

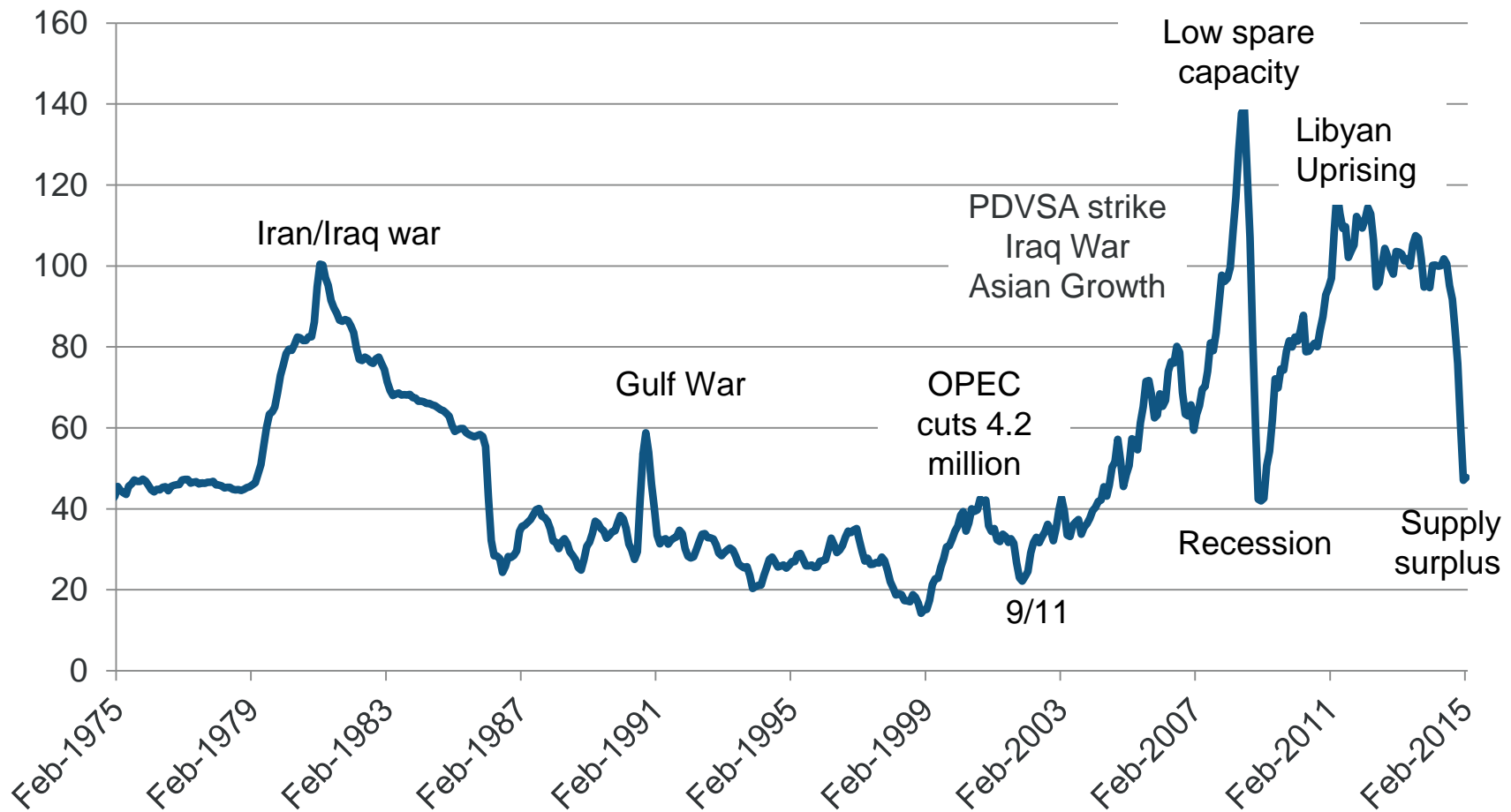


Oil Market Outlook and Energy Policy Issues

Rayola Dougher
API Senior Economic Advisor, dougherr@api.org

The price of oil has fluctuated sharply before

Inflation-adjusted 2014 \$/barrel

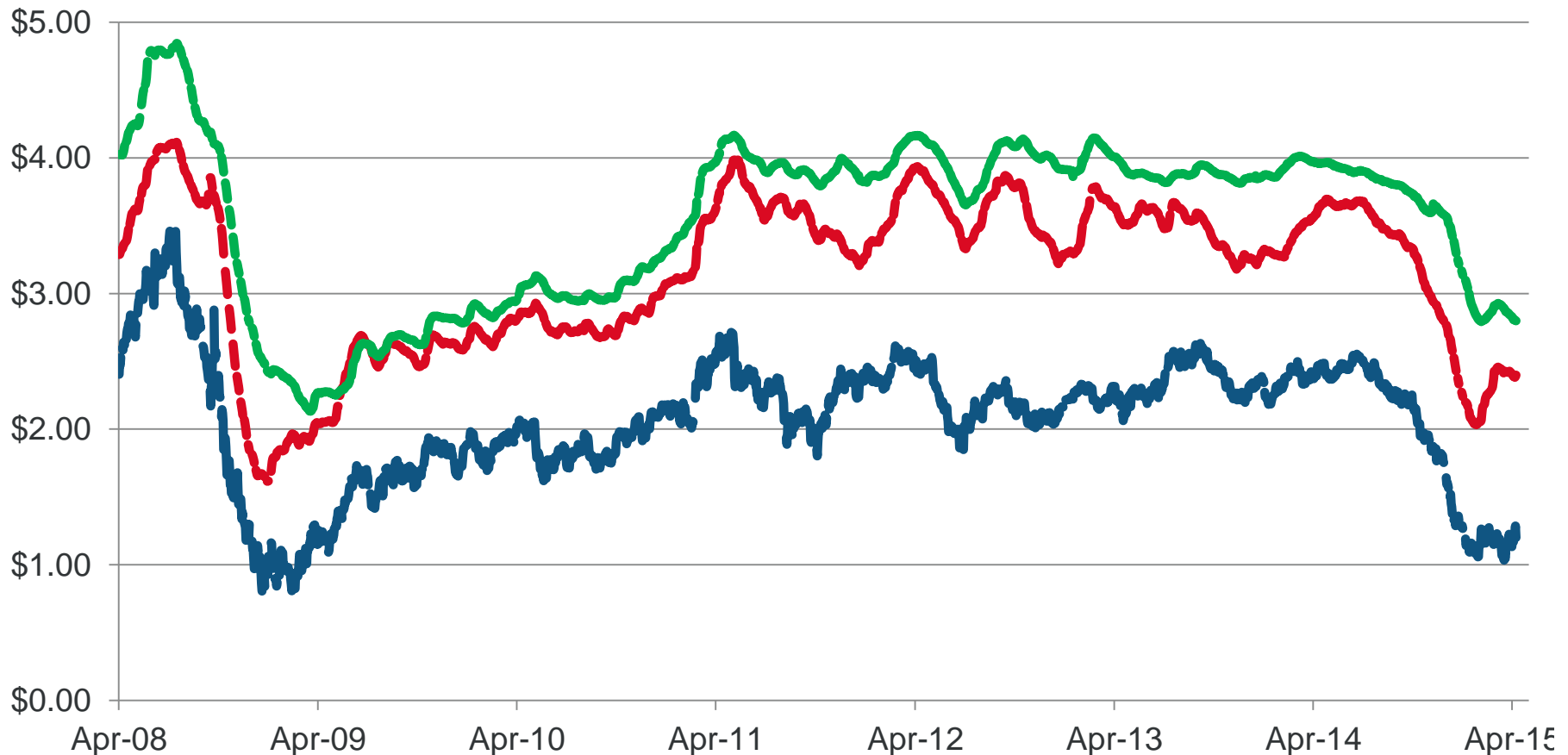


Sources: Inflation-adjusted average refiners acquisition price for crude oil

Changes in gasoline and diesel prices closely track changes in crude oil prices

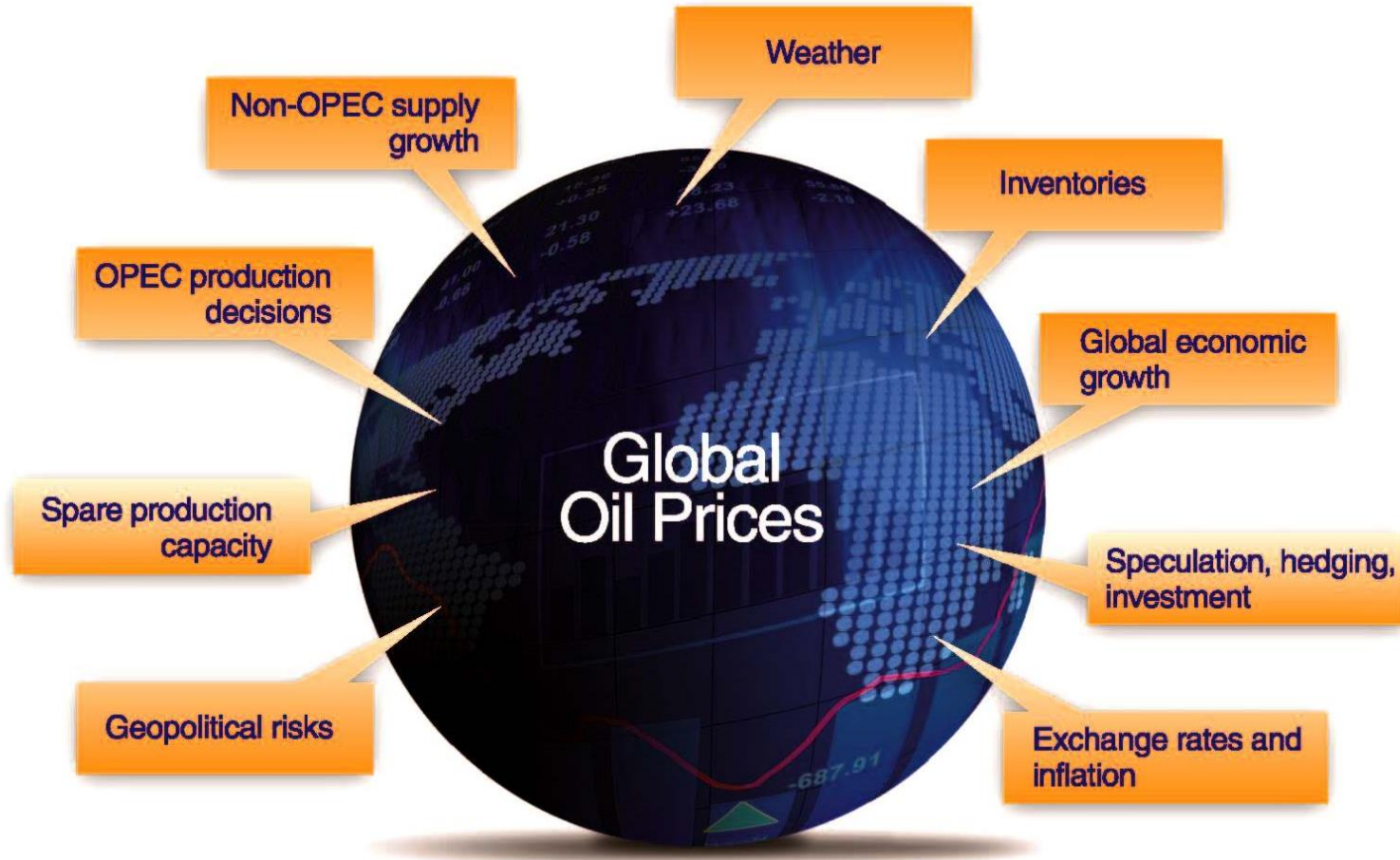
Average prices as of April 8, 2015

— Crude Oil \$1.20 — Gasoline \$2.40 — Diesel \$2.80

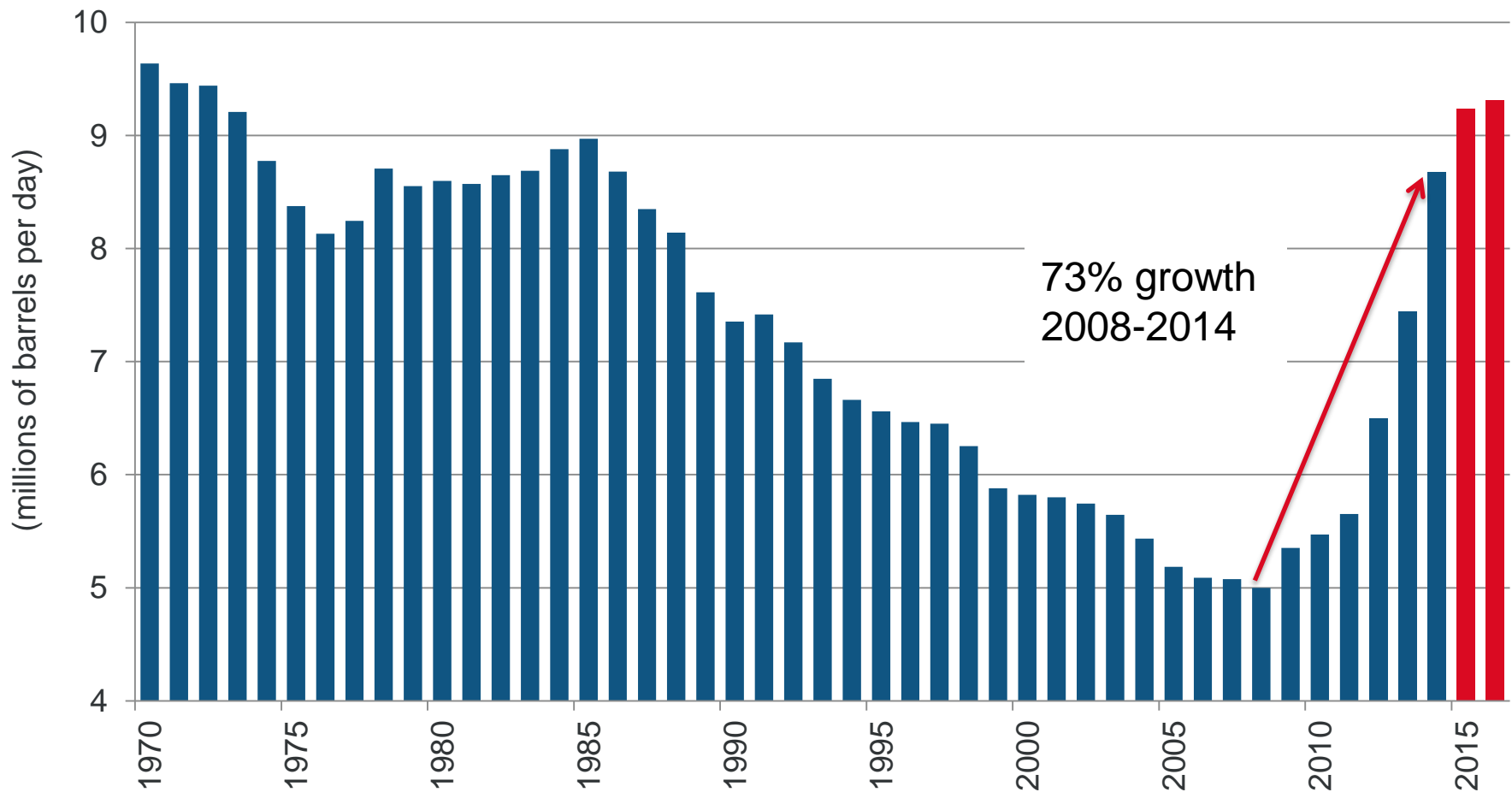


Sources: NYMEX (WTI crude oil) and AAA (gasoline and diesel)

Many factors affect the price of oil, but in the end it comes down to supply and demand



U.S. oil production is increasing as a result of technological innovations

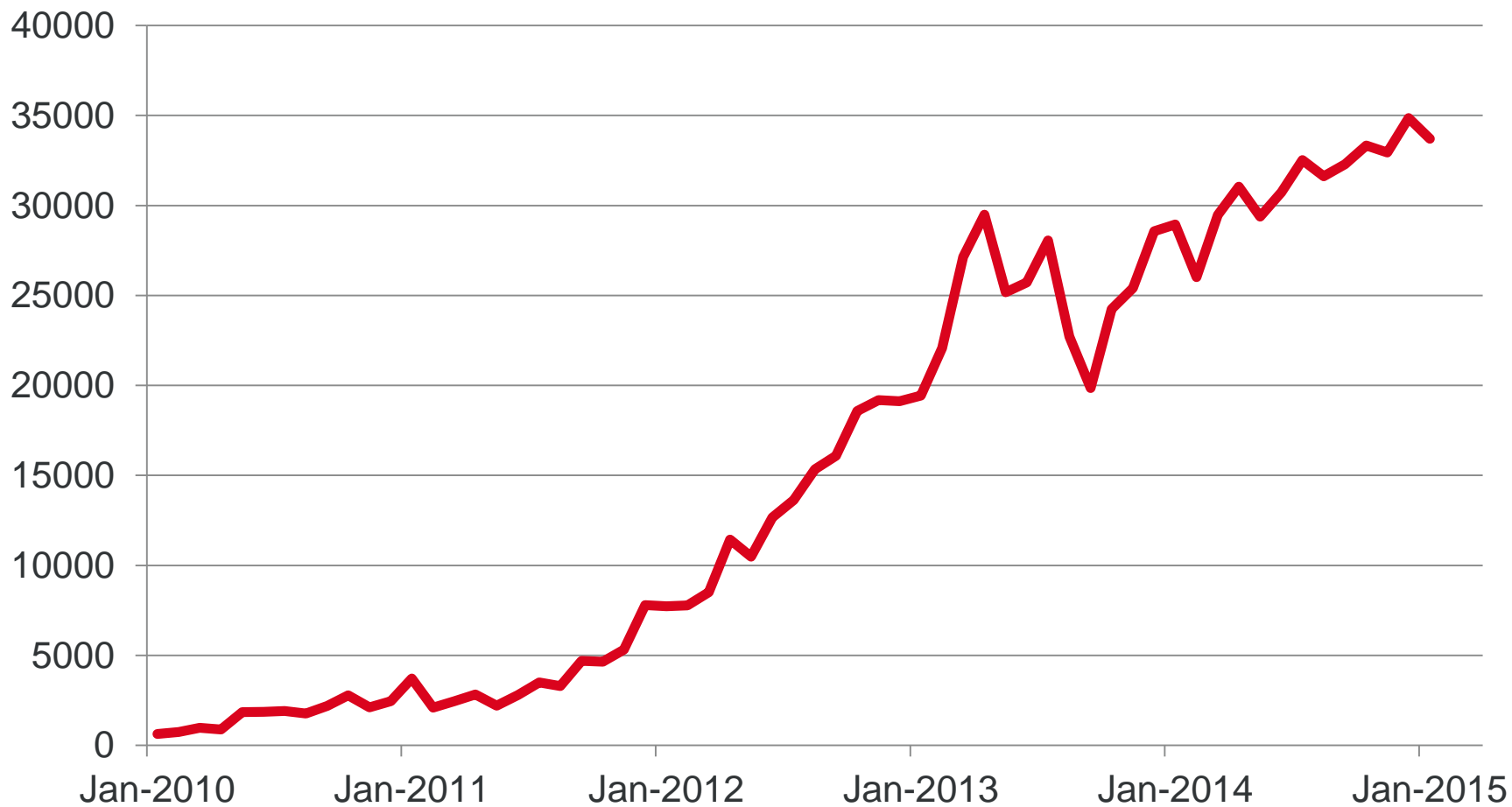


Note: Bars in red show EIA's Short-term Energy Outlook forecast.

Source: Energy Information Administration.

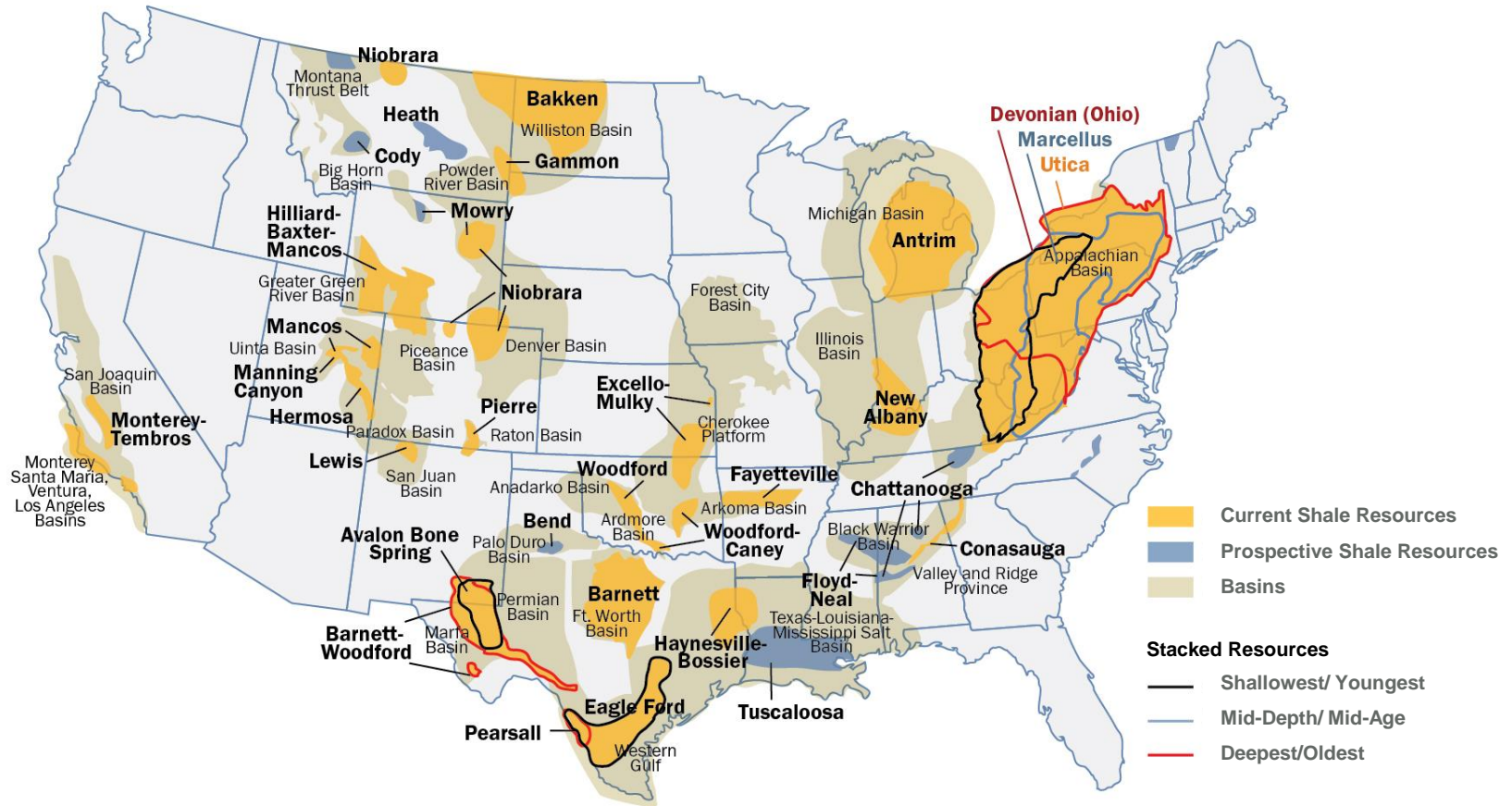
U.S. movements of crude by rail

Thousands of barrels



SHALE ENERGY PROVIDES A NATIONAL OPPORTUNITY

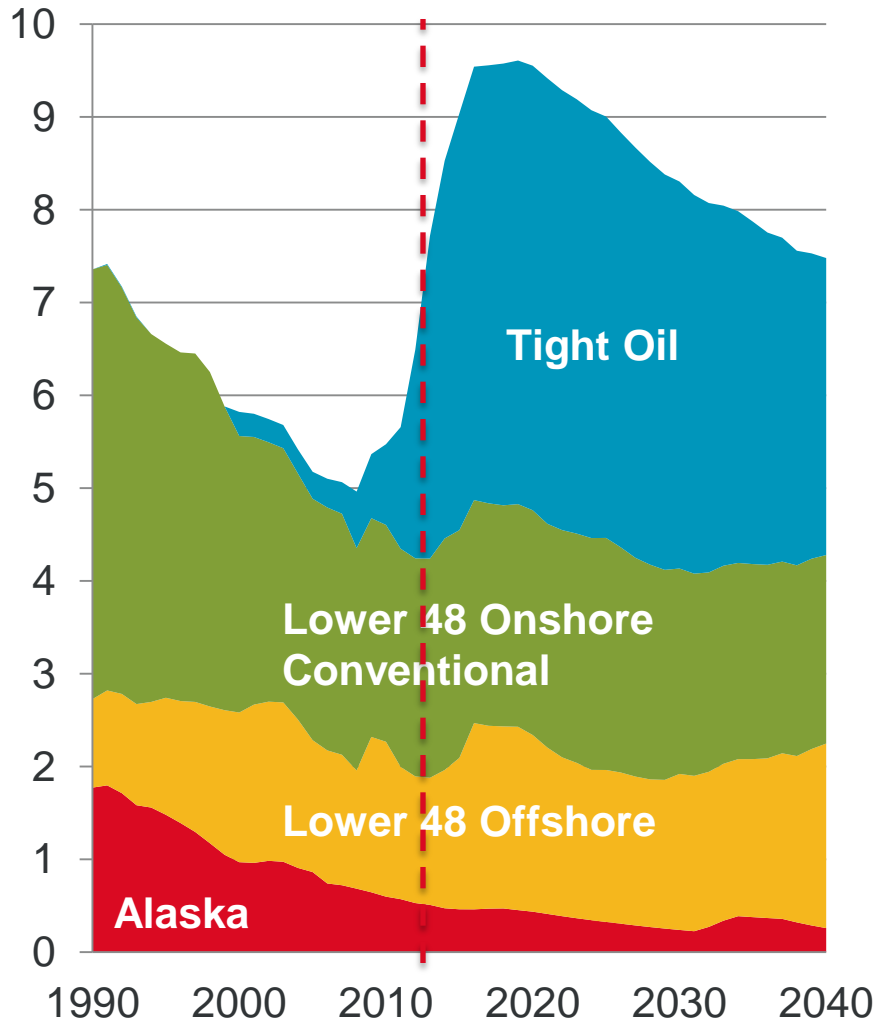
Shale Resources, Lower 48 States



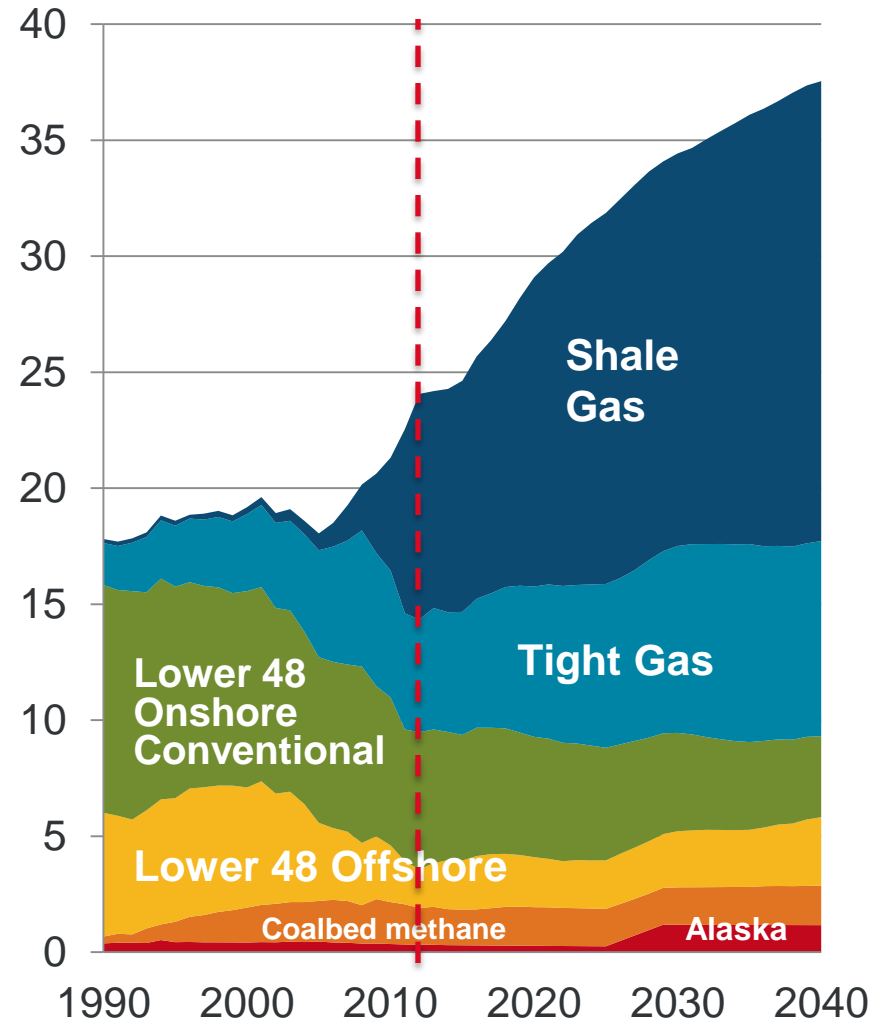
Current and prospective resources and basins in the continental US

Shale production is offsetting declining production from other U.S. oil and natural gas resources

U.S. Crude Oil Production by Source
(millions of barrels per day)



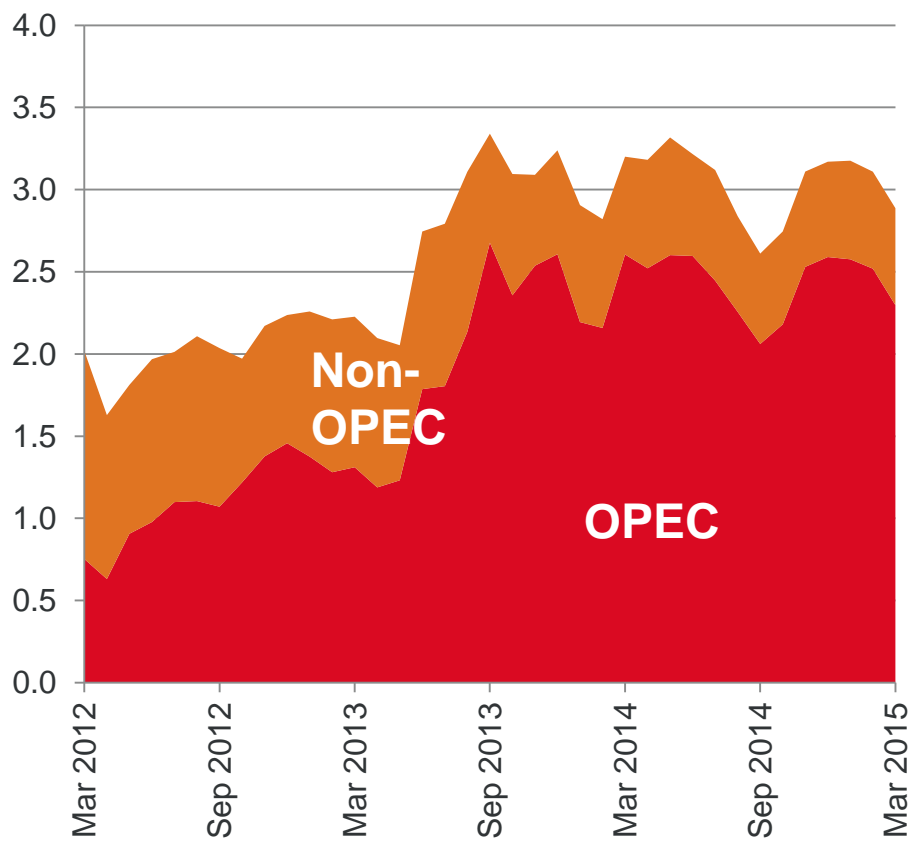
U.S. Natural Gas Production by Source
(trillion cubic feet per year)



Source: EIA, Annual Energy Outlook 2014

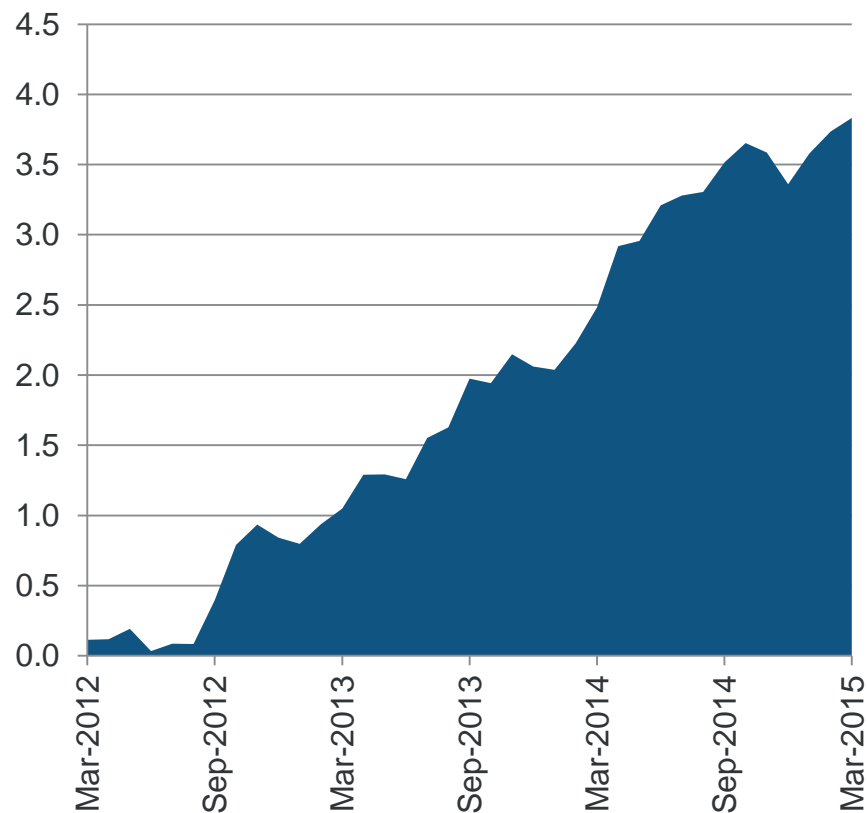
Growth in U.S. oil production has largely offset the growth in global oil supply disruptions

Growth in Global Oil Supply Disruptions (mmb/d)



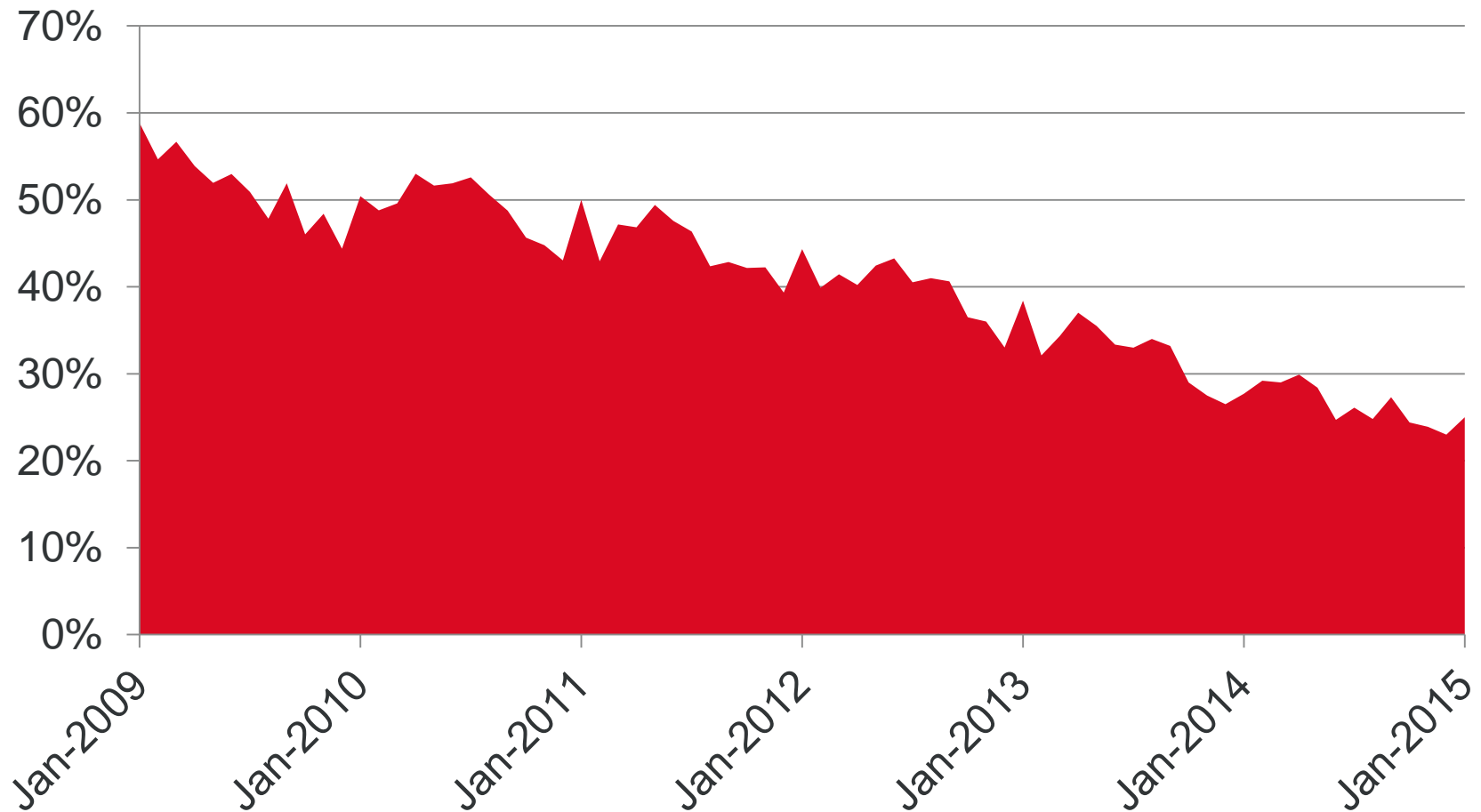
Source: EIA

Growth in U.S. Crude Oil Production* (mmb/d)

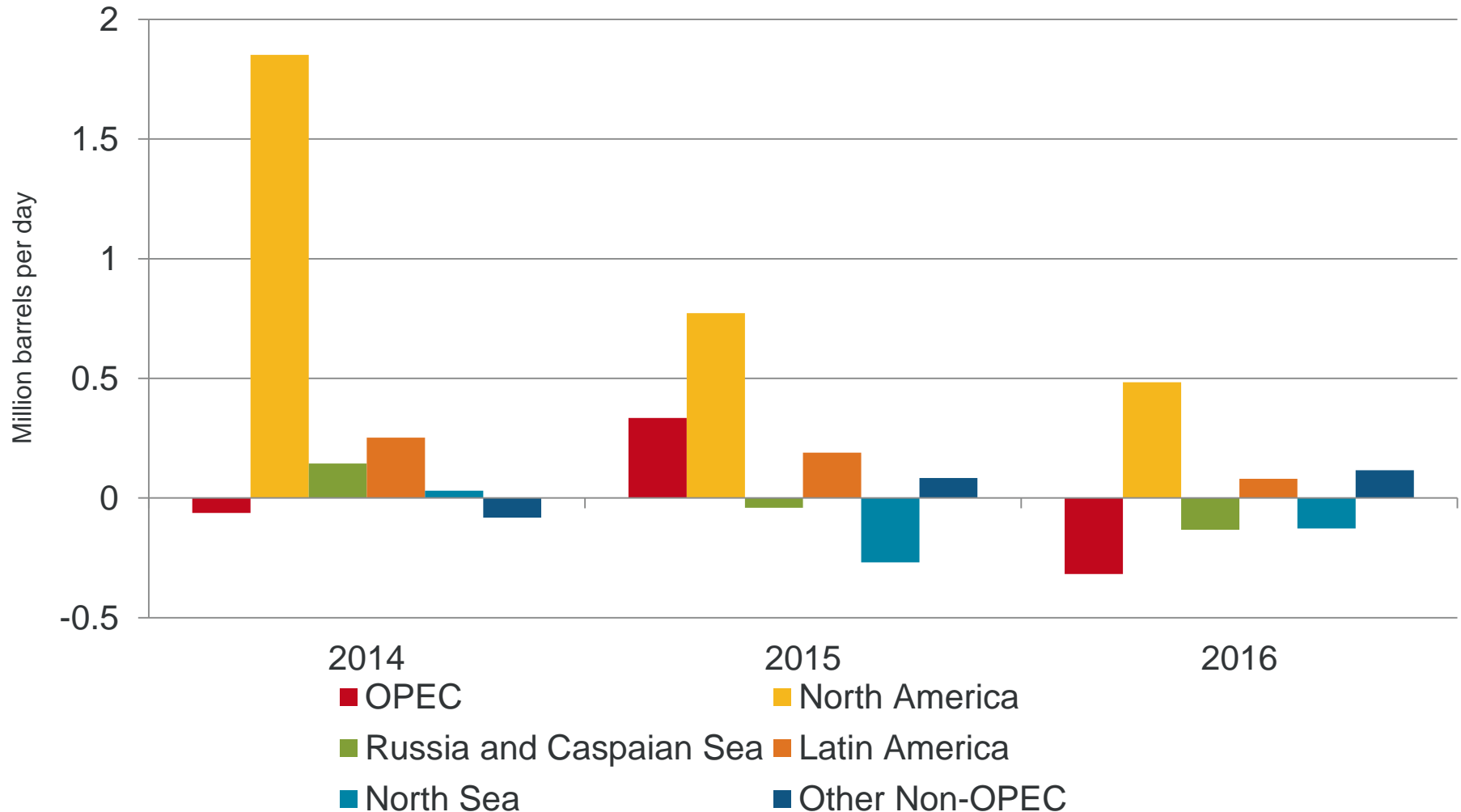


* Includes hydrocarbon gas liquids, biofuels, and refinery processing gains.

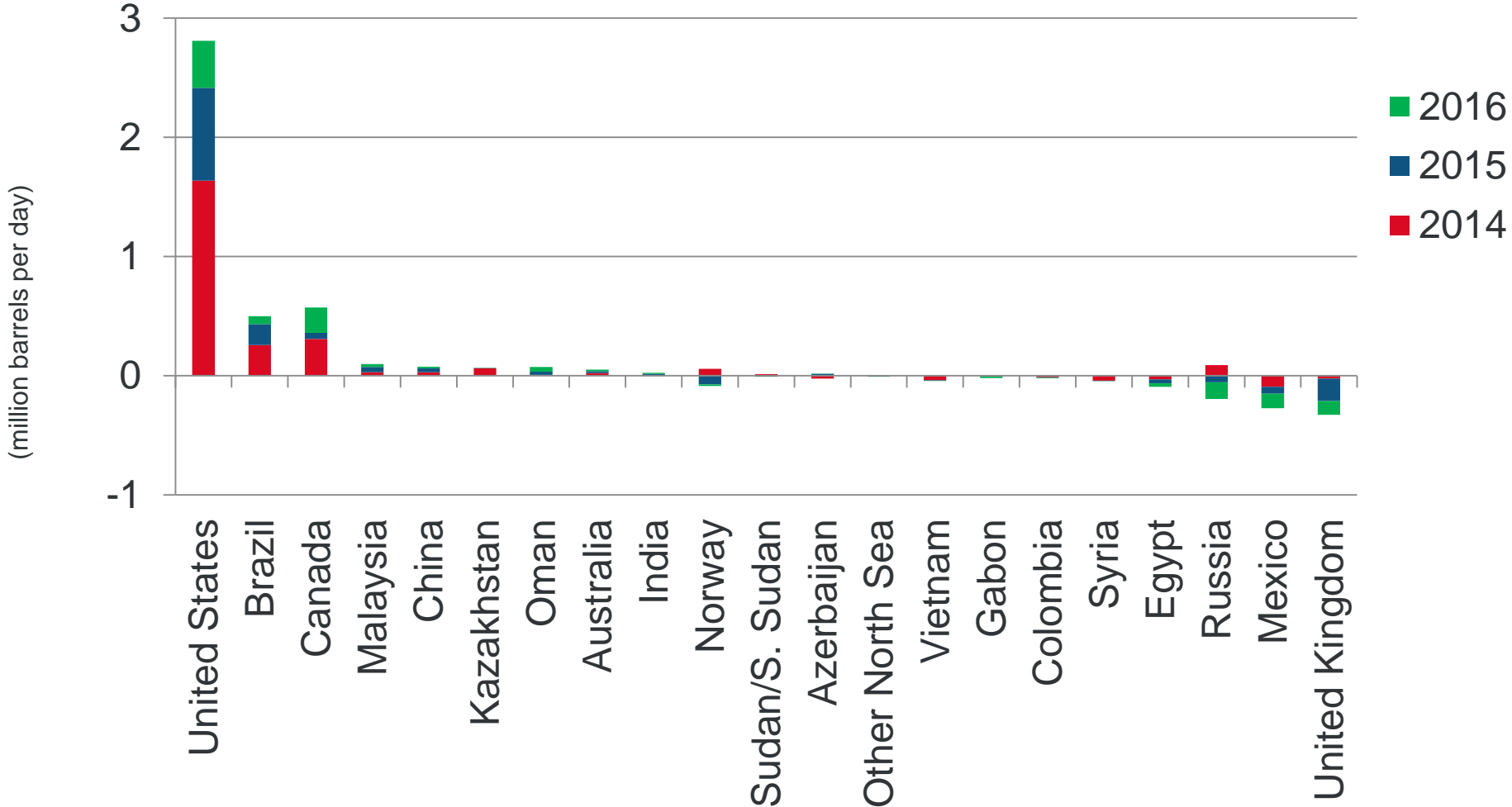
Crude oil and petroleum product imports have declined as a share of consumption



World crude oil and liquid fuels production growth

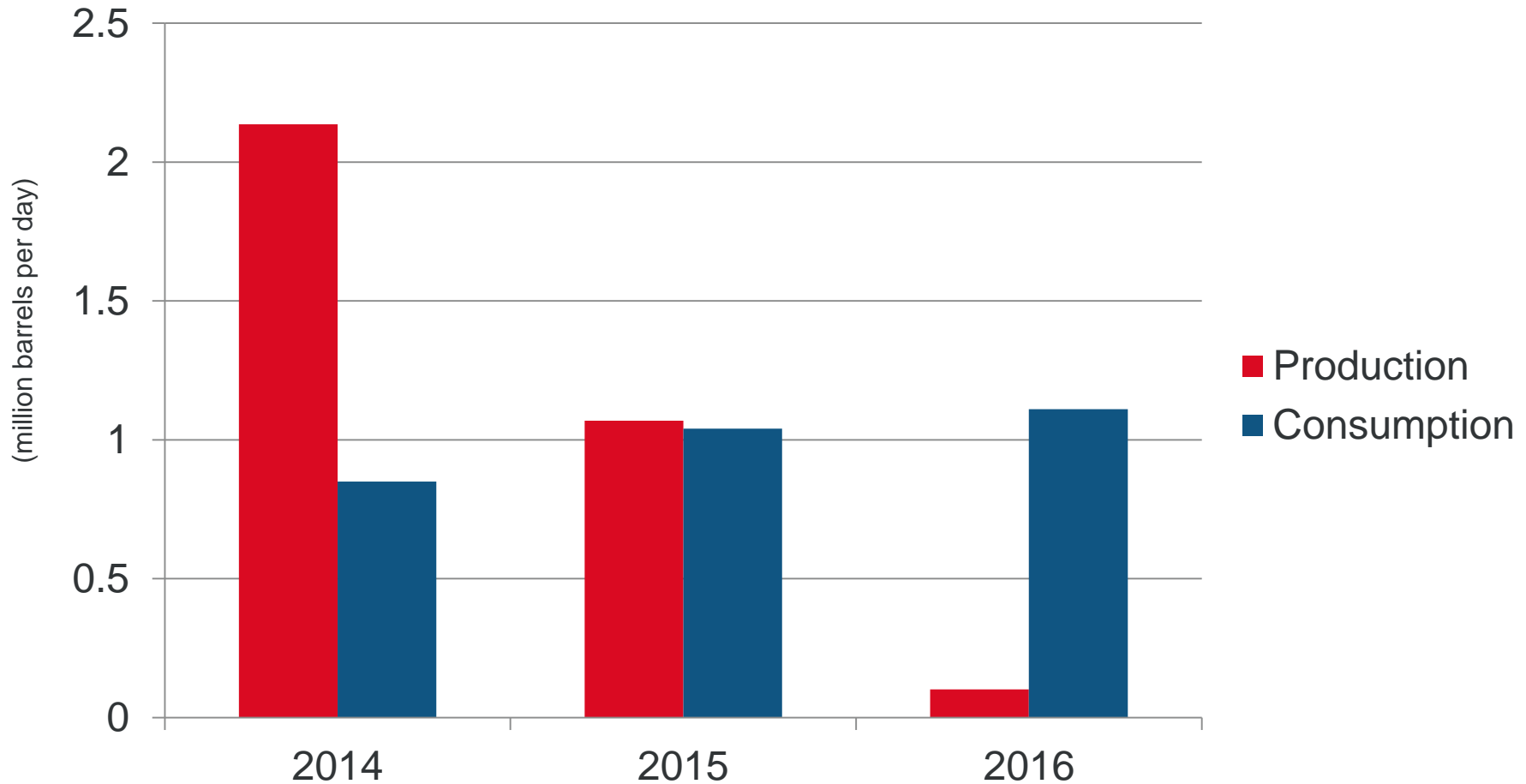


Non-OPEC crude oil and liquid fuels production growth



Source: EIA, Short-term Energy Outlook, April 2015

World growth in crude oil production surged ahead of growth in consumption in 2014



EIA price forecast

	2013	2014	2015 Projected	2016 Projected
WTI Crude^a (\$/barrel)	97.91	93.26	52.48	70.00
Brent Crude (\$/barrel)	108.60	99.00	59.32	75.03
Gasoline^b (\$/gallon)	3.51	3.36	2.40	2.73
Diesel^c (\$/gallon)	3.92	3.83	2.86	3.24
Heating Oil (\$/gallon)	3.78	3.72	2.81	3.04
Natural Gas^d (\$/mcf)	10.30	10.94	10.33	10.61
Electricity (cents/kwh)	12.12	12.50	12.68	12.90

^a West Texas Intermediate

^b Average regular pump price

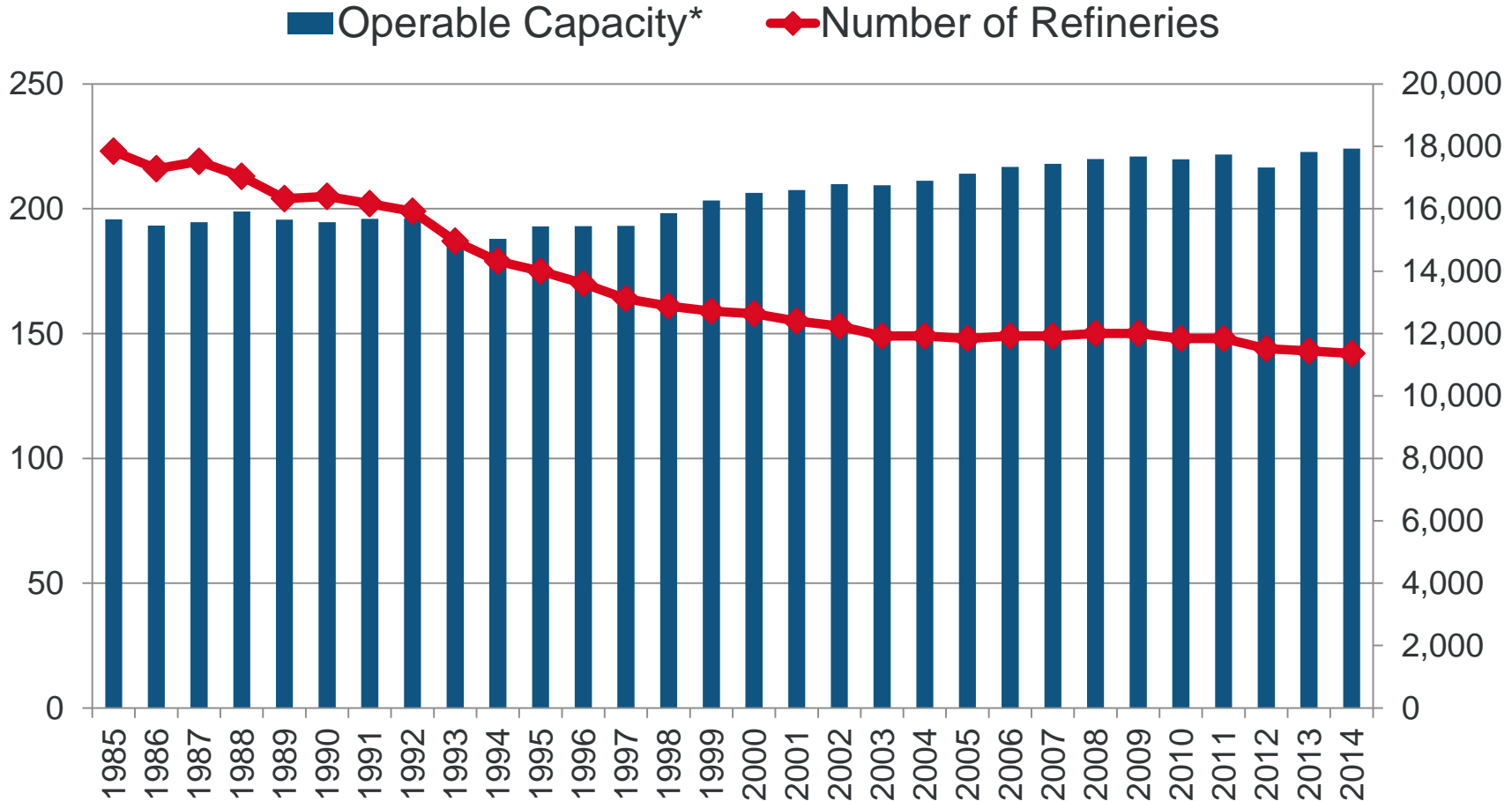
^c On-highway retail

^d Residential average

Refineries and Fuels

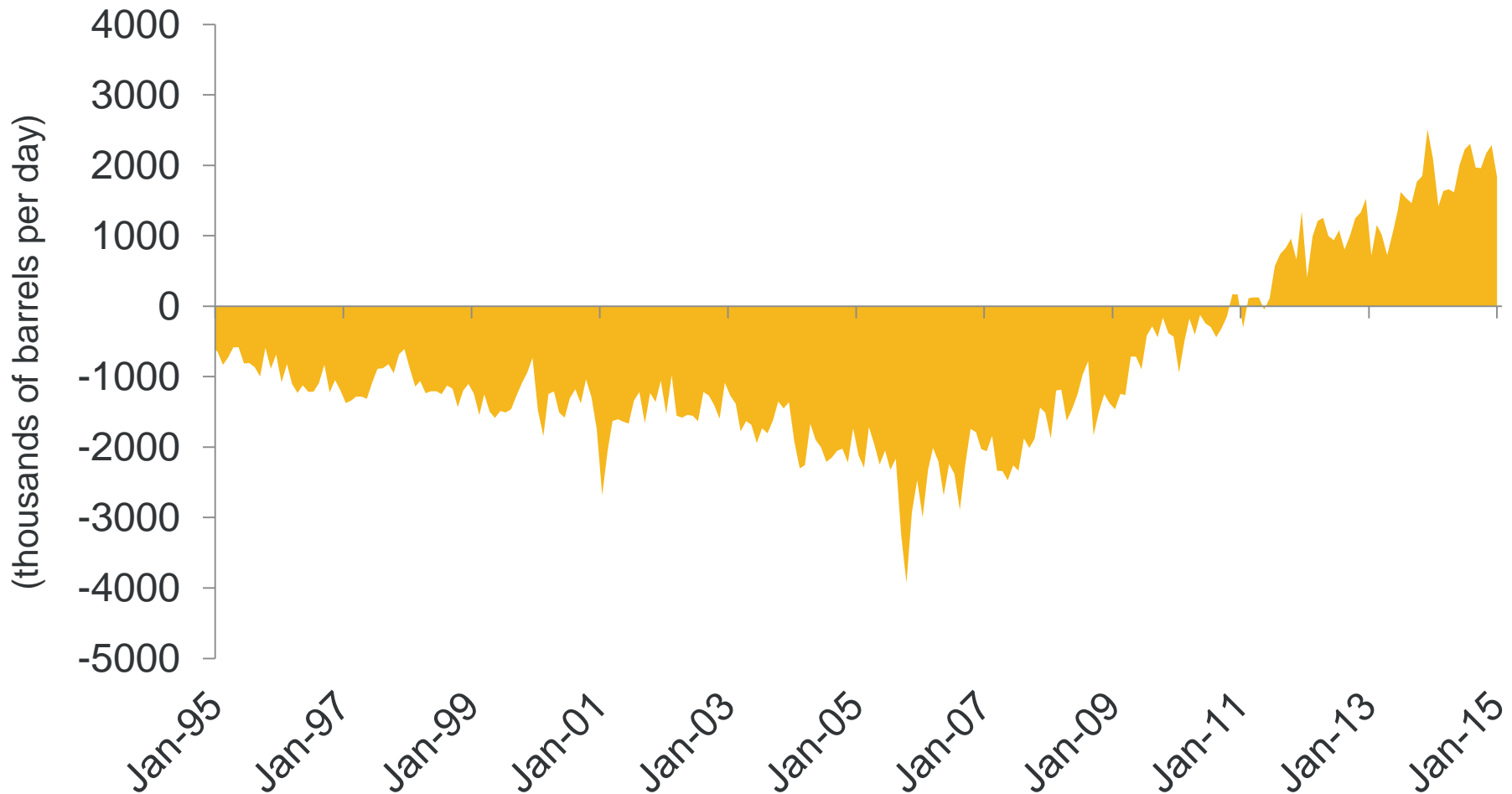


U.S. refining capacity continues to expand even as the number of refineries contracts



*Operable as of January 1st of each year.
Source: EIA

For the first time since 1949, the U.S. became a net exporter of petroleum products in 2011



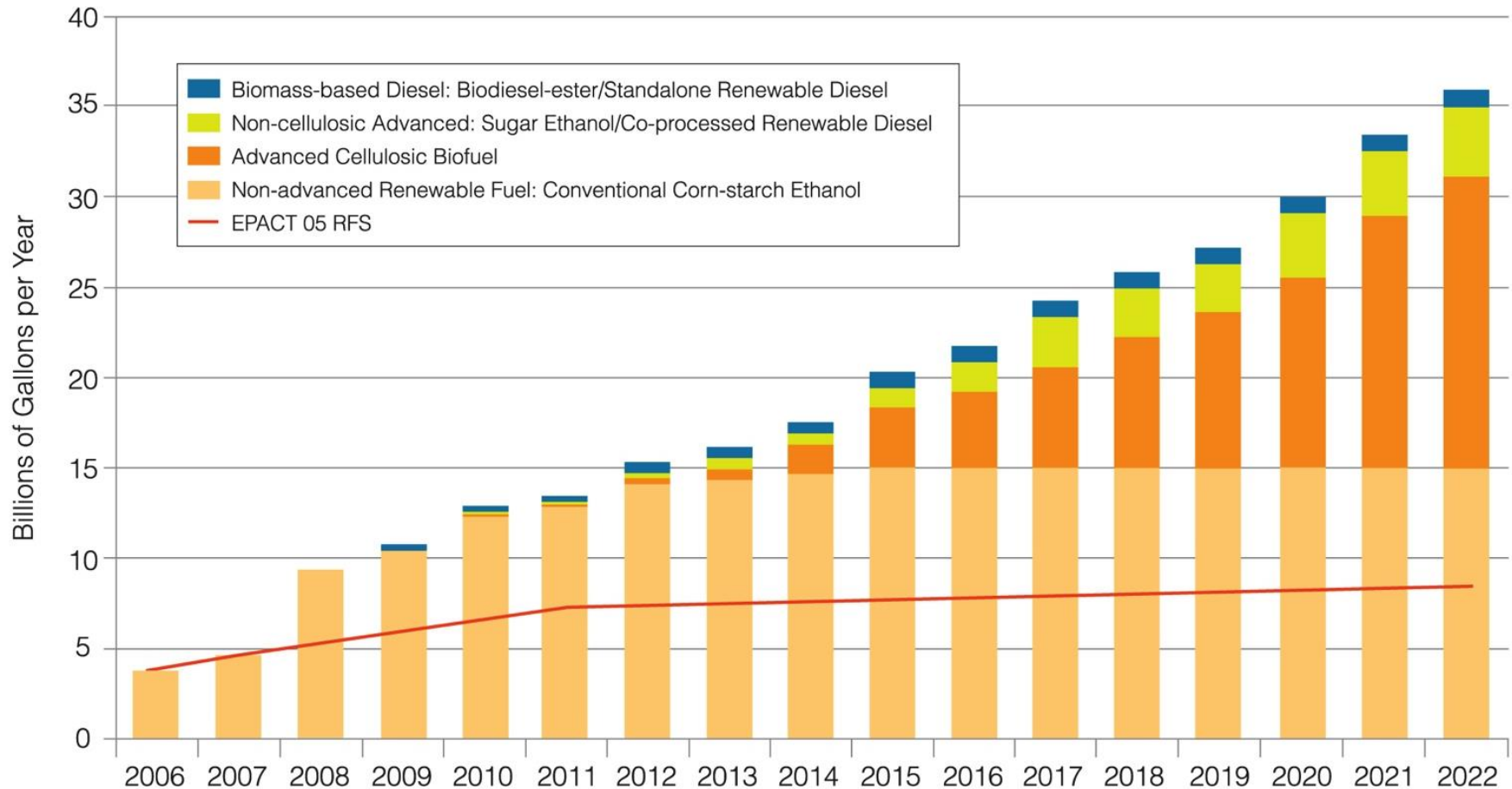
Source: EIA

The U.S. balance of petroleum products traded has shifted significantly (thousands of barrels per day)



2008	Net Imports (+) and Exports (-) of Petroleum Products by Region		2014
Asia and Pacific	-92	-311	Asia and Pacific
Canada	301	25	Canada
Caribbean	341	-94	Caribbean
Central America	-115	-405	Central America
Europe	805	102	Europe
Mexico	-218	-494	Mexico
Middle East, North Africa	266	-58	Middle East, North Africa
South America	2	-682	South America
Sub-Sahara Africa	66	-36	Sub-Sahara Africa
WORLD	1,356	-1,953	
Non-OPEC	871	-1,935	
OPEC	485	-18	

Expanding alternative fuels for transportation: current laws



Source: EIA and Energy Independence Security Act of 2007.

The Blend Wall

We are rapidly approaching the point when EPA's ever increasing alternative fuel mandates exceed what can be safely blended into the nation's vehicles.

The Congressional Budget Office predicts the price of diesel could rise by up to **51** cents per gallon and gasoline by up to **26** cents per gallon by **2017**.



Power and Politics



Why export crude oil?

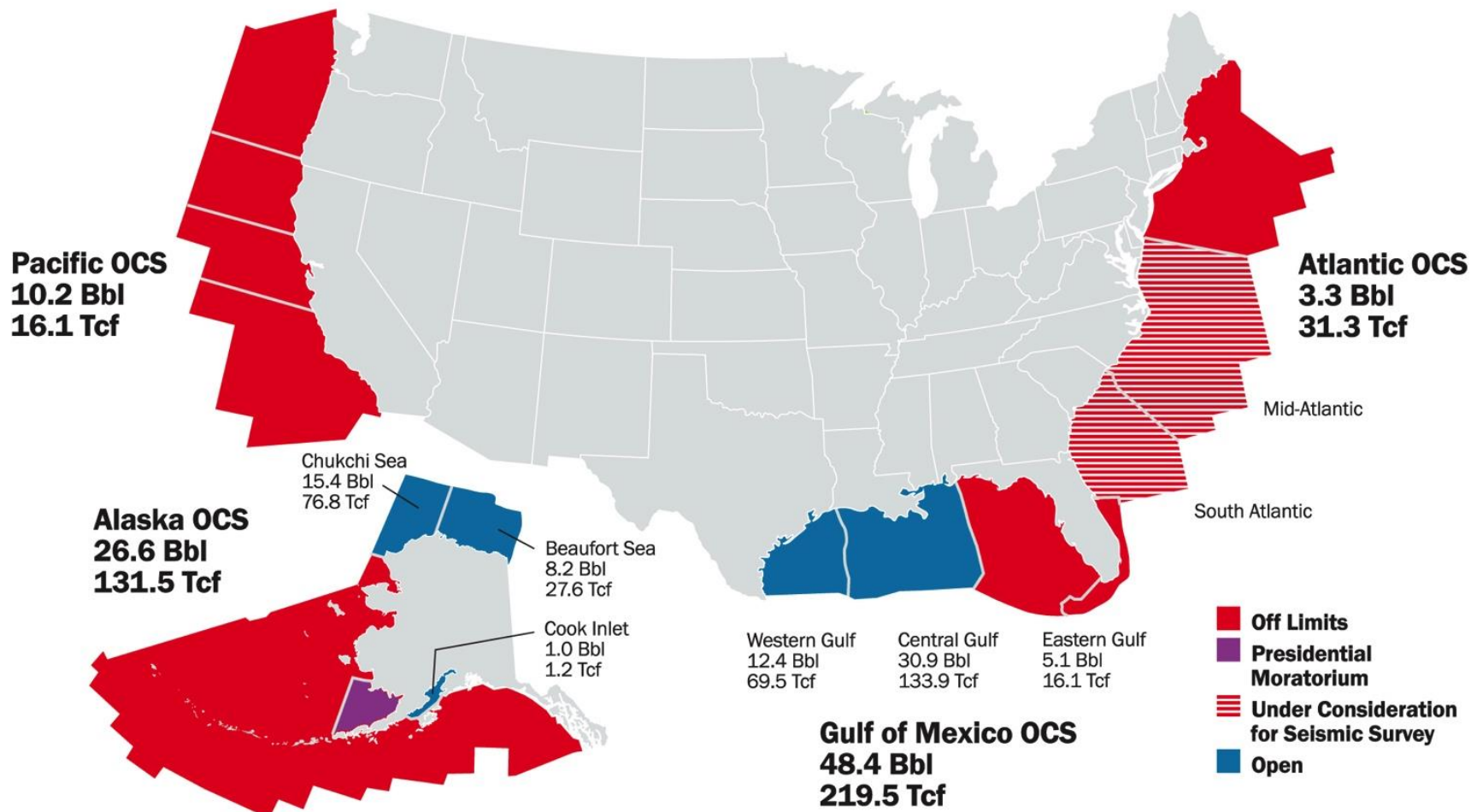
Crude oil exports yield economic benefit across all 50 states

- **Save consumers up to \$5.8 billion a year in lower fuel costs**
- **Add 300,000 jobs to U.S. economy in 2020**
- **Reduce America's trade deficit by \$22 billion in 2020**



87% of federal offshore acreage is off-limits to development

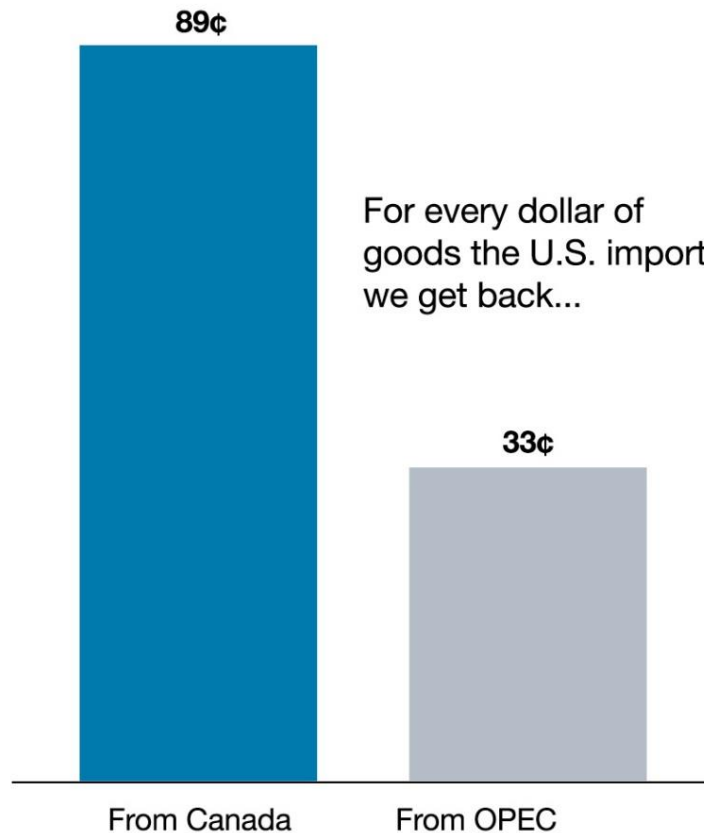
U.S. Offshore Undiscovered Technically Recoverable Federal Oil and Natural Gas Resources (billion barrels - Bbl and trillion cubic feet - Tcf)



Source: The Bureau of Ocean Energy Management (BOEM), 2011.

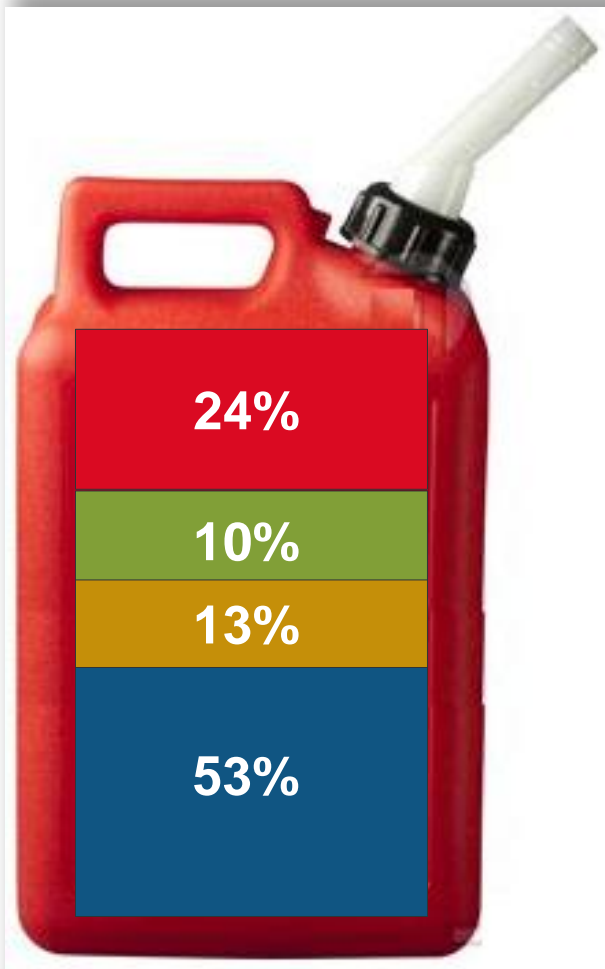
Development of Canadian oil sands would benefit the U.S. economy

2011 Trade in Goods



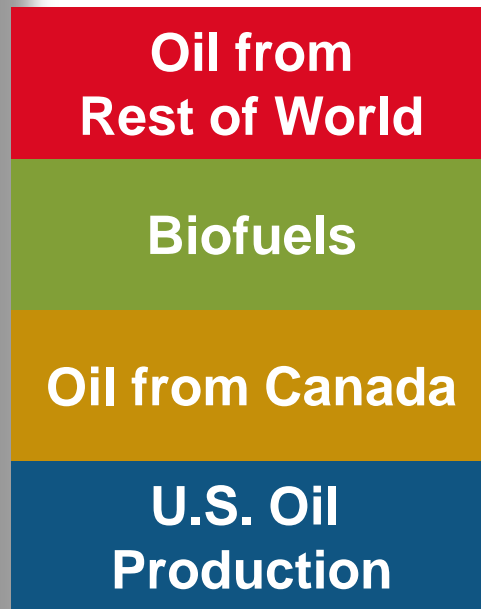
Filling America's tank

Within 10 years Canada and U.S. can provide all our liquid fuel needs

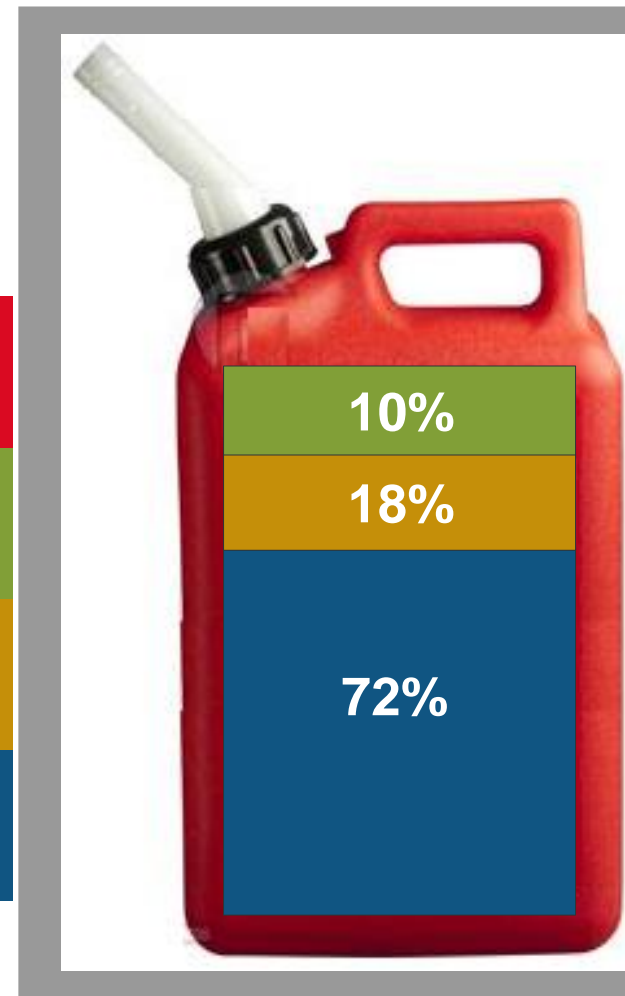


EIA Forecast

Sources of liquid fuel supply in 10 years

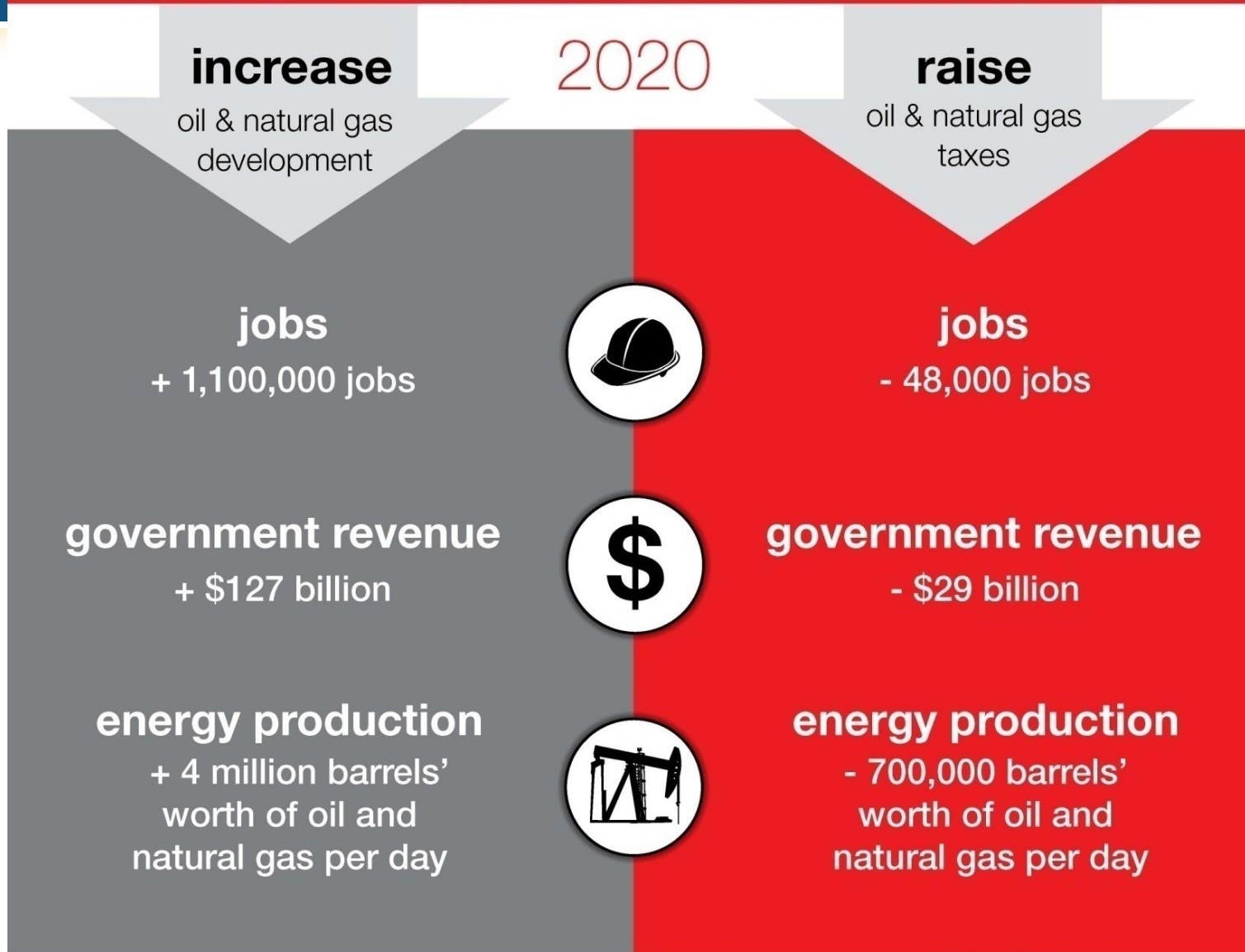


Sources: EIA; Wood Mackenzie



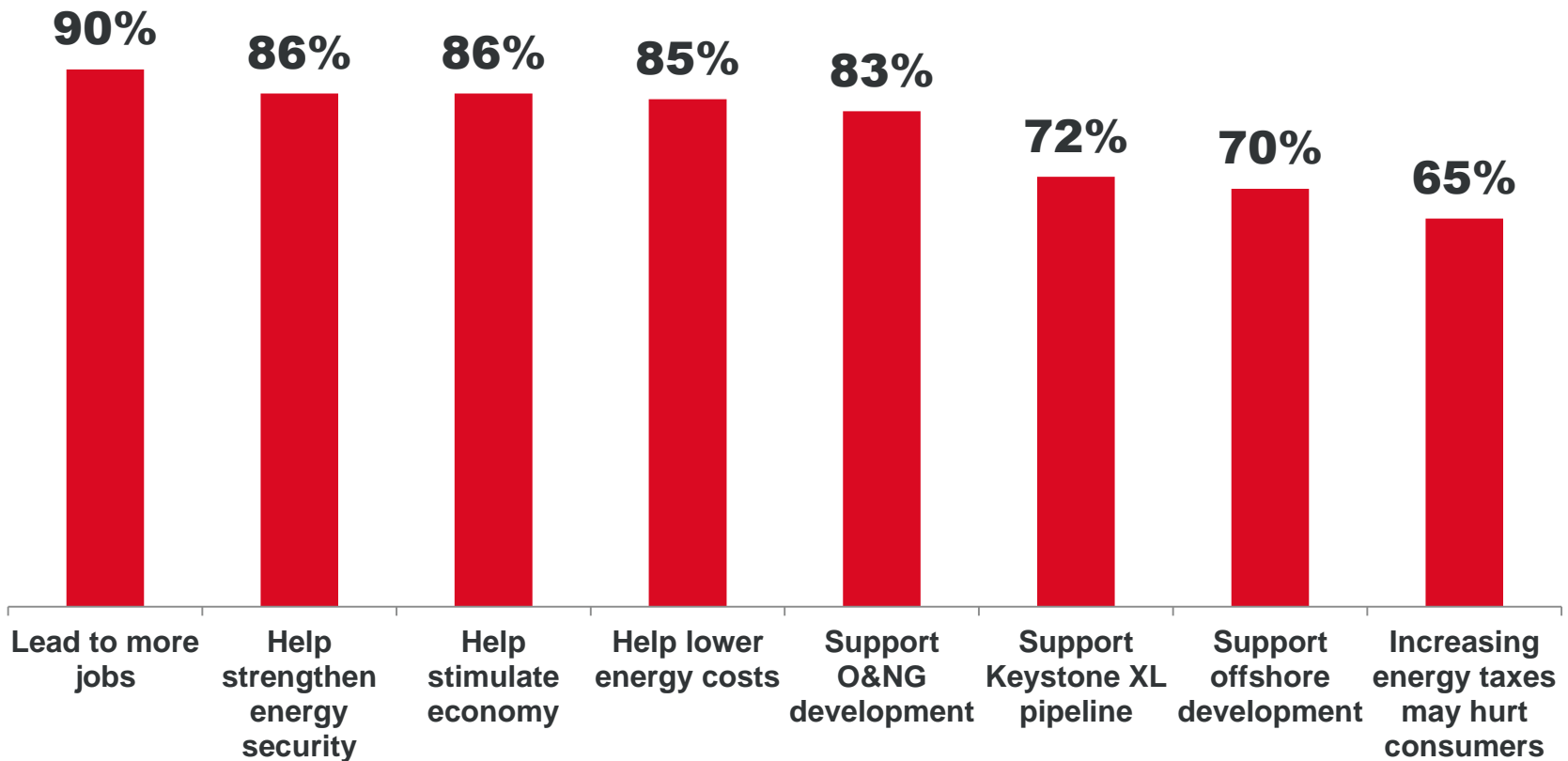
Potential

America's choice



Voters voice strong support for increased domestic oil and natural gas development

Harris Poll Results on Increased U.S. Oil and Natural Gas Development



For more information visit:

www.api.org

www.energytomorrow.org

www.energycitizens.org

