

Oil What's So Bad About Exporting Gasoline?

Posted January 9, 2012

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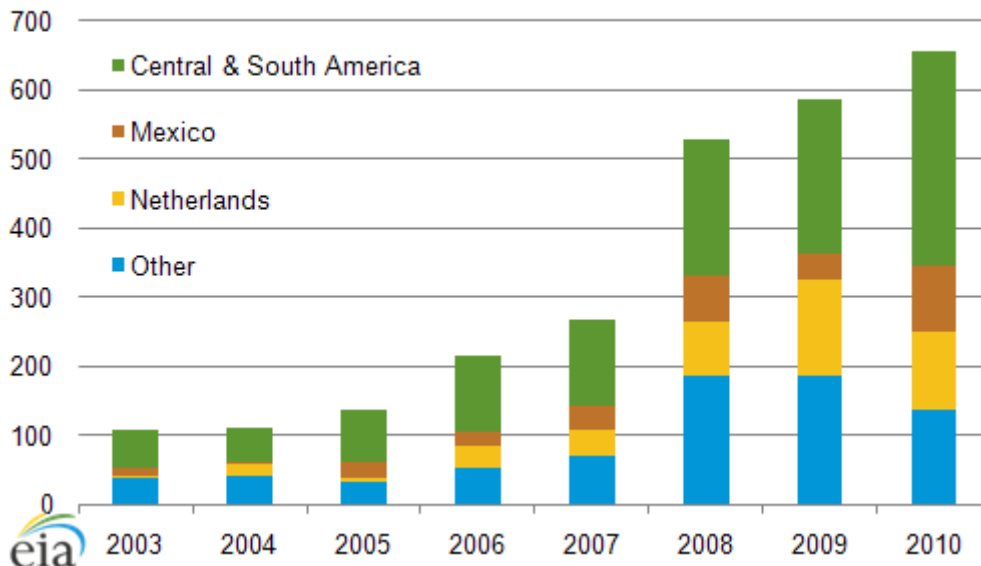
One of my Top 10 Energy Stories of 2011 was the fact that the U.S. had become a net exporter of finished petroleum products such as diesel and gasoline. In fact, because gasoline and diesel prices were so high, fuel exports were valued at \$88 billion, which made them the top value export in 2011 for the first time ever:

Measured in dollars, the nation is on pace this year to ship more gasoline, diesel, and jet fuel than any other single export, according to U.S. Census data going back to 1990. It will also be the first year in more than 60 that America has been a net exporter of these fuels.

Just how big of a shift is this? A decade ago, fuel wasn't even among the top 25 exports. And for the last five years, America's top export was aircraft.

This news did not sit well with some people, who argued that those exports could have been better used in the U.S. I read numerous comments from people angry that we are exporting fuel. In fact, one of the arguments against the Keystone Pipeline is that the fuel could end up being exported after it is refined.

U.S. distillate export growth 2003-2010
thousand barrels per day



I don't think the people who are making these arguments have thought this through very well.

Consider the situation. Gasoline demand has fallen for several years via a combination of high prices killing off demand and the escalating ethanol mandate. Refiners can respond by shutting down more refineries and laying off workers, or they can seek other markets for their product.

Look at what is happening with [gasoline exports](#). 60% of the gasoline that is being exported is going to Mexico (a lower portion of distillates goes to Mexico as shown in the graph, but the bulk still goes to Central and South America), and most of the rest is going to Canada, Ecuador, and Brazil — countries that we import oil from. So we are importing oil from Mexico — the source of [over 10% of our oil imports](#) — and turning around and exporting back to them the higher value finished products. It creates jobs and tax revenue here in the U.S. That sounds like a bad deal for Mexico and a good deal for the U.S. So I don't understand why people are upset. We could choose to stop selling gasoline to Mexico, in which case we could import less oil from them. But since gasoline is worth more than oil, that doesn't seem like a very good business proposition.

However, I do want to make clear that I don't believe that any domestically produced fuel that is benefiting from any sort of production incentives (i.e., tax benefits) should be allowed to be exported. This was my objection to [reports of ethanol exports last year](#), because some were reportedly receiving the U.S. tax credit and exporting that ethanol. Since the ethanol tax credit has expired, I have no problem with the ethanol industry exporting ethanol that they can't sell in the U.S. But tax credits that are designed for domestic production — petroleum or ethanol — should remain in the country for the benefit of those who paid those taxes.

Link to Original Article: [What's So Bad About Exporting Gasoline?](#)

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