Lifting U.S. Crude Oil Ban Threatens USW Refinery Jobs

A proposal from Sen. Lisa Murkowski, R-Alaska, to remove the 39-year ban on U.S. crude oil exports could result in a loss of USW refinery jobs, higher prices at the pump, a threat to national security and increased environmental degradation.

Politicians, the U.S. Chamber of Commerce, the American Petroleum Institute and major oil companies are pushing for the end of the 1975 export ban. Sen. Murkowski initiated the debate with a Jan. 7 speech, arguing that the Obama administration could change the policy, perhaps by determining that the American light, sweet crude cannot “reasonably be marketed” in the U.S.—an exception to the 39-year-old export ban.

“Lifting the crude oil export ban would harm U.S. refineries and workers,” said International Vice President Gary Beevers. “Oil companies that engage in exploration and production would reap huge profits at the expense of their refining units that have to buy oil on the open market. Also harmed would be independent refiners that do not engage in oil exploration.”

Large refiners like Valero and smaller refiners such as Philadelphia Energy Solutions and PBF Energy have invested billions in their domestic operations to produce oil products for here at home and for export. They oppose changing the current system.

While many U.S. refiners process heavier crude, some are upgrading their facilities to handle the lighter, sweeter varieties found in the U.S.

With domestic refining capacity running at an 88.7 percent utilization rate, U.S. refiners could process a lot more American crude than they do at present. So that diminishes the need to remove the ban.

Refinery Economics

Lifting the crude export ban would ruin U.S. refinery economics. Currently, U.S. refiners are enjoying low prices for American crude. In the last few months the price for U.S. crude has been as much as $20-$25 a barrel lower than that of international crudes. Crude from shale formations across the country can only be marketed to U.S. refineries, so the price is low because there is no competition from other buyers to purchase the American crude.

Everything changes when the export ban is gone. More buyers raise the price of crude. American refiners will be paying more for U.S. crude because of the greater demand for it. A larger worldwide supply, however, will lower the cost for overseas refiners who had been paying more previously because the supply was smaller.

Confronted with higher crude oil expenses, U.S. refiners would have to raise their prices for petroleum products. So the cost at the pump for gasoline and diesel fuel would rise. Higher fuel prices increase the cost of everything we buy and less economic activity is the result as people cannot afford the gas to travel. It is a domino effect.

Lost Jobs

If U.S. refiners have to pay a higher price for crude, their profits decrease. If they cannot make a decent return on their investment or their losses mount, they will shut down their facilities.

Shutting down a refinery impacts an entire community. Not only are direct refinery jobs lost, but indirect ones are gone as well. These are jobs at suppliers for the refinery, contractors and businesses that refinery employees patronize. Studies show that there are up to 10 secondary jobs created for each direct job at a refinery.

Remember the former Sunoco refinery in Philadelphia? Sunoco was going to shut it down in 2012 because their only supply of crude oil came from overseas and the market had jacked the price up so much that the company couldn’t afford to operate anymore.

Thanks to the USW and the hard work of the Local 10-1 membership, a buyer was found and now the refinery is owned by Philadelphia Energy Solutions. The plant now gets its raw crude from the Bakken Shale in North Dakota. The USW saved 2,500 direct refinery jobs and up to 25,000 jobs dependent on business from the refinery and its workers.

Competing Against Cheap Labor

Paying lower prices for crude because of the U.S. energy boom gives U.S. refiners a competitive edge over refiners overseas. But if the crude oil export ban is lifted, U.S. refiners would have to compete against overseas refiners that have lower crude oil costs and labor, safety and environmental standards that are not equivalent to those found in the U.S.

This could lead to more oil product imports and fewer U.S. refinery jobs as refineries close and turn into oil product terminals.

The U.S. Bureau of Labor Statistics (BLS) reports approximately 117,000 jobs in the refining and coal processing (continued on next page)
A senior Unite official gets a favorable interim finding which gives Mr. Lyon some financial security until the full tribunal where all the evidence will be heard.

"It is a shot in the arm for workers across the country and sends out a clear message that they can be a member of a trade union and represent other workers without fear of victimization.

"Ineos needs to drop its hostility to the work force and ensure there is no victimization of workplace representatives before the brain drain of skills at the site becomes a flood that threatens the site’s survival. "Ineos should be in no doubt that we will continue to fight for our members at Grangemouth and pay heed to the interim finding by starting to work with the representatives the work force has chosen."

Of course, the company says it did an investigation and followed the contract when dismissing Lyon.

Last year, Ineos threatened to close part of the petrochemical/refinery complex if workers did not agree to a rescue package to help secure the site’s future.

Unite is Britain and Ireland’s largest trade union with over 1.4 million members working across all sectors of the economy. The USW and Unite forged a partnership called Workers Uniting in July 2008 at the USW convention.

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