricting exports—something this administration has been talking about for months now—would be a major unforced error for the President, tightening global fuel supplies, throttling U.S. fuel production and increasing costs for American consumers.

Here's what you need to know on the issues of refined product exports and minimum product inventories:

Banning or restricting U.S. refined product exports will not help U.S. consumers, including those in New England. It would make current supply/demand imbalances worse and, if prolonged, would lead to less U.S. fuel production.

- Export restrictions would throttle U.S. fuel production, reducing global fuel supplies and making refined products more expensive both here in the United States and around the world. A policy like this would undermine the market rebalancing already underway.
- The focus of this administration should not be on withholding U.S. product from the market or diverting product away from consumer sales and into storage, but rather, on how to better and more affordably move U.S. product within the United States. That's an energy infrastructure and transportation policy problem **(e.g., the Jones Act and political opposition to pipelines)** that this administration should immediately acknowledge and correct. This includes **ensuring that a rail strike does not take place** within the next month.

Even temporary export restrictions would come with major downsides.

- There are some who would like to temporarily restrict exports just until U.S. fuel inventories are sufficiently restocked. This sounds like an attractive idea, but the fundamental problem remains. Taking fuel out of the global market and directing it into storage would have the same effect as cutting fuel production. While inventories would eventually be higher, there would be less supply available for sale right now to meet global consumer demand and that would mean higher prices for everyone, including U.S. consumers in our more isolated regional energy markets. There is no way to avoid consumer pain or escape market supply/demand fundamentals with this course of action.

Minimum product inventory requirements may sound like a good idea, but it would mean shorting the consumer market of much-needed gasoline and diesel, thus inflating costs. Additionally, the logistics and enforcement around such a plan would pose major challenges for government and industry.

- Just like with temporary export restrictions the idea of imposing minimum product inventory requirements boils down to siphoning gasoline and diesel into storage, and away from consumers. If market demand doesn't fall in direct proportion with the volumes routed to storage, the result would be tighter supplies and an uptick in prices.
- Government would also need to provide clarity around a number of issues, including point of obligation—will it be the party that produces product, the one that imports product, or the party that owns product in distribution terminals throughout the country? They are not the same. The fuel supply chain is complex with many different participants. Product in tanks might be owned by refiners in some places and by wholesalers or traders in others.
- Having product in inventory at specific locations is not a guarantee that product will be available exactly where consumer demand is highest. Depending on where an outage or disruption occurs, it's quite possible product in storage wouldn't be in the right place or even accessible if there are power outages or infrastructure damage, such as what we've seen in the wake of major storms.

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Media Contact:

Ericka Perryman

media@afpm.org

202.457.0480

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