



The Trump Oil Risk Tax:

Driving Up Prices for America's Drivers

***A report prepared by the office of
Senator Edward J. Markey (D-Mass)***

Website: markey.senate.gov

Twitter: [@SenMarkey](https://twitter.com/SenMarkey)

Facebook: facebook.com/EdJMarkey/



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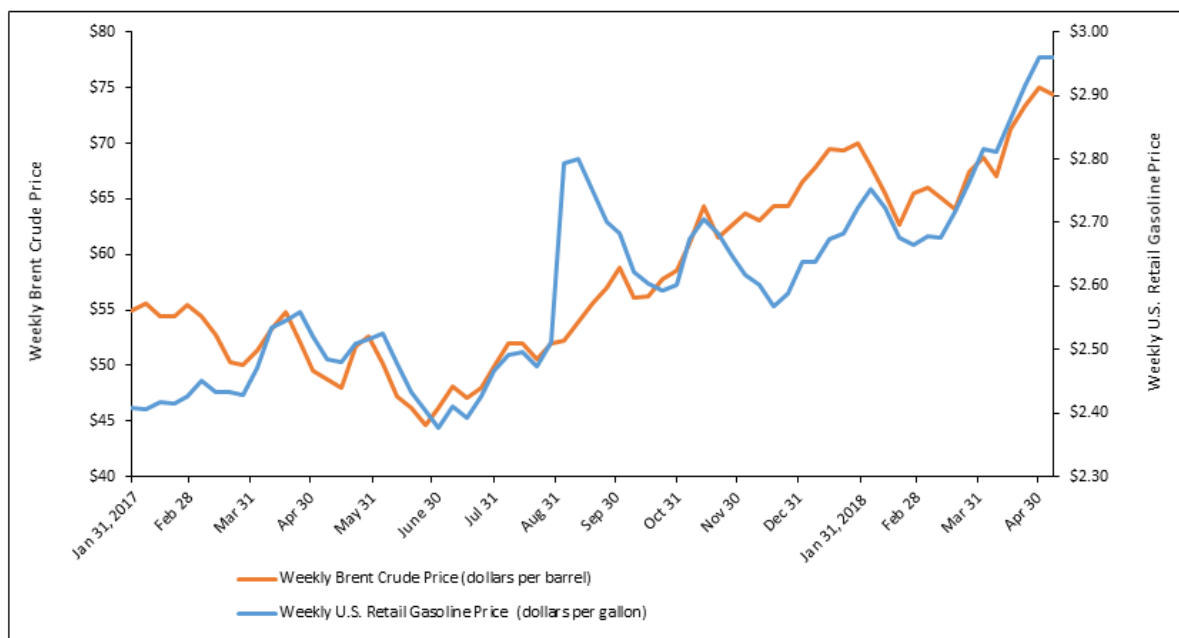
Executive Summary

President Donald Trump and Congressional Republicans are taking actions that have made America less energy secure and harmed consumers at the gas pump. The Trump administration's incoherent foreign policy is roiling oil markets and harming American families.

Despite record oil production, oil and gasoline prices have skyrocketed under President Trump and the current Republican Congress. U.S. gasoline prices have increased nearly 25 percent since President Trump took office.¹ U.S. oil prices (West Texas Intermediate, or WTI) have increased by more than 35 percent since his inauguration.² Similarly, international oil prices (Brent) have risen by more than 40 percent.³

Gasoline prices have risen more than \$0.50 per gallon during the Trump presidency, which

Figure 1. U.S. Gasoline and Brent Crude Prices



*Crude oil prices and gasoline prices have both risen since President Trump was inaugurated.
(Figure data source: EIA 2018)*

¹ U.S. Energy Information Administration, Weekly U.S. Regular All Formulations Retail Gasoline Prices., https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPMPR_PTE_NUS_DPG&f=W (last visited May 12, 2018).

² U.S. Energy Information Administration, Cushing, OK WTI Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/rwtcD.htm> (last visited May 12, 2018).

³ U.S. Energy Information Administration, Europe Brent Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/rbrteD.htm> (last visited May 15, 2018).

means consumers are paying significantly more at the pump now.^{4,5,6} The average consumer is now paying roughly \$350 more per year to fill up at the pump than when President Trump took office.^{7,8,9} President Trump’s incoherent foreign policy has exacerbated geopolitical uncertainty around the globe and roiled oil markets. When combined with rising U.S. exports of American crude, U.S. consumers are more vulnerable to supply disruptions and international oil price increases. This increased vulnerability is leading to higher premiums for Americans at the pump – this is the “Trump oil risk tax.”

For the poorest Americans, this Trump oil risk tax completely wipes out any tax savings from the Republican tax scam. The lowest 40 percent of American earners could see a “tax cut” of a little more than \$200 per person from the recently passed GOP tax plan¹⁰ — those savings will be eclipsed by the Trump oil risk tax.

Some economists estimate that a \$10 increase in the price of each barrel of oil reduces the growth rate of the economy by 0.2 to 0.3 percent.¹¹ Since President Trump took office, oil prices have risen by more than \$20 per barrel.¹²

Because of policies pursued by the current and previous Republican Congress and President Trump, American consumers are paying more at the pump and are increasingly vulnerable to price spikes and supply disruptions:

1. President Trump’s incoherent foreign policy has been driving up oil prices by adding a geopolitical risk premium to prices.
2. Allowing crude oil exports means that historic amounts of U.S. crude are flowing overseas, rather than staying in the U.S. to protect our consumers.

⁴ U.S. Energy Information Administration, Weekly U.S. All Grades All Formulations Retail Gasoline Prices, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W (last visited May 15, 2018).

⁵ U.S. Energy Information Administration, *Frequently Asked Questions: How much gasoline does the United States consume?* (last updated April 9, 2018), <https://www.eia.gov/tools/faqs/faq.php?id=23&t=10>.

⁶ U.S. Department of Transportation, Federal Highway Administration, *Distribution of Licensed Drivers—2016* (September 2017), <https://www.fhwa.dot.gov/policyinformation/statistics/2016/dl20.cfm>.

⁷ U.S. Energy Information Administration, Weekly U.S. All Grades All Formulations Retail Gasoline Prices, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W (last visited May 15, 2018).

⁸ U.S. Energy Information Administration, *Frequently Asked Questions: How much gasoline does the United States consume?* (last updated April 9, 2018), <https://www.eia.gov/tools/faqs/faq.php?id=23&t=10>.

⁹ U.S. Department of Transportation, Federal Highway Administration, *Distribution of Licensed Drivers—2016* (September 2017), <https://www.fhwa.dot.gov/policyinformation/statistics/2016/dl20.cfm>.

¹⁰ Tax Policy Center, *Distributional Analysis of the Conference Agreement for the Tax Cuts and Jobs Act* (December 18, 2017), https://www.taxpolicycenter.org/sites/default/files/publication/150816/2001641_distributional_analysis_of_the_conference_agreement_for_the_tax_cuts_and_jobs_act_0.pdf.

¹¹ Jad Mouawad and Nick Bunkley, *U.S. Economy Is Better Prepared for Rising Gas Costs*, New York Times (March 8, 2011), <https://www.nytimes.com/2011/03/09/business/economy/09gasoline.html>.

¹² U.S. Energy Information Administration, Europe Brent Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/rbrteD.htm> (last visited May 16, 2018).

3. Selling off our strategic oil stockpile means that we have less of an ability to deploy this proven safety net to help consumers and respond to emergencies.
4. Moving to roll back fuel economy standards makes us even more reliant on foreign oil.

Incoherent Foreign Policy Leads to Higher Prices for American Families

Despite increasing domestic oil production, oil prices have skyrocketed since President Trump took office.¹³ Since President Trump was sworn in, the U.S. crude oil benchmark price (WTI), measured in Cushing, Oklahoma, has increased by 35 percent to more than \$70 per barrel.¹⁴ During the same time period, the global crude benchmark price (Brent) has increased by more than 40 percent.¹⁵ This increase in oil prices has translated to an increase in gasoline prices for American consumers of nearly 25 percent since President Trump was inaugurated.¹⁶ This increase of more than \$0.50 per gallon during the Trump presidency means consumers are paying significantly more at the pump now — approximately \$350 more per year.^{17,18,19}

Rising international oil prices have been driven, in part, by a geopolitical risk premium. This risk premium is created by geopolitical uncertainties, such as the withdrawal of the United States from the Iran nuclear deal, Syria's long-running civil war, the ongoing Saudi-Yemeni conflict, and the deteriorating situation in Venezuela. This uncertainty has led to a steady increase in Brent crude prices, which influences gasoline prices in the United States.²⁰

President Trump's decision to withdraw the United States from the Iran nuclear agreement and re-impose sanctions without justifiable cause could make this Trump oil risk tax even worse. Iran produces more than 4.5 million barrels per day — nearly five percent of global oil production.²¹

¹³ Evan Horowitz, *Gas prices are up 15 percent—and they're probably going higher*, Boston Globe (April 23, 2018), <https://www.bostonglobe.com/business/2018/04/23/gas-prices-are-percent-and-they-probably-going-higher/nsq0njNIEV54sMo3lCTUfM/story.html>.

¹⁴ U.S. Energy Information Administration, Cushing, OK WTI Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/rwtcD.htm> (last visited May 15, 2018).

¹⁵ U.S. Energy Information Administration, Europe Brent Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/rbrteD.htm> (last visited May 15, 2018).

¹⁶ U.S. Energy Information Administration, Weekly U.S. All Grades All Formulations Retail Gasoline Prices, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W (last visited May 15, 2018).

¹⁷ U.S. Energy Information Administration, Weekly U.S. All Grades All Formulations Retail Gasoline Prices, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPM0_PTE_NUS_DPG&f=W (last visited May 15, 2018).

¹⁸ U.S. Energy Information Administration, *Frequently Asked Questions: How much gasoline does the United States consume?* (last updated April 9, 2018), <https://www.eia.gov/tools/faqs/faq.php?id=23&t=10>.

¹⁹ U.S. Department of Transportation, Federal Highway Administration, *Distribution of Licensed Drivers—2016* (September 2017), <https://www.fhwa.dot.gov/policyinformation/statistics/2016/dl20.cfm>.

²⁰ U.S. Energy Information Administration, *This Week in Petroleum: Retail gasoline prices this summer are expected to be 11% higher than in summer 2017* (April 11, 2018), https://www.eia.gov/petroleum/weekly/archive/2018/180411/includes/analysis_print.php.

²¹ U.S. Energy Information Administration, *Frequently Asked Questions: What countries are the top producers and consumers of oil?* (last updated April 9, 2018), <https://www.eia.gov/tools/faqs/faq.php?id=709&t=6>.

Sanctions could cut sales of oil from Iran by as much as 300,000 to 600,000 barrels per day.²² That could cause prices to keep rising for American consumers.²³

OPEC Responds (Predictably) to Increases in U.S. Production and Exports

The United States is exporting historic amounts of crude oil to foreign nations.²⁴ But those additional barrels of U.S. crude on world markets are being offset by oil production cuts from the Organization of the Petroleum Exporting Countries (OPEC), Russia, and other nations that are seeking to drive up prices.²⁵ Because of these nations' large market share — OPEC exports alone account for around 60 percent of all petroleum traded internationally — their actions can dramatically influence prices.²⁶

In November 2016, responding to declining global oil prices, OPEC announced an agreement to reduce crude oil production by 1.2 million barrels per day in order to reduce global inventories and put upward pressure on prices.^{27, 28} A month later, 11 non-OPEC countries, led by Russia, announced plans to further cut production by more than half a million barrels per day in total.²⁹ This means that OPEC, Russia, and other nations are attempting to reduce daily world crude oil production by more than 1.7 million barrels per day through December 2018.³⁰ OPEC has surprised markets by actually exceeding this target, reducing output by 1.9 million barrels per day.³¹

The goal of this coordinated effort by OPEC and Russia was to reduce oil inventories in the United States and other Organisation for Economic Co-operation and Development (OECD) countries to their five-year averages and to drive up prices through limited international supply.³² This effort to reduce commercial oil stockpiles has been successful — U.S. and OECD

²² Stanley Reed and Matt Phillips, *U.S. Oil Prices Hit \$70 a Barrel for First Time Since '14*, New York Times (May 7, 2018), <https://www.nytimes.com/2018/05/07/business/energy-environment/crude-oil-prices.html>.

²³ Steven Mufson, *What Trump's decision on Iran nuclear deal means for oil prices*, Washington Post (May 7, 2018), https://www.washingtonpost.com/business/economy/what-trumps-decision-on-iran-nuclear-deal-means-for-oil-prices/2018/05/07/c202d2be-4fcf-11e8-b725-92c89fe3ca4c_story.html?utm_term=.b4558ceb50f4.

²⁴ Laura Blewitt, *The U.S. Is Exporting Oil and Gas at a Record Pace*, Bloomberg (December 12, 2017), <https://www.bloomberg.com/news/articles/2017-12-12/u-s-fuels-the-world-as-shale-boom-powers-record-oil-exports>.

²⁵ Phillip Brown, *OPEC and Non-OPEC Crude Oil Production Agreement: Compliance Status*, Congressional Research Service (April 26, 2018), <http://www.crs.gov/Reports/IN10892>.

²⁶ U.S. Energy Information Administration, *Energy & Financial Markets: What Drives Crude Oil Prices?*, <https://www.eia.gov/finance/markets/crudeoil/supply-opec.php> (last visited May 11, 2018).

²⁷ Phillip Brown, *OPEC and Non-OPEC Crude Oil Production Agreement: Compliance Status*, Congressional Research Service (April 26, 2018), <http://www.crs.gov/Reports/IN10892>.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

inventories are back to their five-year averages.³³ Private commercial stockpiles, which increased when oil prices were low,³⁴ help protect oil markets from price shocks.³⁵ With inventories down, the risk of a geopolitical shock impacting oil prices and American consumers is higher than ever. This coordinated effort by OPEC to drive down oil supplies makes us even more susceptible to geopolitical risk premiums that drive up prices. Saudi Arabia and Russia are expected to attempt to extend crude oil production cuts beyond December 2018, further increasing American vulnerabilities.³⁶

The United States Exports Historic Amounts of Crude But is Still Dependent on OPEC

U.S. crude oil exports reached 2.3 million barrels per day in April 2018, even as the United States still imported nearly 3.5 million barrels of crude oil and petroleum products per day on a net basis.³⁷ In fact, despite sending an ever-increasing share of U.S. crude oil to foreign nations such as China, which receives nearly 25 percent of U.S. crude exports,³⁸ we remain reliant on OPEC for approximately 2.5 million barrels of oil every day.³⁹

U.S. crude oil exports were made possible by the Republican 114th Congress, which repealed the 40-year-old export ban as part of the omnibus appropriations bill in December 2015.⁴⁰ The export ban, which Congress enacted in 1975 through Section 103 of the Energy Policy and Conservation Act, was a response to the Arab oil embargo that took place during the early 1970s.⁴¹

Repealing the oil export ban became a prominent goal of the oil industry and Republicans in Congress after increasing U.S. light oil production and transportation bottlenecks resulted in domestic oil prices that were as much as \$30 per barrel lower than international prices — a

³³ Alex Lawler, *With glut almost gone, OPEC still cuts more than oil pact demands*, Reuters (May 14, 2018), <https://www.reuters.com/article/us-opec-oil/with-glut-almost-gone-opec-still-cuts-more-than-oil-pact-demands-idUSKCN1IF1AQ>.

³⁴ U.S. Energy Information Administration, *Weekly U.S. Ending Stocks excluding SPR of Crude Oil*, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WCESTUS1&f=W> (last visited May 11, 2018).

³⁵ U.S. Energy Information Administration, *This Week in Petroleum: U.S. crude oil inventories increase as WTI contango deepens* (March 11, 2015), https://www.eia.gov/petroleum/weekly/archive/2015/150311/includes/analysis_print.php.

³⁶ Patti Domm, *Oil prices vulnerable to 'super spikes' again as geopolitics heats up*, CNBC (April 13, 2018), <https://www.cnbc.com/2018/04/13/oil-prices-again-vulnerable-to-super-spikes-as-geopolitics-heat-up-and-oil-glut-fades.html>.

³⁷ U.S. Energy Information Administration, *U.S. Net Imports of Crude Oil and Petroleum Products*, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=mtntus2&f=a> (last visited May 11, 2018).

³⁸ U.S. Energy Information Administration, *Exports by Destination*, https://www.eia.gov/dnav/pet/pet_move_expc_dc_NUS-NCH_mbbldpd_m.htm (last visited May 11, 2018).

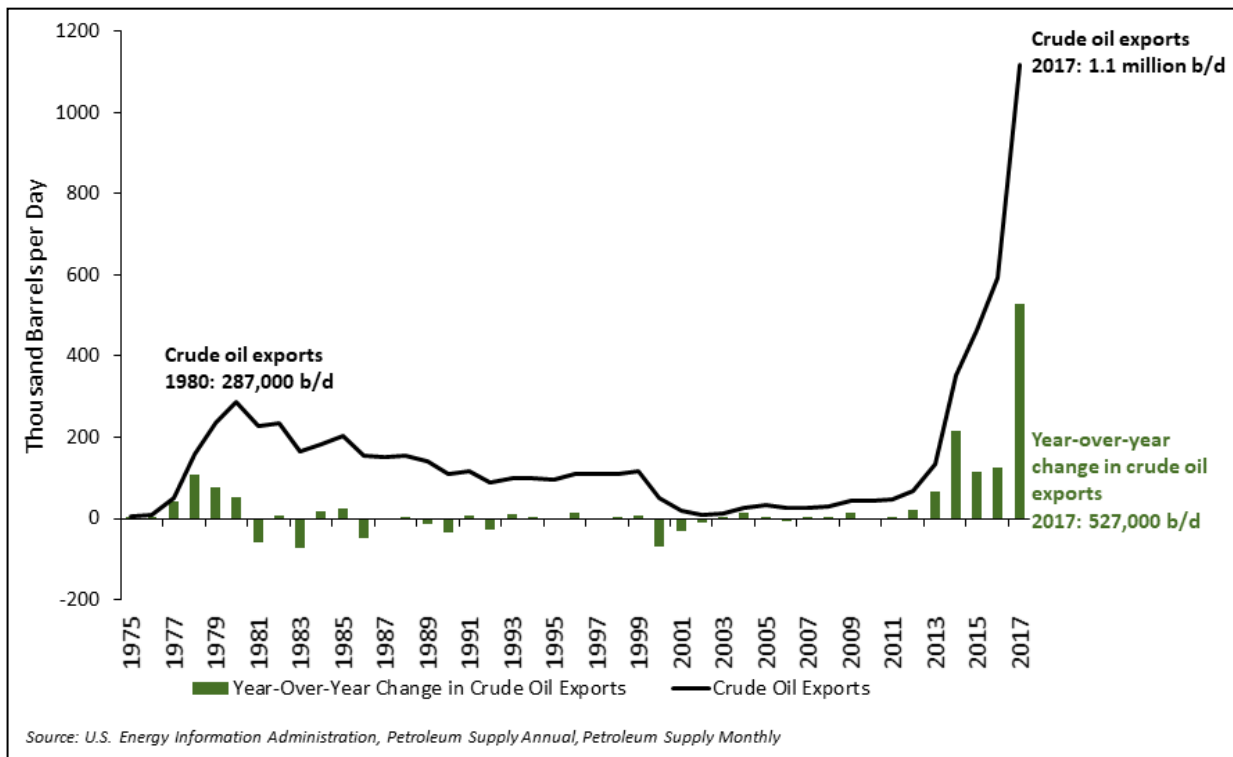
³⁹ U.S. Energy Information Administration, *U.S. Imports by Country of Origin*, https://www.eia.gov/dnav/pet/pet_move_impcus_d_nus_ME0_mbbldpd_m.htm (last visited May 11, 2018).

⁴⁰ *Consolidated Appropriations Act of 2016*, P.L. 114-113.

⁴¹ Sidley Austin LLP, *United States Repeals Ban on Export of Crude Oil* (January 4, 2016), <https://www.sidley.com/en/insights/newsupdates/2016/01/united-states-repeals-ban-on-export-of-crude-oil>.

significant price differential.⁴² Big oil companies led the push to lift the crude oil export ban amid projections from the Energy Information Administration that doing so would lead to as much as \$175 billion in new revenue for the oil industry over the next decade, and up to \$500 billion over the next twenty years.⁴³

Figure 2. U. S. Crude Oil Exports



Exports of crude oil have skyrocketed since the lifting of the oil export ban in 2015, which is projected to generate \$25 billion in new revenue for the oil industry in 2025.⁴⁴ (Figure source: EIA 2018 [modified])

Big Oil’s efforts to lift the ban on exporting American crude came despite studies showing that U.S. consumers were benefiting from oil prices that were lower in the United States than on the international market. In fact, studies showed that U.S. consumers were seeing benefits upwards of \$10 billion per year.⁴⁵

⁴² Phillip Brown et al., *Crude Oil Exports and Related Provisions in P.L. 114-133: In Brief*, Congressional Research Service (February 22, 2016),

<http://www.crs.gov/Reports/R44403?source=search&guid=9b70d955a249455ebf8c271dbb61c28d&index=2>.

⁴³ U.S. Energy Information Administration, *Effects of Removing Restrictions on U.S. Crude Oil Exports*, (September 2015), <https://www.eia.gov/analysis/requests/crude-exports/pdf/fullreport.pdf>.

⁴⁴ U.S. Energy Information Administration, *Effects of Removing Restrictions on U.S. Crude Oil Exports*, (September 2015), <https://www.eia.gov/analysis/requests/crude-exports/pdf/fullreport.pdf>.

⁴⁵ Paul Y. Cheng, *Crude Export Ban: Impact on Gasoline Prices, 2015 Edition*, Barclays (May 13, 2015), http://oilexports.com/wp-content/uploads/2015/06/Barclays_Oil_Exports_5.2015.pdf.

Now that American crude can simply be exported, any widening of the spread between Brent and WTI prices will simply increase market pressure to export more American crude.⁴⁶ That is precisely what has happened in recent months, as the spread has widened and U.S. oil exports have increased. On May 16, the price of Brent crude oil exceeded \$80 per barrel for the first time since November 2014.⁴⁷ WTI is currently priced at \$72 per barrel,⁴⁸ and the Brent/WTI spread is at the highest level since the U.S. crude oil export ban was lifted in December 2015.⁴⁹ The increased Brent/WTI spread creates even more incentive to export U.S. crude⁵⁰ and pushed exports up to 2.6 million barrels per day, while further shrinking U.S. private crude inventories.⁵¹ And now, uncertainty over U.S. sanctions on Iran and the deteriorating situation in Venezuela are continuing to send prices higher and making additional sales of U.S. held private crude oil stocks even more likely.

Allowing U.S. oil exports also means that American consumers are more closely linked to increases in international oil prices as a result of geopolitical uncertainty. President Trump is a major factor in some of this uncertainty, leading to the Trump oil risk tax that then gets passed on to consumers.

Rather than sending American crude oil abroad to benefit Big Oil's bottom line and foreign nations such as China, it should be kept here to help insulate consumers from geopolitical uncertainty and benefit American families.

Depleting the Strategic Petroleum Reserve

The Strategic Petroleum Reserve (SPR) is one of the most effective tools that we have to combat speculation in oil markets and help protect American families. Authorized by the Energy Policy and Conservation Act of 1975, the SPR is a domestic petroleum stockpile designed to protect American consumers from spikes in energy prices that could result from geopolitical conflicts, natural disasters, or other disruptions to energy supplies.⁵² When the SPR has been used strategically in the past, it has driven down prices:

⁴⁶ U.S. Energy Information Administration, *Effects of Removing Restrictions on U.S. Crude Oil Exports* (September 1, 2015), <https://www.eia.gov/analysis/requests/crude-exports/>.

⁴⁷ Tom DiChristopher, *Brent crude oil tops \$80 a barrel as market grows more concerned about Iran sanctions*, CNBC (May 16, 2017), <https://www.cnbc.com/2018/05/16/oil-markets-brent-edges-closer-to-80-per-barrel-on-tight-market.html>.

⁴⁸ *Id.*

⁴⁹ Bloomberg Terminal (last visited May 17, 2018).

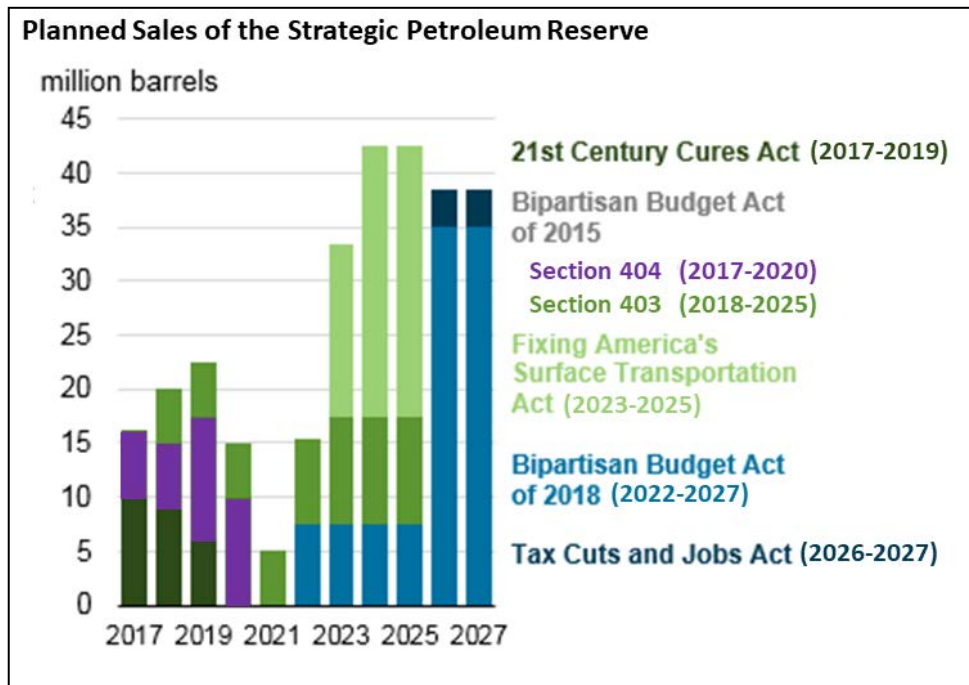
⁵⁰ Tim Daiss, *The US is about to be the world's biggest oil exporter*, Business Insider (May 6, 2018), <http://www.businessinsider.com/us-will-export-oil-most-in-world-2018-5>.

⁵¹ *U.S. crude stocks fall, exports hit a record high: EIA* (May 16, 2018), <https://www.reuters.com/article/us-usa-oil/us-crude-stocks-fall-exports-hit-a-record-high-eia-idUSKCN1IH1ZN>.

⁵² Robert Pirog, *The Strategic Petroleum Reserve: Authorization, Operation, and Drawdown Policy*, Congressional Research Service (May 1, 2017), <http://www.crs.gov/Reports/R42460?source=search&guid=5fc4e65cf23f4b3dad11629653f36eba&index=1>.

- When President George H. W. Bush deployed oil from the SPR in 1991, Brent crude oil prices dropped by almost **27 percent** over the following week.⁵³
- When President Bill Clinton conducted a timed exchange of oil from the SPR in 2000, it drove prices down by **ten percent** in a week's time.⁵⁴
- When President George W. Bush released oil from the reserve in 2005 following Hurricane Katrina, oil prices over the next two weeks fell by more than **eight percent**.⁵⁵
- When the IEA coordinated the release of oil stockpiles to offset production loss due to conflict in Libya in 2011, oil prices decreased by **eight percent** from the day before the release to the day after the release.⁵⁶

Figure 3. Republican Laws Draining the Strategic Petroleum Reserve



Five Republican-led laws mandate the sale of 266 millions of barrels of oil from the Strategic Petroleum Reserve over the next ten years. (Figure source: EIA 2018 [modified])

Dangerously, since the passage in 2015 of the Bipartisan Budget Act — which also lifted the oil export ban — Republicans in Congress have mandated the sale of more than a third of the SPR oil to pay for unrelated measures. In addition to the 2015 Bipartisan Budget Act, SPR sales were mandated in the Fixing America's Surface Transportation Act of 2015, the 21st Century Cures Act of 2016, the Tax Cuts and Jobs Act of 2017, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act of 2018. At the end of 2017, the SPR held 662.8 million barrels of crude oil. However, 266 million barrels have now been obligated for sale through legislation

⁵³ U.S. Energy Information Administration, Europe Brent Spot Price FOB, <https://www.eia.gov/dnav/pet/hist/rbrteD.htm> (last visited May 15, 2018).

⁵⁴ *Id.*

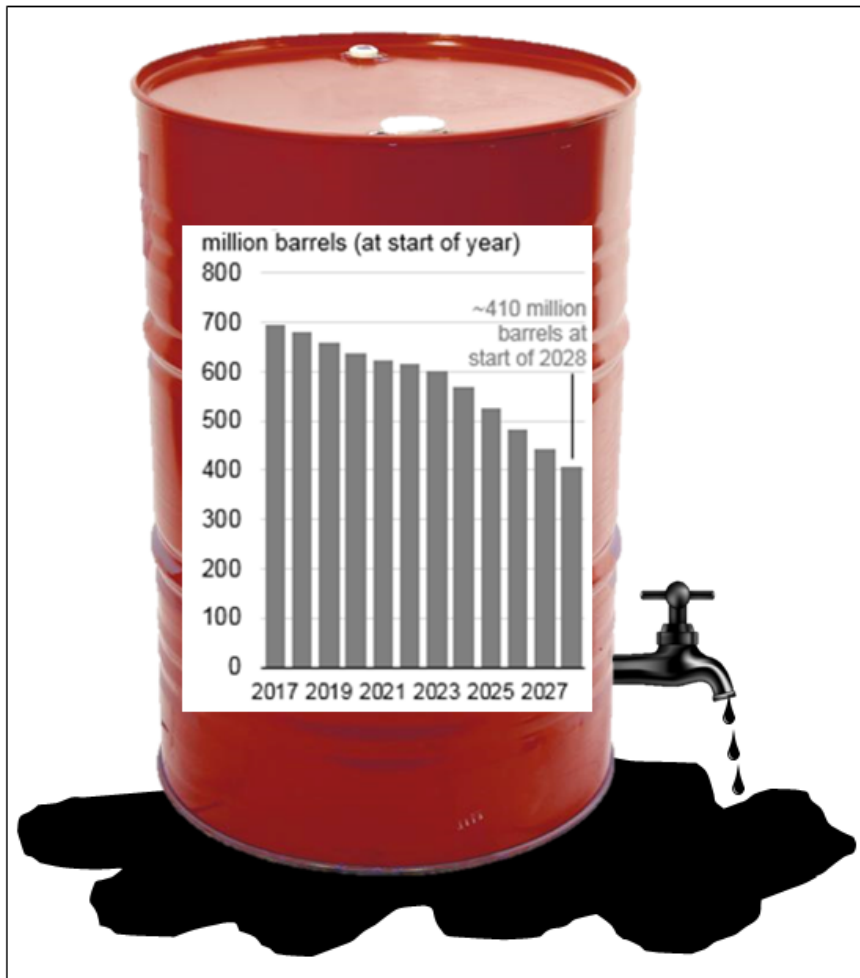
⁵⁵ *Id.*

⁵⁶ *Id.*

and will be sold over the next ten years.⁵⁷ This means that our ability to use the SPR to protect consumers in the event of an emergency has been diminished.

President Trump has also argued that we should sell off even more of the SPR to reduce the size of the deficit that he and the Republican-led Congress fueled with the passage of their tax plan in 2017. In his requested budget for Fiscal Year 2018, President Trump proposed selling off 270 million additional barrels from the reserve by 2027, which represented around half of the unobligated SPR inventory at the time.⁵⁸ This sale would be used to reduce the federal deficit by \$16.6 billion.⁵⁹

Figure 4. The Strategic Petroleum Reserve is Being Depleted



As Republicans drain the Strategic Petroleum Reserve to finance their agenda, the stockpile will continue to fall. (Figure source: EIA 2018 [modified])

⁵⁷ Robert Pirog, *Reconsidering the Strategic Petroleum Reserve*, Congressional Research Service (April 5, 2018), <http://www.crs.gov/Reports/IF10869?source=search&guid=5fc4e65cf23f4b3dad11629653f36eba&index=0>.

⁵⁸ U.S. Department of Energy, *Department of Energy, FY 2018 Congressional Budget Request: Budget in Brief* (May 2017), https://www.energy.gov/sites/prod/files/2017/05/f34/FY2018BudgetinBrief_3.pdf.

⁵⁹ Steven Mufson and Chris Mooney, *Trump seeks to sell off half of the Strategic Petroleum Reserve*, Washington Post (May 23, 2017), https://www.washingtonpost.com/news/energy-environment/wp/2017/05/22/trump-seeks-to-sell-off-half-of-the-strategic-petroleum-reserve/?utm_term=.fa34b03c0517.

This Republican idea of selling off our nation’s oil stockpile did not just magically appear. The Heritage Foundation, a conservative think tank, has advocated for the dissolution of the SPR for the past several years. In August 2015, the Heritage Foundation published a report that advocated for “pulling the plug” on the SPR.⁶⁰ The report argues that the U.S. should “withdraw from the Agreement on an International Energy Program and Congress should authorize the Department of Energy (DOE) to sell off the entire reserve, specifying that the revenues generated go solely toward deficit reduction.”⁶¹

On November 18, 1974, the United States signed the Agreement on an International Energy Program, which was most recently amended on February 17, 2018.⁶² In the Energy Policy and Conservation Act of 1975, the president was given the power to make rules as necessary for implementing the International Energy Program. As a member of the International Energy Agency (IEA), the United States is committed to maintaining an oil stockpile that is at least equivalent to 90 days of the previous year’s net imports. This responsibility is delineated in Chapter I, Article 2 of the Agreement on an International Energy Program, and expanded upon in the Annex to that agreement.

In 2017, the U.S. imported a net average of 3.73 million barrels of crude oil and petroleum per day.⁶³ To meet its IEA responsibilities through government stockpiles, the U.S. needs to have at least 336 million barrels in the SPR during 2018. Given the barrels of oil from the SPR that have now been obligated for sale through acts of Congress, questions must be asked about what would happen in the event that the United States needed to deploy significant quantities of oil from the SPR to respond to international events and protect American consumers and our economy.

Lowering Fuel Economy Standards Could Further Hurt Consumers

Environmental Protection Agency (EPA) Administrator Scott Pruitt’s recent determination to weaken fuel economy emissions standards for cars and light trucks will further exacerbate the pain felt at the pump by American consumers over the coming decade. A draft proposal submitted to the White House reportedly described plans to freeze fuel economy standards at 2020 levels — 37 miles per gallon⁶⁴ — through 2025 as the “preferred option.”⁶⁵ Freezing

⁶⁰ Nicolas Loris, *Why Congress Should Pull the Plug on the Strategic Petroleum Reserve*, The Heritage Foundation (August 20, 2015), <https://www.heritage.org/environment/report/why-congress-should-pull-the-plug-the-strategic-petroleum-reserve>.

⁶¹ *Id.*

⁶² International Energy Agency, *Agreement on an International Energy Program* (February 17, 2018), <https://www.iea.org/media/about/IEP.pdf>.

⁶³ U. S. Energy Information Agency, U.S. Net Imports of Crude Oil and Petroleum Products, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=mtntus2&f=a> (last visited April 30, 2018).

⁶⁴ Letter from U.S. Senator Tom Carper to U.S. Department of Transportation Secretary Elaine L. Chao and Environmental Protection Agency Administrator Scott Pruitt (May 1, 2018), https://www.epw.senate.gov/public/_cache/files/7/2/72b2d596-d456-483a-8c8a-ba4bfea4a145/BE7A29D9A17B01162A7DA6FEE7C2A0BA.05012018-carper-letter-chao-pruitt-draft-fuel-economy-tailpipe-emissions.pdf.

⁶⁵ Kate Larsen et al., *Sizing Up a Potential Fuel Economy Standards Freeze*, Rhodium Group (May 3, 2018), <https://rhg.com/research/sizing-up-a-potential-fuel-economy-standards-freeze/>.

standards would increase annual American oil demand by 126,000 to 283,000 barrels per day by 2025, depending on oil prices; by 2035, the additional cumulative fuel cost passed onto drivers is projected to range from \$193 to \$236 billion.⁶⁶

If the standards are kept at the 2020 level, an additional 10.7 billion gallons of gasoline would be used in 2030 and an additional 2.2 billion metric tons of carbon dioxide would be emitted from 2021 to 2040, compared to the current program.⁶⁷

Lower fuel economy in passenger vehicles means consumers will spend more money at the pump. Because nearly three-quarters of all U.S. petroleum consumption occurs in the transportation sector,⁶⁸ we will need to import even more oil from unstable regions of the world. Combine that with higher crude oil prices, which could lead to higher gasoline prices, and you've got a mess that will dramatically impact consumers.

Higher Gasoline Prices are Hurting Consumers

Right now, U.S. gasoline prices are higher than at any point since 2014.⁶⁹ Over 2018, the average household is expected to spend \$300 more on gasoline compared to 2017.^{70,71} For low-income families, who spend a larger proportion of their income on gasoline and oil (about eight percent),⁷² this increase could be especially harmful and will more than negate any gains low-income Americans may have acquired from the recent Republican tax cut.^{73,74} The poorest single-vehicle rural households are the least able to respond to higher gas prices and adjust travel patterns, which leaves those families most vulnerable to rising gas prices.⁷⁵

⁶⁶ *Id.*

⁶⁷ Environmental Defense Fund, *Impacts of Weakening the Existing EPA Phase 2 GHG Standards* (April 2018), <http://blogs.edf.org/climate411/files/2018/04/MTE-Relaxation-Impacts-Final.pdf>.

⁶⁸ U.S. Energy Information Administration, *Oil: Crude and Petroleum Products Explained*, https://www.eia.gov/energyexplained/index.php?page=oil_use (last visited May 14, 2018).

⁶⁹ U.S. Energy Information Administration, *This Week in Petroleum: Retail gasoline prices this summer are expected to be 11% higher than in summer 2017* (April 11, 2018), https://www.eia.gov/petroleum/weekly/archive/2018/180411/includes/analysis_print.php.

⁷⁰ U.S. Energy Information Administration, *U.S. household spending for gasoline is expected to remain below \$2,000 in 2017* (October 6, 2017), <https://www.eia.gov/todayinenergy/detail.php?id=33232>.

⁷¹ U.S. Energy Information Administration, *Summer gasoline prices expected to be highest in four years* (April 12, 2018), <https://www.eia.gov/todayinenergy/detail.php?id=35752>.

⁷² Ethan Wolff-Mann, *Gas prices will likely wipe out Trump Tax cut gains for millions*, Yahoo! Finance (April 18, 2018), <https://finance.yahoo.com/news/gas-prices-will-likely-wipe-trump-tax-cut-gains-millions-184342213.html>.

⁷³ Isabel V. Sawhill, *How Higher Gas Prices Hurt Less Affluent Consumers and the Economy*, Brookings Institution (March 6, 2012), <https://www.brookings.edu/opinions/how-higher-gas-prices-hurt-less-affluent-consumers-and-the-economy/>.

⁷⁴ Lev Borodovsky, *The Daily Shot: Rising Gas Prices More Than Offset Tax Cuts for Low-Income Americans*, Wall Street Journal (April 19, 2018), <https://blogs.wsj.com/dailyshot/2018/04/19/the-daily-shot-rising-gas-prices-more-than-offset-tax-cuts-for-low-income-americans/>.

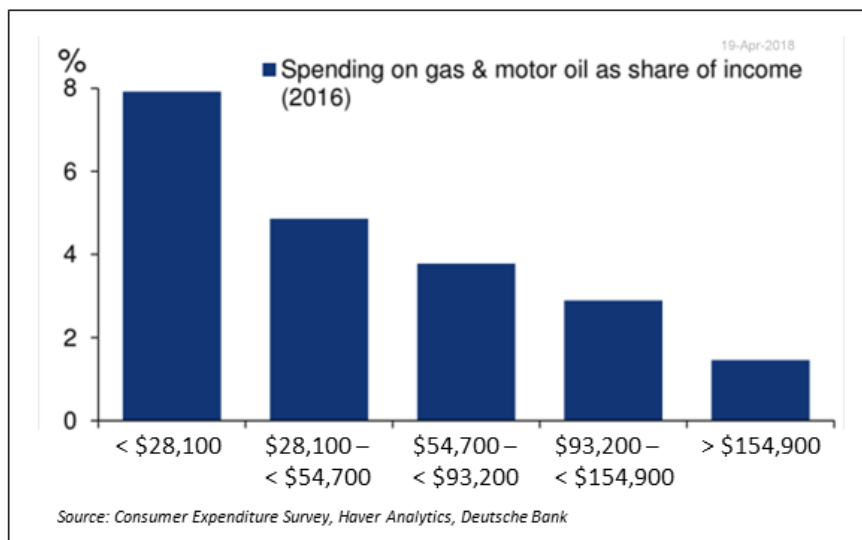
⁷⁵ Dan Brand, *Impacts of Higher Fuel Costs*, U.S. Department of Transportation Federal Highway Administration, <https://www.fhwa.dot.gov/policy/otps/innovation/issue1/impacts.cfm> (last visited May 18, 2018).

Low-income families not only spend a higher percentage of their income on gasoline but also benefit far less from the tax bill. For the bottom 20 percent of families by income, gains from the tax bill totaled only about \$50.⁷⁶ The economic benefits from the tax bill for these families are small enough to have already been erased by the increase in gasoline prices that we have seen under President Trump.⁷⁷ According to an analysis conducted by Deutsche Bank, if gasoline prices were to rise to \$3.81, benefits from the tax cut would be completely cancelled out for all income classes.

Consumers are Bearing All of the Costs and Getting None of the Benefits

As Big Oil and its allies in Congress have increasingly tried to shift the conversation away from “energy independence” to “energy dominance,” cheap American oil has increasingly flowed

Figure 5. American Household Spending on Gasoline Products



Lower income Americans stand to feel the hit of higher gasoline prices even more. Among the bottom 20 percent of families by income, eight percent of annual income is spent on gas and oil, and that percentage will increase further if prices continue to rise.⁷⁸

Americans spend on average approximately \$2,000 per year on gasoline.⁷⁹ An uptick in prices for 2018 could raise that amount by \$300 for every household with a car.^{80,81} (Figure source: Deutsche Bank 2018; income quintile source: Urban-Brookings Tax Policy Center 2017)

⁷⁶ Ethan Wolff-Mann, *Gas prices will likely wipe out Trump Tax cut gains for millions*, Yahoo! Finance (April 18, 2018), <https://finance.yahoo.com/news/gas-prices-will-likely-wipe-trump-tax-cut-gains-millions-184342213.html>.

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ U.S. Energy Information Administration, *U.S. household spending for gasoline is expected to remain below \$2,000 in 2017* (October 6, 2017), <https://www.eia.gov/todayinenergy/detail.php?id=33232>.

⁸⁰ *Id.*

⁸¹ U.S. Energy Information Administration, *Summer gasoline prices expected to be highest in four years* (April 12, 2018), <https://www.eia.gov/todayinenergy/detail.php?id=35752>.

away from domestic markets. This means big profits for large multinational oil companies and their shareholders, while American consumers miss out at the pump on the benefits of increasing domestic oil production and still bear the health and environmental costs of that production.

The path that brought us here is littered with broken promises by President Trump and Republicans in Congress, and the result is that American families are being squeezed at the gas pump. President Trump's decision to withdraw the United States from the Iran nuclear deal has been the latest shock to oil markets, but it is just one piece of the puzzle. Consumers have not seen the dividends they were promised — instead, those benefits are going to Big Oil and foreign nations. Lifting the oil export ban and reducing our oil stockpiles have not allowed the United States to drive the price of oil or to keep gasoline prices low. The final broken promise is the Trump administration's attacks on the fuel economy emissions standards. With so much uncertainty on the horizon, the damage for American consumers may have only just begun.

What We Can Do to Protect American Families

There are some immediate actions we need to take to try and repair the broken promises that Republicans in Congress and President Trump made to American consumers.

First, Congress should reinstate the crude oil export ban to ensure that American crude stays here, insulates us to the greatest extent possible from global shocks, and protects American consumers at the pump.

Second, we must ensure that the Department of Energy is properly assessing the status of the Strategic Petroleum Reserve. This assessment should include: the implications for energy security and American consumers of the drawdowns already mandated by Congress; whether the department is contemplating further SPR selloffs at the behest of conservative think tanks; and what the depletion of the SPR means for our international commitments and oil markets going forward.

And finally, the Trump administration should abandon its plans to roll back the historic fuel economy emissions standards that help consumers save money and reduce our dependence on foreign oil.

Only by keeping American oil here at home will we be able to achieve the kind of American energy independence that President Trump's policies undermine every day.